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

2019
ANNUAL REPORT

Healthy Life with Summi

CONTENTS

Corporate Information

DIRECTORS

Executive Directors

Mr. Wu Shaohao (Chairman)
Mr. Wu Liantao

Independent Non-Executive Directors

Mr. Kyaw Sai Hong HKCPA (practising)
Mr. Ma Chi Kin Kenneth CFA, CAIA, MRICS
Mr. Chen Ying

COMPANY SECRETARY

Mr. Lee Kwok Lun HKCPA (practising), FCCA, ACIS, ACS

AUTHORISED REPRESENTATIVES

Mr. Wu Liantao
Mr. Lee Kwok Lun HKCPA (practising), FCCA, ACIS, ACS

AUDIT COMMITTEE

Mr. Kyaw Sai Hong (Chairman) HKCPA (practising)
Mr. Ma Chi Kin Kenneth CFA, CAIA, MRICS
Mr. Chen Ying

REMUNERATION COMMITTEE

Mr. Chen Ying (Chairman)
Mr. Wu Shaohao
Mr. Ma Chi Kin Kenneth CFA, CAIA, MRICS

NOMINATION COMMITTEE

Mr. Wu Shaohao (Chairman)
Mr. Ma Chi Kin Kenneth CFA, CAIA, MRICS
Mr. Kyaw Sai Hong HKCPA (practising)

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 1012, 10/F, Block A
Hung Hom Commercial Centre
Hung Hom, Kowloon
Hong Kong

REGISTERED OFFICE

Clifton House, 75 Fort Street
P.O. Box 1350, Grand Cayman KY1-1108
Cayman Islands

AUDITOR

Fuson CPA Limited

LEGAL ADVISORS AS TO HONG KONG LAWS

Khoo and Co.

PRINCIPAL BANKER

Standard Chartered Bank

SHARE REGISTRAR IN HONG KONG

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

SHARE REGISTRAR AND TRANSFER OFFICE IN CAYMAN ISLANDS

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

COMPANY WEBSITE

https://hksummi.com

Financial Summary

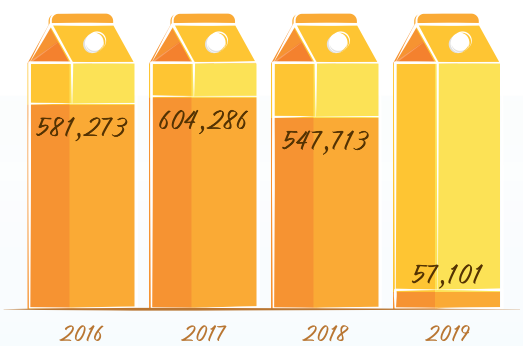
For the year ended 30 June

FINANCIAL HIGHLIGHTS

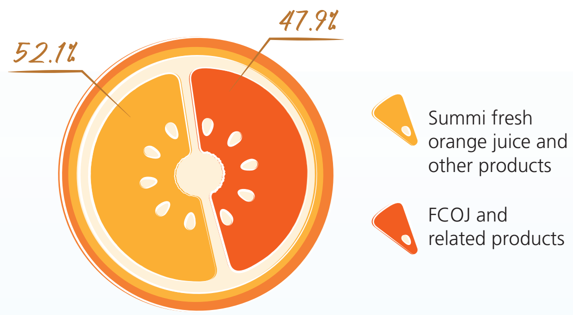
	2019 RMB'000	2018 RMB'000 (Restated)	Change% (Approximately)
Consolidated statement of profit or loss and other comprehensive income			
Continuing operations			
Revenue	57,101	547,713	−89.6%
Gross (loss) profit	(19,700)	229,778	N/A
Loss for the year	(499,577)	(36,249)	1,478.2%
EBITDA	(386,367)	61,402	N/A
Adjusted EBITDA	(72,786)	61,402	N/A
Basis and diluted EPS (RMB cents)	(37.39)	(2.73)	1,469%
Discontinued operation			
(Loss) profit for the year	(1,884,093)	47,811	N/A
Basic and diluted EPS (RMB cents)	(141.00)	3.60	N/A
Continuing operations and discontinued operation			
(Loss) profit for the year	(2,383,670)	11,562	N/A
Basic and diluted EPS (RMB cents)	(178.39)	0.87	N/A
Proposed final dividend (HK cents per share)	–	–	N/A
Consolidated statement of financial position			
Cash and cash equivalents	4,364	521,487	−99.2%
Inventories	22,008	57,131	−61.5%
Trade receivables	19,252	168,505	−88.6%
Borrowings	767,937	892,932	−14.0%
Net (liabilities) assets value	(660,864)	1,744,191	N/A

1. EBITDA: loss before tax + finance costs + depreciation + amortisation − interest income
2. Adjusted EBITDA: EBITDA + impairment losses + write-off of property, plant and equipment and intangible assets + compensation claim

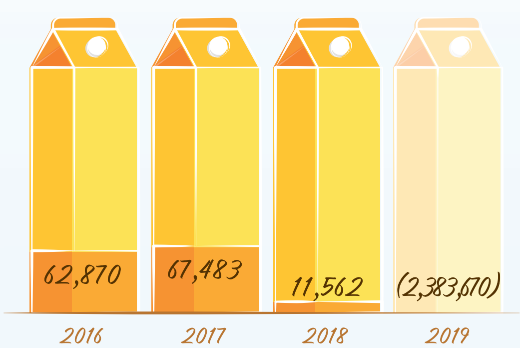
REVENUE
(RMB'000)



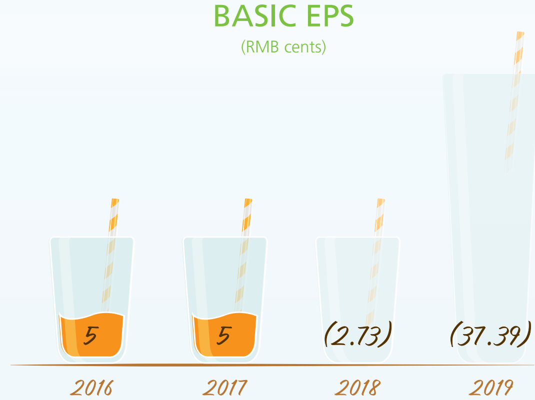
REVENUE BREAKDOWN
(Approximate percentage)



NET (LOSS) PROFIT
(RMB'000)



BASIC EPS
(RMB cents)



Chairman's Statement

I am very pleased to present to the shareholders (the "Shareholders") of Summi (Group) Holdings Limited (the "Company") the annual report of the Company and its subsidiaries (collectively, the "Group") for the year ended 30 June 2019 (the "Reporting Period").

During the current reporting period, the Group has undergone a tremendous business transition. The Group's performance has been seriously impacted and the revenue of each business segment recorded a significant decline. The management of the Group endeavored to negotiate with various stakeholders of the Group. As set out in the announcement dated 16 April 2019, 3 May 2019, 26 June 2019 and 30 July 2019, the negotiation with the local farmers have been unsuccessful, as a result, the Group has terminated the plantation business in Chongqing. However, the new management of the Group has been successfully retained some of the major customers of the Group and sought for new customers, either in China and overseas, and managed to ensure the sustainability of the Group's business.

Overall, the Group's revenue and gross loss was approximately RMB57,101,000 and RMB19,700,000, respectively. The net loss for the Reporting Period from continuing operations was approximately RMB499,577,000, turning profit into loss compared to the corresponding period. Looking forward, the Group will continue to rebuild the Summi brand and seek for new customer bases for the Group's Summi's products.

INVESTOR RELATIONS

One of the main duties of the board (the "Board") of directors (the "Director(s)") of the Company is to maintain good communications with its Shareholders and potential investors. The Group's management regularly pays visits to domestic and overseas prestigious institutional investors and private client investment advisors, as well as attended investor conferences, in order to provide the Shareholders and potential investors a thorough understanding of the Group's strategy and the latest business development. It is hoped that through such communication, the Company can enhance the transparency and strengthen the relationships with investors.

APPRECIATION

On behalf of the Board, I would like to extend my sincere gratitude to every Shareholder, customers and business partners for their support. I would also like to thank our excellent management team and employees for their unremitting efforts. The Group will continue to enhance our core competence and strive to become the leading producer in the juice beverage industry in China.

Wu Shaohao
Chairman

Hong Kong, 30 September 2019


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

Management Discussion and Analysis

BUSINESS REVIEW AND PROSPECT

The Group is principally engaged in manufacturing and selling of Summi Products, frozen concentrate orange juice ("FCOJ") and its related products 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) in China. The Group adopts an integrated business model and is one of the few orange juice processors operating its own upstream Orange Plantations (the "Orange Plantation").

As set out in the announcement dated 28 September 2018, Mr. Sin Ke ("Mr. Sin"), who was the former major shareholder, chief executive officer, chairman and executive director of the Company, transferred all his shares to Mr. Wu Shaohao ("Mr. Wu") and the transfer of shares was completed on 15 October 2018.

Upon the transfer of the shares, Mr. Wu assumed his role to take over the management of the Company and visited the headquarter of the Company in Hong Kong and Xiamen in early November 2018, respectively, and announced the transition plan with the management team. During the visits, Mr. Wu has met the management team, major suppliers and major banks of the Company.

The new management team stationed in the Group's Xiamen office (the "Xiamen Office"), which was the Group's former headquarter in China, in early November 2018. After detailed review of the Group's sales strategy, the new management team decided to streamline the sales department and dismiss the original sales team. The new management team initiated take-over procedures with the former sales team from November 2018 to December 2018. The Company terminated the employment contract with the Mr. Hsu Mi-Chien, who was the former chief operating officer of the Group, on 3 December 2018. On 10 January 2019, the Group has completed the dismissal procedure of the sales team and the Xiamen Office was closed down on that day.

After the close down of the Xiamen office, the Group no longer had any sales team in Xiamen. The business reorganization has been completed in early February 2019.

The Group's operations during the Reporting Period significantly declined. The operation of each major segment has experienced challenges as the Group was undergoing business reorganisation during the Reporting Period. During the Reporting Period, the management of the Group is committed to reorganising the structure of each segment and maintaining close communication with suppliers, customers and banks in order to rebuild the confidence of various stakeholders for the Group. The management of the Group expects to cope with the challenge through cutting expenses and minimising costs.

TERMINATION OF AGRICULTURAL SEGMENT

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 consider 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 is 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 consider that the Orange Plantations will no longer generate any economic benefits to the Group in the near future.

The Group has 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, 重慶邦興果業有限公司 (Chongqing Bangxing Fruit Co., Ltd., "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 (i.e. the "Villages"). 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 discontinue Chongqing Bangxing's Plantation and Sale of Agricultural Produce Business, i.e. the Discontinued Operation. In accordance with International Financial Reporting Standard 5 "*Non-current assets held for sale and discontinued operations*", the financial information of Chongqing Bangxing is separately disclosed, details of which are described in note 13 to the financial statements.

The former executive directors and certain former key personnel of Bangxing who were previously responsible to the operations and businesses of Chongqing Bangxing are now not contactable and the originals copies of certain accounting records and documents of Chongqing Bangxing, specifically (i) the land improvement project agreements; (ii) the land lease agreements; (iii) the land maintenance agreements and; (iv) bank statements of certain bank accounts were unavailable for review. In September 2019, the Group submitted the application to the relevant PRC government authorities to deregister Chongqing Bangxing and up to the date of this report, the deregistration procedures have not yet been completed.

Upon the termination of business of Bangxing, the management of the Group has assessed the impact of the termination on the overall operations of the Group. Based on the historical records of the Group, the Production and Sale of FCOJ and Other Related Products segment and Production and Sale of Summi Product and Other Products segment (the "Other Segments") purchased certain amounts of fresh oranges from Bangxing, which accounted for approximately 40% to 60% of fresh oranges consumed by the Other Segments. However, in view of the reasons below, the termination of the business of Bangxing will not have significant negative effects on the Other Segments:

(i) the location of production facilities of Other Segments are diverse and situated in several provinces in China. The Other Segments are able to purchase fresh oranges from various sources without significant additional costs. The supplies of fresh oranges from Bangxing would not be vital for the Other Segments; and

(ii) In the past years, Bangxing sold its fresh oranges to Other Segments at market prices without any discount. Therefore, the switch of suppliers of fresh oranges to independent third parties by the Other Segments will not have significant effects on cost as well as the qualities of the fresh oranges purchased by the Other Segments.

THE INDEPENDENT INVESTIGATION

The chief financial officer of the Company repeatedly requested but failed to instruct the subsidiaries of the Company in the PRC to remit the necessary funds to Hong Kong for the repayments of a bank loan which were due on 8 August 2018, and the chief financial officer was unable to obtain satisfactory explanation from the former executive directors of the Company. As a result, on 26 October 2018, the Company appointed FTI Consulting (Hong Kong) Limited ("FTI") as the independent monitoring accountant to review the financial position and treasury functions of the Company and its subsidiaries.

FTI has issued its progress reports on 10 December 2018, 4 January 2019 and 6 March 2019 respectively regarding the Company's financial position, operating position, plantations and treasury function.

The former executive directors did not disclose the land improvement projects to the board of directors of the Company and to the senior management of the Company in Hong Kong. It has only come to the knowledge of the board of directors that, most of the funds of the Company have been invested in the land improvement projects upon receipts of FTI's findings from the due diligence on the Group's operations.

On 9 July 2019, after the assessment on the progress reports issued by FTI on 6 March 2019, the management of the Company appointed FTI to perform a further investigation of the payments in the sum of approximately RMB623 million transferred to the Villages in connection to the lease agreements, land improvement contracts and plantation maintenance contracts entered into between Chongqing Bangxing and the Villages in relation to the Orange Plantations during the period from July 2018 to December 2018 (the "Transaction") and related payments made by Chongqing Bangxing arising from the agreements and contracts signed with the Villages covering the period from 1 July 2018 to 8 February 2019, with 8 February 2019 being the date on which the Company last made successful contact with Mr. Sin.

The Company received the report on 30 September 2019.

Based on the FTI's review of the financial records and understanding from the Group's management, FTI understands that the payments made to the Villages in relation to the abovementioned leases agreements, land improvement contracts and plantation maintenance contracts of Chongqing Bangxing were approved by (i) Mr San Kwan who was the former executive director of the Company and; (ii) the registered Legal representative of Chongqing Bangxing.

FTI also understands from the management of the Company that the discussions and negotiations with the Villages at the time in relation to the terms of the lease agreements, land improvement contracts and plantation maintenance contracts were conducted by Mr. Sin, who was the former chairman, executive director and chief executive officer of the Company on behalf of Group at the time.

FTI understands that the personnel who might have been involved in the processing of the payments made to the Villages at the time are all currently uncontactable. Therefore, no interviews were able to be arranged with them to understand the circumstances under which the lease agreements, land improvement contracts and plantation maintenance contracts were executed and the approval process undertaken with respect to the same and the related payments made to the Villages as at the date of this report.

FTI understands that the existing management of the Group is not responsible for the negotiation and execution of the lease agreements, land improvement contracts and plantation maintenance contracts of the Orange Plantation and land improvement projects and also the processing of the connected payments made to the Villages. Given the lack of access to the relevant records and personnel as discussed above, FTI is unable to form a view on the whether the lease agreements, land improvement contracts, plantation maintenance contracts and associated payments were properly executed in compliance with the internal controls and policies (if any) of Chongqing Bangxing.

Based on the findings from FTI, the management of the Company is currently seeking legal opinion on potential legal actions against the former members of the management of the Company.

No communication was to make to the board of directors of the Company during that particular period in relation to the Transactions. As a result, the board of directors of the Company did not make any announcements in relation to the Transaction in accordance with Chapter 14 and Chapter 14A of the listing rules.

The management of the Company have identified the Transactions based on the findings of FTI, for which the management of the Company are of the opinion that before the Transaction was completed, the board of directors of the Company should have been given the chance to consider the impact of the Transactions in accordance with the Chapter 14 and Chapter 14A of the listing rules, however, the board of directors of the Company was not notified and the Transaction was completed. Accordingly, there is no information available to the management of the Company as to whether the former executive directors have complied with the requirements as stipulated in Chapter 14 of the listing rules in relation to the Transactions.

INTERNAL CONTROL REVIEW

On 12 July 2019, the Company engaged Cheng and Cheng CPA Limited ("Cheng and Cheng") to perform a review on the Company's internal control system. Among others, Cheng and Cheng has identified the following major internal control deficiencies:

Payment and treasury procedures:

According to the previous internal control procedures, the payments approval was subject to the financial manager and the general manager. However, there was no internal control system in place to limit the authority of the senior executive such as executive directors and chief executive officer. Mr. San Kwan was the former general manager as well as executive director of the Company, while Mr. Sin was the executive director, former CEO and Chairman of the Company. They were able to use the previous internal control loophole to exercise payments without giving an opportunity to other board members to consider whether the Group's interest has been protected or not.

Approval of significant investments decisions:

The Group adopts the Guidelines on Disclosure of Inside Information. However, Mr. Sin and Mr. San Kwan were the decision makers of the Group's daily operations while they are also the only executive directors of the Company. Therefore, they were able to bypass the board in relation to the significant investment decision.

In order to improve the internal control system and uphold the corporate governance standards of the Company, the Company has taken the following measures to fix the internal control weaknesses:

The Company has updated the payments and treasury procedures. Pursuant to the updated internal control procedures, the payment approvals and the safeguard of payment token are kept separately by different personnel (the "Responsible Officers"). The Responsible Officers directly report to the board of directors and are not within the authority of general managers and chief executive officers.

Also, the executive directors of the Company will not be involved in the approval procedures of payments made by the Company and only involved in the decision making of the Company to prevent the Company from management overriding.

Since September 2019, the Company has formed a committee in relation to significant investment decisions. The committee consists of all members of the board of directors, the deputy chief executive officer, the chief financial officer and company secretary. All significant investments decisions are now discussed and approved in the committee.

The Company will formalise the committee and form an investment and compliance committee (the "Committee") on 1 October 2019. The Committee members consists of the executive directors of the Company and senior officers, including chief financial officer, chief executives and company secretary. Significant investment decision will only be approved after the review of the Committee.

Also, enhanced training in relation to the disclosure of inside information will be provided to the members of the board of directors of the Company and senior officers of the Company.

Upon the adoption of the recommendations of Cheng and Cheng, the Company considered that the internal control weakness has been fixed.

DISCLAIMER OPINION

Fuson CPA Limited ("Fuson"), the auditors of the Company were engaged to audit the consolidated financial statements of the Company and its subsidiaries (the "Group") for the year ended 30 June 2019. However, Fuson was unable to express an opinion on the consolidated financial statements of the Group, reasons and details of which were set out in the "EXTRACT FROM INDEPENDENT AUDITOR'S REPORT" Section of the announcement.

As set out in "TERMINATION OF AGRICULTURAL SEGMENT" section in the announcement, because of the loss of certain accounting records and documents of Chongqing Bangxing and the fact that certain former key personnel and management of the Group who were previously responsible to the operations and businesses of Chongqing Bangxing are now not contactable, 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.

Pursuant to the Company's accounting policy, Biological assets are stated at fair value less costs to sell from initial measurement up to the point of harvest. After harvesting, oranges are transferred to inventories as agricultural produce at their deemed cost which is fair value at the point of harvest less costs to sell. Fair value at the point of harvest is based on the selling prices for similar oranges prevailing in the market as at or close to the harvest dates.

The Group had disputes with the local communities of the Orange Plantations. The Group is unable to assess and consider the conditions of the Orange Plantations and is impossible to harvest any fresh orange. In view of these conditions and circumstances, the Directors are in the opinion that the Orange Plantations will no longer generate any economic benefits to the Group in the near future and accordingly, the Group's loss from changes in fair value less cost to sell of RMB372,124,000, representing the remaining carrying amount of the biological assets was charged to the profit or loss for the year.

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.

In view of the above, the auditors of the Company is unable to ascertain the reasonableness on the movements of biological assets, including the loss from changes in fair value less cost to sell of the biological assets which was charged to the profit or loss for the year for inclusion in the consolidation financial statements of the Group.

As a result, due to insufficient financial information was obtained by the auditors, the auditors are unable to form an opinion that the disclosures as contained in the financial statements have complied with the International Financial Report Standards, Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

OPERATING PERFORMANCE

Summi Products and other products

The Group sold most of its Summi Products through supermarkets before the business organisation. To maintain the sales network, the Group had to put lots of financial resources to support the promotion activities such as hiring promoters in certain supermarkets for tasting, advertisements on movies and price cut etc. The new management team had reviewed that the sales model is unsustainable. Therefore, the Company has now changed the sales strategy to limiting itself as a producer and not to spend unnecessary resources to promote Summi Products. Instead, the Company is now soliciting local distributors in different regions in China and the local distributors will be responsible for the promotion of Summi Products. Since there is significant change of sales strategies, the Group dismissed its former sales team and withdrew from most supermarkets in China. As a result, the revenue of Summi Products had been reduced substantially. Also, in view of the original sales team's substantial losses, the management of the Group has been approaching an independent financial advisor to review the operations of the Summi Products to examine any potential fraud and incompliance in relation to the Summi Products segment.

For the Reporting Period, the Group's sales of Summi products decreased significantly by approximately 84.0% to approximately RMB29,725,000 from approximately RMB186,252,000 for the same period last year, which is due to that during the Reporting Period, the Group was rebuilding its major sales team and the management of the Group was reviewing the overall operational strategy for Summi Products. The management of the Group is of the view that the existing sales strategy cannot support the operational costs and selling expenses of this business segment in the long run. Therefore, the management of the Group will make adjustments in the near feature, including reviewing the production costs, package and categories of the product and considering factors such as sales contribution of and resource allocation between domestic and overseas markets.

The Company anticipated that the sales strategy of Summi Products in China will be changed to direct sales method instead of mass distribution in supermarkets due to the reasons that the mass distribution of Summi Products had caused unsustainable marketing expenses to the Group in the past years. The Company will also put more efforts on exploration of overseas markets such as Singapore and west Asia region. In the Reporting Period, the Group managed to explore overseas markets and solicited certain overseas business partners in sales of Summi's brand products. The management of the Company is also in the course of negotiation of exporting Summi orange juice and has plans to widen the product range of Summi products.

During the year, the Directors consider to cease and terminate its intelligent vending machines operation and thus, the Group written-off certain of its tangible and intangible assets on such operation and business and details are explained in the section heading "Impairment Recognised" below. Further, during the year, the Company established a wholly owned subsidiary, Summi (Malaysia) Trading Sdn. Bhd on 8 April 2019 which is mainly engaged in the sale of food and beverage products in South East Asia and thus, the Company include the sale of food and beverage products in the Production and Sale of Summi Fresh Orange Juice and Other Products Business segment and the South East Asia as its new geographical market for the current year.

FCOJ and related products

The Group's FCOJ and related products were affected by the changes in the management, due to which certain major customers started to purchase products from our competitors during the Reporting Period. As a result, the sales of FCOJ and related products decreased by approximately 92.4% to approximately RMB27,376,000 for the Reporting Period from approximately RMB361,461,000 for the same period last year, respectively.

The Group had more than 5 years of relationship with most of its major customers. During the years, most customers have established close relationship with the management of the Company. At the time the major customers realised that the major shareholder of the Company will be changed, they have had concern over the stability of the Company's production capacity and the stability of supply of the FCOJ and related products which were vital for the customers. During the transition, they have informed the Company when meeting with the new management team that they would temporarily suspend the purchase order from the Company for the current year, and will observe the Company's business reorganisation progress before they decide whether or not to reconsider to purchase from the Company in the next harvest period.

The Group was managed to retain a certain major customers during the Reporting Period. However, certain major customers were lost during the transition. As a result, the Group has promoted Ms. Xi Xiaoxia, who was the sales manager of the Company before the business organisation, as the sales director to solicit new customers. The Company anticipated that the Company will be able to solicit new customers and recover those lost customers during the business reorganisation.

Breakdown of revenue by product for the year ended 30 June 2019 and the corresponding year are set out as follows:

	2019		2018	
	RMB'000	Percentage of total revenue	RMB'000	Percentage of total revenue
Summi fresh orange juice and other products	29,725	52.1%	186,252	28.1%
FCOJ and other related products	27,376	47.9%	361,461	54.6%
Fresh oranges	–	–	114,008	17.3%
	57,101	100%	661,721	100.0%

Gross loss from continuing operations

During the Reporting Period, the Group's gross loss was approximately RMB19,700,000 as compared to gross profit of approximately RMB229,778,000 for the last year.

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

As explained in note 2 to the financial statements, because of the loss of certain accounting records and documents of Chongqing Bangxing and the fact that certain former key personnel and management of the Group who were previously responsible to the operations and businesses Chongqing Bangxing are now not contactable, 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. Further, the Directors consider that the Group is unable to assess and consider the conditions of the Orange Plantation and thus, they believes that, as at the date of this annual report, it is almost impossible, and not practical, to ascertain the reasonableness on the amount of biological assets and also the loss from changes in fair value less cost to sell of the biological assets which was charged to the profit or loss for the year for inclusion in the consolidation financial statements of the Group.

Selling, distribution costs and administrative expenses

The Group's distribution costs mainly included marketing expenses and transportation costs. Distribution costs decreased by approximately 50% from approximately RMB130,550,000 over the corresponding year to approximately RMB64,851,000 during the year. The decrease was mainly due to the discontinuation of most marketing expenses during the Reporting Period as the Group was adjusting its sales strategy for Summi Products, in order to ensure the effective use of financial resources.

The Group's administrative expenses mainly included general office administrative expenses, salaries, amortisation, etc. Administrative expenses decreased from approximately RMB74,971,000 over the corresponding year to approximately RMB67,889,000 during the Reporting Period.

Impairment recognised/write-off

During February 2019, as the management of the Company identified the events of impairment, the management of the Company had reviewed the recoverable value of the Company's property, plant and equipment, intangible assets, land use rights, goodwill and trade and other receivables. As a result of the impairment review, the following impairment losses were recognised:

	2019 RMB'000	2018 RMB'000
Property, plant and equipment	118,498	–
Intangible assets	33,005	–
Goodwill	56,696	–
Trade and other receivables	33,307	–
Total impairment losses	241,506	–

As set out in the announcement dated 23 April 2019, Mr. Sin was removed from the position of the executive director, chief executive officer and chairman of the Company. As he was the main contact person of the Company with the major customers, his removal led to substantial loss of customer base of the Company. As a result, the operations of the Group has significantly declined for the year ended 30 June 2019. The management of the Company identified the indication of impairment on (i) certain property, plant and equipment; (ii) certain land use rights; (iii) goodwill in relation to one of the cash generating unit of the Company; (iv) intangible assets in relation to the customer list and (v) certain trade and other receivables of the Company. As explained above, in view of the loss of certain major customers and the significant decline on the FCOJ business, the Group recognised full impairment on its goodwill and intangible assets. In addition, the Group also written off of certain property, plant and equipment and intangible assets with an aggregate amount of RMB26,027,000.

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

Finance costs

During the Reporting Period, the Group's finance costs were approximately RMB67,540,000 (2018: RMB50,759,000).

Net loss

During the Reporting Period, the Group's net loss was approximately RMB2,383,670,000, as compared to net profit of approximately RMB11,562,000 as compared with the corresponding year.

LIQUIDITY, FINANCIAL RESOURCES, GEARING AND CAPITAL STRUCTURE

Held-to-maturity investment

As at 30 June 2019, the Group had disposed of all held-to-maturity investments (2018: approximately RMB16,918,000).

Liquidity

As at 30 June 2019, net current liabilities amounted to approximately RMB831,853,000 (2018: net current assets of approximately RMB598,534,000).

Financial resources

As at 30 June 2019, the Group had cash and cash equivalents and pledged bank deposits of approximately RMB12,608,000 (2018: approximately RMB713,217,000) and total bank and other borrowings of approximately RMB767,937,000 (2018: approximately RMB892,932,000). The Group has corporate bonds of RMB38,930,000 (2018: RMB36,043,000).

As at 30 June 2019, trade and other receivables were approximately RMB26,518,000 (2018: approximately RMB213,658,000) and inventories were approximately RMB22,008,000 (2018: approximately RMB57,131,000).

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.

	2019	2018
Quick ratio (x)	0.04	1.8
Current ratio (x)	0.07	1.9
Gearing ratio (note (a))	N/A	53.3%

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

Capital structure

As at 30 June 2019, the total number of issued shares was 1,347,860,727 shares. Based on the closing price of HK$0.174 per share as at 30 June 2019, the Company's market capitalisation as at 30 June 2019 was HK$234,527,766.50.

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:

	2019 RMB'000	2018 RMB'000
Held-to-maturity investment	–	16,918
Property, plant and equipment	67,164	47,632
Land use rights	9,021	9,272
Pledged bank deposits	8,244	191,730
	84,429	265,552

CONTINGENT LIABILITIES

In May 2019, the Company received a statement of claim from a former employee relating to the outstanding wages and end of year payment with an aggregate amount of HK$2,520,000 (equivalent of RMB2,192,000) and the Group has already made a full provision for such claim during the year.

Other than the above, the Group did not have any material contingent liabilities as at 30 June 2019.

CAPITAL EXPENDITURE

During the Reporting Period, the Group's capital expenditure amounted to approximately RMB606,131,000 (2018: approximately RMB186,834,000) 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 2019, the Group employed 104 employees (2018: 932 employees). The Group offered competitive remuneration package, discretionary bonuses and social insurance benefits to its employees. In addition, a share option scheme (the "Scheme") has been adopted since 7 June 2008 for the employees of the Group. The limit in respect of shares that may be issued pursuant to the exercise of all share options granted under the Scheme has been refreshed on 5 November 2012.

The remuneration to members of senior management of the Company (i.e. executive directors and senior management of the Company as disclosed in the section headed "Board of Directors and Senior Management" in this annual report) is within the following bands:

Remuneration Bands	Number of Senior Management
Nil to HK$1,000,000 (equivalent to Nil to RMB870,000)	2
HK$1,000,001 to HK$1,500,000 (equivalent to RMB870,001 to RMB1,305,000)	1
HK$1,500,001 to HK$3,000,000 (equivalent to RMB1,305,001 to RMB2,610,000)	1

DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

Mr. Wu Shaohao (吳紹豪先生), aged 51, has over 16 years of management experience in property development in the PRC and was appointed as the executive director of the Company on 4 December 2018. Mr. Wu obtained a master of educational leadership degree from the University of Canberra. Mr. Wu has been the chairman of the board of directors of 江蘇瑞爾房地產集團公司 (Jiangsu Ruier Property Development Group Company Limited*) ("Jiangsu Ruier"), 上海電子商城有限公司 (Shanghai E-commerce Company Limited) ("Shanghai E-commerce"), 瀋陽金沙城置業有限公司 (Shenyang Sands City Property Company Limited*) ("Shenyang Sands") and 江蘇水之源置業有限公司 (Jiangsu Shuizhiyan Property Company Limited*) ("Jiangsu Shuizhiyan") since March 2000. Jiangsu Ruier, Shenyang Sands and Jiangsu Shuizhiyan are principally engaged in property development business and Shanghai E-commerce is principally engaged in operating a wholesale market in Jiading, Shanghai. Mr. Wu is the father of Mr. Wu Liantao.

Mr. Wu is the director of Rich Anges Limited (裕佳有限公司), Sunshine Vocal Limited, Potel Limited (邦天有限公司), Manwell (China) Limited (萬華（中國）有限公司), Global One Limited and Summi Yummy Limited (森美波仔有限公司), all of which are wholly-owned subsidiaries of the Company.

Mr. Wu is also the director of Rui Er Holdings Company Limited ("Rui Er"), which having and interest in the shares of the Company.

Save as disclosed above, Mr. Wu did not hold any directorship in other public companies the securities of which are listed on any securities market in Hong Kong or overseas in the last three years or any other position in the Company and other members of the Group or other major appointments and professional qualifications.

Mr. Wu Liantao (吳聯韜先生), aged 25, graduated from Purdue University in 2016 with the degree of bachelor of science and was appointed as the executive director of the Company on 4 December 2018. Mr. Wu Liantao has served as an accounting manager at Signature Homes, a property developer in California from August 2016 to March 2017 and served as an investment manager in Shanghai Sailing Capital Pushi Management Co., Ltd (上海賽領翩玄資產管理有限公司) from September 2017 to November 2018. Mr. Wu Liantao is the son of Mr. Wu.

Mr. Wu Liantao is the director of Manwell (China) Limited (萬華（中國）有限公司), Potel Limited (邦天有限公司), Global One Limited and Rui Er BVI Limited (瑞爾森美（英屬維爾京群島）有限公司), Rich Anges Limited and Sunshine Vocal Limited.

Save as disclosed above, Mr. Wu Liantao did not hold any directorship in other public companies the securities of which are listed on any securities market in Hong Kong or overseas in the last three years or any other position in the Company and other members of the Group or other major appointments and professional qualifications.

Independent non-executive Directors

Mr. Kyaw Sai Hong (左世康先生), aged 36, and was appointed as the independent non-executive director of the Company on 31 January 2019. Mr. Kyaw has over 13 years of experience in the fields of accounting and auditing including experience with financial matters of listed companies. Mr. Kyaw obtained a Bachelor of Arts degree in Accounting and Finance from Leeds Beckett University (formerly named as Leeds Metropolitan University) in July 2004. Mr. Kyaw is currently a practising certified public accountant of the Hong Kong Institute of Certified Public Accountants and has been a member of Hong Kong Institute of Certified Public Accountants since January 2009.

Save as disclosed above, Mr. Kyaw does not hold any directorship in other public companies the securities of which are listed on any securities market in Hong Kong or overseas in the last three years or any other position with the Company and other members of the Group or other major appointments and professional qualifications.

Mr. Ma Chi Kin Kenneth (馬志堅先生), aged 33, is a Director of Moore Stephens Transaction Services Limited, a company under the umbrella of Moore Stephens accounting network, and an Executive Director of the New Territories General Chamber of Commerce. Mr. Ma has over 10 years of experience in the fields of valuation in different businesses and transaction support such as financial due diligence including experience with merger and acquisition for listed companies. Mr. Ma joined Moore Stephens in February 2018 and he ran his consultancy firm prior to that. He is responsible for providing independent professional valuation and financial due diligence advice to clients and managing daily operations of the company. Mr. Ma obtained a degree of Bachelor of Information Engineering from the Chinese University of Hong Kong in 2007. He is now a part-time post-graduate student in Equine Science of the University of Edinburgh. He became a Chartered Financial Analyst in 2011, Chartered Alternative Investment Analyst in 2014 and Registered Valuer of the Royal Institute of Chartered Surveyors in 2017 respectively.

Save as disclosed above, Mr. Ma does not hold any directorship in other public companies the securities of which are listed on any securities market in Hong Kong or overseas in the last three years or any other position with the Company and other members of the Group or other major appointments and professional qualifications.

Mr. Chen Ying (陳贏先生), aged 50, is the President of Shanghai Hanwo Assets Company Limited (上海漢沃資產有限公司) and Shanghai Lixi Financial Information Services Company Limited (上海力兮金融信息服務有限公司). Mr. Chen has over 20 years of experience in securities investments, corporate financing and property development industry. Mr. Chen graduated from Zhejiang Jingji Guanli Zhigong University (浙江經濟管理職工大學) in 1991 and Hubei University of Economics (湖北經濟學院) in 2011. Mr. Chen further pursued his studies and obtained a degree of Master of Business Administration from Madonna University in 2005 and a degree of Master of Business Administration from Shanghai Donghua University (上海東華大學) in 2016.

Save as disclosed above, Mr. Chen does not hold any directorship in other public companies the securities of which are listed on any securities market in Hong Kong or overseas in the last three years or any other position with the Company and other members of the Group or other major appointments and professional qualifications.

SENIOR MANAGEMENT

Mr. Xu Min (許民), aged 50, is an engineer of the Group and is responsible for the production and technology of the Group. Mr. Xu joined the Group in July 2010. He graduated from Harbin Institute of Technology and obtained a bachelor degree in Engineering. From 1989 to 1996, he was engaged in gyro pilot research at Sichuan Airlines Tianbu 7301 Research Centre (四川航空航天部7301研究所) and had been granted the title of Intermediate Engineer. From 1997 to 2000, he worked for Hainan Oasis Food Company Limited (海南綠州食品有限公司) as a deputy general manager and was in charge of processing and sales of tropical fruits. From 2000 to 2004, he worked as a factory deputy director in the Beijing Huiyuan Huairou Factory and was responsible for processing PET beverage. From 2004 to 2009, he worked for Zhejiang Huzhou Weiyuan Food and Beverage Company Limited (浙江湖州味源食品飲料有限公司) as an executive vice director and was responsible for processing and sales of fruits and vegetables such as carrot, lime, etc.

Save as disclosed above, Mr. Xu did not hold any directorship in other public companies the securities of which are listed on any securities market in Hong Kong or overseas in the last three years or any other position with the Company and other members of the Group or other major appointments and professional qualifications.

Mr. Lee Kwok Lun, (李國麟), aged 35, is the chief financial officer and company secretary of the Company. He joined the Group and was appointed as the financial controller, company secretary and authorized representative of the Company in 2015. In June 2017, Mr. Lee was promoted to the chief financial officer. Mr. Lee is a practising member of Hong Kong Institute of Certified Public Accounts, fellow member of the Association of Chartered Certified Accountants, member of The Taxation Institute of Hong Kong, member of the Hong Kong Institute of Chartered Secretaries and member of the Institute of Chartered Secretaries and Administrators.

Mr. Lee is the director of Summi Yummy Limited (森美波仔有限公司), Summi (HK) Asia Limited (森美（香港）亞洲有限公司), Rui Er Summi BVI Limited (瑞爾森美（英屬維爾京群島）有限公司), Rui Er Summi Hong Kong Limited (瑞爾森美香港有限公司) and Summi Malaysia Sdn. Bhd., which are wholly owned subsidiaries of the Company.

He is the independent non-executive director of Wing Chi Holdings Limited, a company listed on the main board of the Stock Exchange of Hong Kong Limited (stock code: 6080), Dragon Rise Group Holdings Limited, a company listed on the Main Board (stock code: 6829) and Hang Chi Holdings Limited, a company listed on the Main Board (stock code: 3616).

Save as disclosed above, Mr. Lee did not hold any directorship in other public companies the securities of which are listed on any securities market in Hong Kong or overseas in the last three years or any other position with the Company and other members of the Group or other major appointments and professional qualifications.

Report of the Directors

The Directors have pleasure in presenting their annual report together with the audited consolidated financial statements of the Group for the Reporting Period.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are set out in note 49 to the consolidated financial statements. There was no significant change in nature of the Group's activities during the Reporting Period.

BUSINESS REVIEW

Discussion and analysis of the principal activities of the Group are set out in business review section on page 6. The analysis of the operations of the Group during the Reporting Period are set out in note 8 to the consolidated financial statements.

ENVIRONMENT POLICIES AND PERFORMANCE

The Group is committed to contributing to the sustainability of the environment and has implemented certain policies to minimize the impact on the environment from its business activities.

The Group strives for making continuous improvements by introducing more environmental friendly policies in our production facilities and offices to enhance energy efficiency, reduce consumption of resources and greenhouse gas emission. In respect of the Group's self-operated plantations, during the Reporting Period, the Group has implemented the sustainable agricultural guiding principles issued by one of the Group's major customers with a view to protecting soil, conserving water, and minimizing greenhouse gas emissions to ensure our agricultural produce is sustainable.

COMPLIANCE WITH LAWS AND REGULATIONS

The Group's business is mainly conducted through the Company's subsidiaries in the PRC and the shares of the Company are listed on the Stock Exchange. As such, the establishment and operation of the Group is subject to the relevant laws and regulations in the PRC and Hong Kong. During the year ended 30 June 2019 and up to the date of this report, the Group's operation has been in compliance with all relevant laws and regulations in the PRC and Hong Kong in all material respects.

PRINCIPAL RISKS AND UNCERTAINTIES

Heavy reliance on the sale to a few of our customers

We do not have long-term contractual arrangements with our major customers. There is no assurance that our major customers will continue their business dealings with us or that the income generated from dealings with them will increase or be maintained in the future. Any cessation of, or substantial reduction in the volume of business with any of our major customers could adversely affect the financial performance or profitability and our prospects.

Compliance with PRC environmental protection regulations

We carry on business in an industry which is subject to PRC environmental protection law and regulations. Enterprises engaged in food production should comply with the law and regulations concerning environmental protection. If an enterprise fails to report or provide false information about the environmental pollution caused by it, it will receive a warning or be penalized. Failure to eliminate or control pollution within the required timeframe may result in the payment of a fee for excessive discharge; or imposition of a fine; or suspension or close down of the operation. We have been complying with the relevant PRC environmental protection law and regulations. Nevertheless, there can be no assurance that the PRC government will not change the existing law and regulations or make additional or stricter law and regulations on environmental protection, compliance of which may cause us to incur significant capital expenditures. There is no assurance that we will be able to comply with any such law and regulation as may be amended or promulgated in the future.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 30 June 2019 are set out in the consolidated statement of profit or loss and other comprehensive income on page 36.

No interim dividend was paid or declared in respect of the Reporting Period (2018: nil).

The Board did not recommend the payment of a final dividend (2018: nil).

SUMMARY OF FINANCIAL INFORMATION

A summary of the published results and assets and liabilities of the Group for the last five financial years is set out on page 126. This summary does not form part of the audited consolidated financial statements.

MAJOR CUSTOMERS

Revenue attributable to the Group's largest customer and the five largest customers in aggregate accounted for 37.9% and 64.7% respectively of the Group's total revenue during the Reporting Period.

None of the Directors or any of their associates or any Shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any interest in the Group's five largest customers and suppliers.

NON-CURRENT ASSETS

Property, plant and equipment

Details of movements during the Reporting Period in the property, plant and equipment of the Group are set out in note 18 to the consolidated financial statements.

Land use rights

Details of movements during the Reporting Period in land use rights of the Group are set out in note 19 to the consolidated financial statements.

Intangible assets

Details of movements during the Reporting Period in intangible assets of the Group are set out in note 22 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Company during the Reporting Period are set out in note 35 to the consolidated financial statements.

RESERVES

Details of movements in the reserves of the Group during the Reporting Period are set out in the consolidated statement of changes in equity on page 39.

As at 30 June 2019, the Company had a deficiency of reserves of approximately RMB630,771,000 (2018: approximately RMB199,388,000) available for distribution to the Shareholders.

Executive Directors

Mr. Wu Shaohao (appointed on 4 December 2018)
Mr. Wu Liantao (appointed on 4 December 2018)
Mr. Sin Ke (removed on 23 April 2019)
Mr. San Kwan (resigned on 12 April 2019)

Non-executive Director

Mr. Tsang Sze Wai, Claudius (retired on 9 November 2018)

Independent Non-Executive Directors

Mr. Chen Ying (appointed on 9 April 2019)
Mr. Kyaw Sai Hong (appointed on 31 January 2019)
Mr. Ma Chi Kin Kenneth (appointed on 9 April 2019)
Mr. Zeng Jianzhong (resigned on 31 January 2019)
Mr. Zhuang Weidong (resigned on 9 April 2019)
Mr. Zhuang Xueyuan (resigned on 9 April 2019)

In accordance with the articles of association of the Company (the "Articles of Association"), at each annual general meeting, the Directors were appointed during the year will retire from office as Directors, being eligible, will offer themselves for re-election at the forthcoming annual general meeting of the Company.

Each of the independent non-executive Directors has made an annual confirmation of independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The Company considers that all the independent non-executive Directors meet the independence requirement set out in Rule 3.13 of the Listing Rules and are independent as at the date of this report.

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the Directors and senior management of the Group are set out on pages 14 to 15 of this annual report.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors have entered into a service contract with the Company for a fixed term of 3 years unless terminated by not less than 3 months' notice in writing served by either party on the other.

Each of the independent non-executive Directors entered into a service contract with the Company, unless terminated by not less than 3 months' notice in writing served by either party on the other for a term of 2 years.

None of the Directors, including those to be re-elected at the forthcoming annual general meeting, has a service contract which is not determinable by the Company within one year without the payment of compensation (other than statutory compensation).

PERMITTED INDEMNITY PROVISION

The Articles of Association of the Company provides that the Directors, Managing Directors, alternate Directors, auditors, secretary and other officers for the time being of the Company acting in relation to any of the affairs of the Company shall be indemnified and secured harmless out of the assets of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them shall or may incur or sustain by reason of any act done, concurred in or omitted in or about the execution of their duty or supposed duty in their respective offices. The Company has maintained appropriate Directors' liability insurance coverage for the Directors during the financial year ended 30 June 2019.

REMUNERATION POLICY

A remuneration committee of the Company (the "Remuneration Committee") has been set up for reviewing the Group's remuneration policy and structure for all remuneration of the Directors and senior management of the Group, having regard to the Group's operating results, individual performance and comparable market practices. In order to attract and retain high quality talents to ensure smooth operation and cater for the Group's constant expansion, the Group offers competitive remuneration packages, with reference to market conditions and individual qualifications and experience. During the Reporting Period, the employees' remuneration of the Group was approximately RMB25,033,000 (2018: approximately RMB112,713,000).

The Company has adopted a share option scheme as incentive to the Directors and eligible employees, details of the scheme are set out in the section headed "Share Option Scheme" below.

REMUNERATION OF DIRECTORS AND FIVE INDIVIDUALS WITH HIGHEST REMUNERATION

Details of the emoluments of the Directors and five individuals with highest remuneration are set out in note 14 and 15 to the consolidated financial statements.

INTERESTS AND SHORT POSITIONS OF THE DIRECTORS AND CHIEF EXECUTIVES IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 30 June 2019, interests and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("SFO")) held by the Directors and chief executives of the Company which have been notified to the Company and the Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO) or have been entered in the register maintained by the Company pursuant to section 352 of the SFO, or otherwise have been notified to the Company and the Stock Exchange pursuant to the Appendix 10 – Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") to the Listing Rules are as follows:

Interests and short position in the shares of the Company ("Shares")

Name of Director and chief executive	Capacity/Nature	No. of Shares held/ interested in	Approximate percentage of issued share capital of the Company
Mr. Wu Shaohao ("Mr. Wu")	Interest of controlled corporation (Note 2)	765,444,145 (L)	56.79%
Mr. Sin Ke ("Mr. Sin")	Beneficial owner (Note 3)	15,688,000 (L)	1.16%
	Beneficial owner (Note 3)	4,000,000 (L)	0.30%
Mr. San Kwan ("Mr. San")	Beneficial owner (Note 4)	8,000,000 (L)	0.59%
	Beneficial owner (Note 4)	2,000,000 (L)	0.15%

Notes:

1. The letters "L" denote a long position in the Shares/underlying Shares.

2. Mr. Wu was deemed (by virtue of the SFO) to be interested in 765,444,145 Shares. These shares were held in the following capacity:

   (i) The 765,444,145 Shares are beneficially held by Rui Er Holdings Company Limited ("Rui Er"). Rui Er is owned as to 100% by Mr. Wu.

3. Mr. Sin was deemed (by virtue of the SFO) to be interested in 15,688,000 Shares, which were held in the beneficial owner capacity and the options to subscribe for 4,000,000 Shares were granted on 19 November 2015 under the share option scheme of the Company and were held by Mr. Sin in a beneficial owner capacity.

4. Mr. San was deemed (by virtue of the SFO) to be interested in 8,000,000 Shares, which were held in the beneficial owner capacity and the options to subscribe for 2,000,000 Shares were granted on 19 November 2015 under the share option scheme of the Company and were held by Mr. San in a beneficial owner capacity.

Save as disclosed above, and as at 30 June 2019, none of the Directors or chief executive of the Company held any interest short positions in the Shares, underlying Shares and debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) which would be required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS IN SHARES AND UNDERLYING SHARES

As at 30 June 2019, as far as is known to the Directors, the following persons (not being a Director or chief executive of the Company) had interests or short positions in the Shares or underlying Shares which fell to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Interests and short position in the Shares and underlying Shares

Name of Shareholder	Capacity/Nature	No. of Shares/ underlying Shares held/ interested in	Approximate percentage of issued share capital of the Company
Ru Er Holdings Limited ("Rui Er")	Beneficial owner (Note 2)	754,800,145 (L)	56.79%
Ms. Yang Xijuan	Interest of spouse (Note 2)	765,444,145 (L)	56.79%
CITIC Securities Company Limited ("CITIC Securities")	(i) Beneficial owner (Note 3) (ii) Beneficial owner (Note 3)	68,915,200 (L) 111,987,200 (S)	5.11% 8.31%

Notes:

1. The letters "L" denote a long position and "S" denotes short position in the Shares/underlying Shares.

2. Rui Er is owned as to 100% by Mr. Wu. As Ms. Yang is the spouse of Mr. Wu, Ms. Yang was deemed, or taken to be, interested in the 765,444,145 Shares held by Mr. Wu by virtue of the SFO.

3. CSI Capital Management Limited ("CSI Capital") is wholly-owned by CITIC CLSA Global Markets Holdings Limited ("CITIC CLSA"); CITIC CLSA is wholly-owned by CLSA B.V.; CLSA B.V. is wholly-owned by CITIC Securities International Company Limited ("CITIC International"), which is wholly owned by CITIC Securities. Therefore, each of CSI Capital, CITIC CLSA, CLSA B.V., CITIC International is deemed to be interested in the 68,915,200 Shares held by CITIC Securities.

Save as disclosed above, and as at 30 June 2019, the Directors were not aware of any persons (who were not Directors or chief executive of the Company) who had an interest or short position in the Shares or underlying Shares which would fell to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or which would be required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein.

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in note 14 to the consolidated financial statements, no contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the Reporting Period.

MANAGEMENT CONTRACTS

No contracts concerning the management or administration of the whole or any substantial part of the business of the Company were entered into or existed during the Reporting Period.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Apart from the details as disclosed under the heading "Interests and short positions of the Directors and chief executives in Shares, underlying Shares and debentures of the Company and its associated corporations" above, at no time during the Reporting Period were rights to acquire benefits by means of the acquisition of Shares in or debentures of the Company granted to any Director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company and any of its subsidiaries a party to any arrangement to enable the directors, or their respective spouse or children under 18 years of age, to acquire such rights in any other body corporate.

CONNECTED TRANSACTIONS, CONTINUING CONNECTED TRANSACTIONS AND RELATED PARTIES TRANSACTIONS

Connected transactions

During the Reporting Period, the Group had not entered into any connected transaction which is not exempt under Chapter 14A of the Listing Rules.

Continuing connected transactions

During the Reporting Period, the Group had not entered into any continuing connected transaction which is not exempt under Chapter 14A of the Listing Rules.

Related parties transactions

The material related party transactions in relation to the key management compensation as disclosed in Note 47 to the consolidated financial statements in this annual report are connected transactions exempt from reporting, announcement and independent shareholders' approval requirements pursuant to Rule 14A.95 of the Listing Rules.

Save as disclosed above, the Directors consider that those material related party transactions disclosed in note 47 to the financial statements did not fall or exempted under the definition of "connected transactions" or "continuing connected transactions" (as the case may be) in Chapter 14A of the Listing Rules which are required to comply with any of the reporting, announcement or independent shareholders' approval requirements under the Listing Rules.

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

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

DIRECTORS' INTERESTS IN A COMPETING BUSINESS

During the Reporting Period, the Directors were not aware of any business or interest of the Directors or any substantial Shareholders (as defined under the Listing Rules) and their respective associates that had competed or might compete with the business of the Group and any other conflicts of interests which any such person had or might have with the Group.

SECURED BANK LOANS

Particulars of secured bank loans the Group as at 30 June 2019 are set out in note 31 to the consolidated financial statements.

RETIREMENT SCHEMES

Particulars of the retirement schemes and contributions to defined contribution plans of the Group are set out in note 39 to the consolidated financial statements.

CODE OF CONDUCT REGARDING DIRECTORS' SECURITIES TRANSACTIONS

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

SHARE OPTION SCHEME

In order to attract and retain the eligible persons, to provide additional incentive to them and to promote the success of the business of the Group, the Company conditionally adopted a share option scheme (the "Scheme") on 7 June 2008 whereby the Board are authorised, at their absolute discretion and subject to the terms of the Scheme, to grant options to subscribe the Shares to, inter alia, any employees (full-time or part-time), directors, consultants, advisers, distributors, contractors, suppliers, agents, customers, business partners or service providers of the Group or any substantial Shareholder. The Scheme became unconditional on 10 July 2008 and shall be valid and effective for a period of ten years commencing on 7 June 2008, subject to the early termination provisions contained in the Scheme. The Scheme limit in respect of the grant of options to subscribe for Shares in the share capital of the Company under the Scheme has been refreshed by a resolution passed at the annual general meeting of the Company held on 5 November 2012.

An offer for the grant of options must be accepted within 7 days inclusive of the day on which such offer was made. The amount payable by each grantee of options to the Company on acceptance of the offer for the grant of options is HK$1.00. The subscription price of a Share in respect of any particular option granted under the Scheme shall be a price at the discretion of the Board, provided that it shall be at the highest of: (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the options; (ii) the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotations sheets for the 5 business days immediately preceding the date of grant of the options; and (iii) the nominal value of the Shares on the date of grant of the options. The Company shall be entitled to issue options, provided that the total number of Shares which may be issued upon exercise of all outstanding options to be granted under the Scheme and any other share option scheme of the Company does not exceed 10% of the Shares in issue on the date when the Scheme was refreshed by a resolution passed at the annual general meeting of the Company held on 5 November 2012. For details of the said refreshment of scheme limit, please refer to the circular and the announcement of the Company dated 25 September 2012 and 5 November 2012 respectively. The Company may at any time refresh such limit, subject to in compliance with the Listing Rules, provided that the total number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other share option scheme of the Company does not exceed 30% of the Shares in issue from time to time. The total number of Shares issued and to be issued upon exercise of options granted to any grantee (including both exercised and outstanding options) under the Scheme, in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue.

An option may be exercised at any time during a period which shall not exceed ten years from the date of grant subject to the provisions of early termination under the Scheme. There is no minimum period for which an option must be held before it can be exercised under the Scheme.

The status of the share options under the Scheme during the Reporting Period is as follows:

Category of participants	As at 1 July 2018	Granted during the Reporting Period	Exercised during the Reporting Period	Cancelled/ Lapsed during the Reporting Period	As at 30 June 2019	Date of grant of share options	Exercise period of share options	Exercise price of share options HK$	Share price of the Company as at the date of grant of share options* HK$
Director/Chief executive									
Mr. Sin	4,000,000	–	–	–	4,000,000	19 November 2015	5 years from the date of grant	1.112	1.100
Mr. San Kwan	2,000,000	–	–	–	2,000,000	19 November 2015	5 years from the date of grant	1.112	1.100
Others qualified Participants**	48,000,000	–	–	44,150,000	3,850,000	19 November 2015	5 years from the date of grant	1.112	1.100
Total	54,000,000	–	–	–	9,850,000				

* The share price of the Company as at the date of the grant of the share options was the closing price as quoted on the Stock Exchange of the trading day immediately prior to the date of the grant of the share options.

** Other qualified participants of the Group being granted share options under the Scheme, all of them are not Directors, chief executive or substantial Shareholders or their respective associates.

For further information of the share options, please refer to note 37 to the consolidated financial statements.

SHARE AWARD SCHEME

On 11 September 2015, the Company adopted the share award scheme (the "Share Award Scheme") under which the board of directors may, from time to time, award the Shares (the "Awarded Shares") to selected participants (including, without limitation, any Directors) of the Company or of any subsidiary (the "Selected Participant") pursuant to the terms of the trust deed of the Share Award Scheme. The Share Award Scheme shall be valid and effective for a period of ten years commencing on the adoption date. The number of Awarded Shares permitted to be awarded under the Share Award Scheme throughout the duration of the Share Award Scheme is limited to 10% of the issued share capital of the Company as at the adoption date. The maximum aggregate number of Awarded Shares which may be awarded to a Selected Participant shall not exceed 1% of the issued share capital of the Company as at the adoption date.

Up to the date of this annual report, the Board granted total of 19,618,000 shares to certain individual. Details of the Share Award Scheme are set out in the announcement issued by the Company on 11 September 2015.

PUBLIC FLOAT

From information publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total issued share capital are held by the public at all times during the Reporting Period and up to the date of this annual report.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association and the laws of Cayman Islands, which would oblige the Company to offer new Shares on a pro-rata basis to existing Shareholders.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining high standards of corporate governance. Save as disclosed in the Corporate Governance Report of this annual report, the Company has complied with all the applicable provisions as set out in the Code on Corporate Governance Code – Appendix 14 to the Listing Rules in the Reporting Period. Information on the Company's corporate governance practices is set out in the Corporate Governance Report on pages 25 to 32 of this annual report.

CREDIT FACILITY AGREEMENT AND SUBSISTING SPECIFIC PERFORMANCE OBLIGATIONS ON CONTROLLING SHAREHOLDER

The following are the details of the breach of loan agreement by the Company as at 30 June 2019 pursuant to rule 13.19 of the Listing Rules.

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

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

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

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

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

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

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

The Company is currently in the process of discussion with its bankers, bondholders and creditors as necessary with a view to agreeing on arrangements which facilitate the Company to meet its obligations, including but not limited to the loans under the Facility Agreement.

CLOSURE OF REGISTER OF MEMBERS

For determining the Shareholders' eligibility to attend and vote at the forthcoming annual general meeting to be held on 28 November 2019 (Thursday) (the "AGM"), the register of members of the Company will be closed from 21 November 2019 (Thursday) to 28 November 2019, both days inclusive, during which period no transfer of Shares will be registered. The record date will be 28 November 2019. In order to qualify for attending and voting at the AGM, all transfer of Shares accompanied by the relevant share certificates and transfer forms must be lodged with the Company's Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on 20 November 2019 (Wednesday).

AUDITORS

SHINEWING (HK) CPA Limited resigned during the year and Fuson CPA Limited has been appointed to fill the casual vacancy. Fuson CPA Limited shall retire in the forthcoming annual general meeting and, being eligible, will offer themselves for re-appointment. A resolution for the re-appointment of Fuson CPA Limited as auditors of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the Board

Wu Shaohao
Chairman

Hong Kong, 30 September 2019

The Board recognises the importance of good corporate governance practices in safeguarding the interest of the shareholders of the Company (the "Shareholders"). The Company is committed to achieving and maintaining high standards of corporate governance, the principles of which serve to uphold transparency, accountability and independence in all aspects of business and endeavours to ensure that affairs are conducted in accordance with applicable laws and regulations.

CORPORATE GOVERNANCE PRACTICES

The Group's corporate governance practices are based on the Corporate Governance Code (the "Code") – as set out in Appendix 14 to the Listing Rules. Save as disclosed herein below, 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.

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.

THE BOARD OF DIRECTORS

Composition of the Board

The Board has a balance of skills and experience required of the Group's business. The Board includes a balanced composition of executive, non-executive and independent non-executive Directors so that independent judgment can be effectively exercised.

The Board currently comprises two executive Directors and three independent non-executive Directors. During the Reporting Period and up to the date of this report, the Directors were:

Executive Directors

Mr. Wu Shaohao *(Chairman)*	(Appointed on 4 December 2018)
Mr. Wu Liantao	(Appointed on 4 December 2018)
Mr. Sin Ke	(Removed on 23 April 2019)
Mr. San Kwan	(Resigned on 12 April 2019)

Non-executive Director

Mr. Tsang Sze Wai, Claudius	(Retired on 9 November 2018)

Independent Non-Executive Directors

Mr. Chen Ying	(Appointed on 9 April 2019)
Mr. Kyaw Sai Hong	(Appointed on 31 January 2019)
Mr. Ma Chi Kin	(Appointed on 9 April 2019)
Mr. Zeng Jianzhong	(Resigned on 31 January 2019)
Mr. Zhuang Weidong	(Resigned on 9 April 2019)
Mr. Zhuang Xueyuan	(Resigned on 9 April 2019)

The brief biographic details of and relationship between the existing Directors are set out in the section headed "Board of Directors and Senior Management" on pages 14 to 15. Save as disclosed under the section headed "Board of Directors and Senior Management", there is no financial, business, family or other material or relevant relationships between Board members.

During the Reporting Period, the Board maintained a high level of independence, with more than one-third of the Board comprised of independent non-executive Directors, who had exercised independent judgement. The independent non-executive Directors are expressly identified in all corporate communications whenever the names of the Directors are disclosed.

The Company has received from each independent non-executive Director an annual confirmation of his independence pursuant to the independence guidelines set out in Rule 3.13 of the Listing Rules. The Company considers all independent non-executive Directors satisfied the Listing Rules requirement of independence.

Board Meetings

The Board meets regularly. In addition to regular meetings, it meets as and when warranted by particular circumstances. During the Reporting Period, nineteen Board meetings were held. The Directors attended the meetings in person or by telephone in accordance with the Articles of Association.

A record of the Directors' attendance at the Board meetings and general meetings of the Company held during the Reporting Period are set out as follows:

	Attendance/ Number of Board meetings	Attendance/ Number of general meetings
Executive Directors		
Mr. Wu Shaohao *(Chairman)*	17/25	0/1
Mr. Wu Liantao	8/25	0/1
Mr. Sin Ke	7/25	0/1
Mr. San Kwan	7/25	0/1
Non-executive Director		
Mr. Tsang Sze Wai, Claudius	0/25	0/1
Independent Non-Executive Directors		
Mr. Chen Ying	4/25	0/1
Mr. Kyaw Sai Hong	12/25	0/1
Mr. Ma Chi Kin	9/25	0/1
Mr. Zhuang Xueyuan	4/25	0/1
Mr. Zhuang Weidong	4/25	0/1
Mr. Zeng Jianzhong	4/25	0/1

The company secretary, chief financial executive and other selected members from the Company also attended the annual general meeting (the "AGM") together with our external auditor, Fuson CPA Limited to answer any question from the Shareholders. All Directors treasure the opportunity to canvass the views of the Shareholders in AGMs held annually.

Board Responsibilities and Delegation

The Board is responsible for leadership and control of the Group and be collectively responsible for promoting the success of the Group by directing and supervising the Group's affairs. The Board focuses on formulating the Group's overall strategies, authorising the annual development plan and budget; monitoring financial and operating performance; reviewing the effectiveness of the internal control system; supervising and managing management's performance and determining the corporate governance policy of the Group. The Board delegates the day-to-day management, administration and operation of the Group to management. The delegated functions are reviewed by the Board periodically to ensure that the needs of the Group are accommodated. The Board gives clear directions to the management as to the matters that must be approved by the Board before decisions are made on behalf of the Group.

During the Reporting Period, the Board has reviewed and discussed the corporate governance policy of the Group and is satisfied with the effectiveness of the corporate governance policy.

Appointment, Re-election and Removal of Directors

The Company has established the Nomination Committee on 7 June 2008. The Nomination Committee has from time to time identify individuals suitably qualified to become Board members and make recommendations to the Board. The main consideration in selecting candidates for directorships is whether their characters, qualifications and experience are appropriate for the businesses of the Group.

Each of Mr. Chen Ying, Mr. Kyaw Sai Hong and Mr. Ma Chi Kin has entered into a service contract for a term of 2 years which may be terminated by either party giving to the other party at least 3 months' prior written notice. All independent non-executive Directors are subject to rotation and re-election at annual general meeting of the Company in accordance with the articles of association of the Company.

In accordance with the articles of association of the Company (the "Articles of Association"), at each annual general meeting, the Directors were appointed during the year will retire from office as Directors, being eligible, will offer themselves for re-election at the forthcoming annual general meeting of the Company.

Insurance of the Directors and Officers

The Company has bought liability insurance for Directors and officers in respect of legal action against the Directors and officers which is in compliance with code provision A.1.8 of the Code.

Induction and Continuous Professional Development

Newly appointed Directors will receive guideline and reference materials to enable them to familiarise with the Group's business operations and the Board's policies.

The Company is committed to arranging and funding suitable training to all Directors for their continuous professional development. Each Director is briefed and updated from time to time to ensure that he is fully aware of his responsibilities under the Listing Rules and applicable legal and regulatory requirements and the governance policies of the Group. All the Directors also understand the importance of continuous professional development and are committed to participating any suitable training to develop and refresh their knowledge and skills.

According to the records provided by the Directors, a summary of training received by the Directors during the Reporting Period is set out below:

Name of Directors	Type of continuous Professional development programmes (Notes)
Executive Directors	
Mr. Wu Shaohao *(Chairman)*	1,2
Mr. Wu Liantao	1,2
Independent Non-executive Directors	
Mr. Chen Ying	1,2
Mr. Kyaw Sai Hong	1,2
Mr. Ma Chi Kin	1,2

Notes:

1 Attend internal training

2 Attend workshop/seminars/conference/continuing development programme

BOARD DIVERSITY POLICY

Under code provision A.5.6 of the CG Code, the nomination committee (or the board) should have a policy concerning diversity of board members, and should disclose the policy or a summary of the policy in the Corporate Governance Report. During the Reporting Period, the Board has adopted a board diversity policy (the "Board Diversity Policy") with effect from 16 July 2013 and approved the amendments to the terms of reference of the Nomination Committee of the Company to align the board diversity.

Selection of candidates will be based on a range of diversity criteria, including but not limited to skills, knowledge, gender, age, ethnicity, cultural and educational background, professional experience, length of services and other qualities of candidates. Appointments of the Board will be made on meritocracy and candidates will be considered against objective criteria, with due regard for the benefits of the diversity on the Board. During the Reporting Period, no addition member was appointed to the Board.

BOARD COMMITTEES

Remuneration Committee

The Remuneration Committee of the Company comprises one executive Director and two independent non-executive Directors. The roles and functions of the Remuneration Committee include consulting the Chairman about their remuneration proposals for other executive Directors, making recommendation to the Board on the Company's remuneration policy and structure for all Directors' and senior management and making recommendation to the Board on the remuneration packages of individual Directors' and senior management. The Remuneration Committee's authority and duties are set out in written terms of reference that are posted on the website of the Stock Exchange and the Company.

During the Reporting Period, the Remuneration Committee, among others, had reviewed the Group's remuneration policy and the terms of the executive Directors' service contracts, made recommendation to the Board on the policy for the remuneration of non-executive Directors, independent non-executive Director and Chief Executive Officer, assessed performance of non-executive Directors, independent non-executive Directors and Chief Executive Officer and approved the terms of independent non-executive Director's service contracts.

Two meetings were held during the Reporting Period and the attendance by each committee member is set out below:

Members of Remuneration Committee	Attendance/ Number of meetings
Mr. Chen Ying *(Chairman)*	0/1
Mr. Ma Chi Kin	0/1
Mr. Wu Shaohao	0/1
Mr. Sin Ke	1/1
Mr. Zhuang Xueyuan	1/1
Mr. Zhuang Weidong	1/1

Nomination Committee

The Nomination Committee of the Company comprises one executive Director and two independent non-executive Directors. The roles and functions of the Nomination Committee include reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board, identifying individuals suitably qualified to become Board member and assessing the independence of independent non-executive Directors. The Nomination Committee is established with specific terms of reference which deal clearly with the committee's authority and duties and is available on the website of the Stock Exchange and the Company.

During the Reporting Period, the Nomination Committee has reviewed the existing structure, composition and diversity of the Board and assessed the independence of the independent non-executive Directors. The Nomination Committee has also reviewed objectives set for implementing the Board Diversity Policy.

Two meetings were held during the Reporting Period and the attendance by each committee member is set out below:

Members of Nomination Committee	Attendance/ Number of meetings
Mr. Wu Shaohao *(Chairman)*	0/2
Mr. Kyaw Sai Hong	0/2
Mr. Ma Chi Kin	0/2
Mr. Sin Ke	2/2
Mr. Zhuang Weidong	2/2
Mr. Zeng Jianzhong	1/2

Audit Committee

The Audit Committee currently consists of 3 independent non-executive Directors. The primary duties of the Audit Committee are to review the Company's financial information, review and supervise the Company's financial reporting process, risk management system and internal control procedures, nominate and monitor external auditors and provide advice and comments to the Board. The Audit Committee is established with specific terms of references which deal clearly with the committee's authority and duties and is available on the website of the Stock Exchange and the Company.

During the Reporting Period, the Audit Committee has discussed and reviewed the interim and final results of the Group and certain other businesses. The effectiveness of the Company's internal control was also discussed at the meetings. The Audit Committee has also reviewed with management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a review of the interim report, the annual report, the interim result of the Group and the final result of the Group for the Reporting Period. In the opinion of the Audit Committee, there are no material uncertainties relating to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. There was no disagreement between the Board and the Audit Committee regarding the selection, appointment, resignation or dismissal of the external auditors.

Two meetings were held during the year and the attendance by each committee member is set out below:

Members of Audit Committee	Attendance/ Number of meetings
Mr. Kyaw Sai Hong *(Chairman)*	1/2
Mr. Chen Ying	0/2
Mr. Ma Chi Kin	0/2
Mr. Zhuang Xueyuan	1/2
Mr. Zhuang Weidong	1/2
Mr. Zeng Jianzhong	1/2

AUDITOR'S REMUNERATION

SHINEWING (HK) CPA Limited resigned during the year and Fuson CPA Limited has been appointed to fill the casual vacancy. The remuneration paid or payable to the external auditor of the Group for the Reporting Period comprised fees for audit services of HK$900,000 (equivalent to approximately RMB783,000) (2018: HK$1,438,000 (equivalent to approximately RMB1,194,000)).

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

Risk management and internal control

The Group establishes a risk management information and communication channel that is functional within the whole basic risk control procedure, connects different levels in the reporting system and different departments and operation units, so as to ensure timely, accurate and complete communication of information, laying a solid foundation for the monitoring and improvement of risk management.

Different departments and business units of the Group regularly inspect and examine their own risk management process in order to locate the shortcomings and remedy the situation if possible. Their inspection and examination reports are delivered to the Group's risk management department in time.

The Board acknowledges its responsibility for the risk management and internal control systems and reviewing their effectiveness. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board has the overall responsibility for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Company's strategic objectives, and establishing and maintaining appropriate and effective risk management and internal control systems.

The Board further considers that (i) there was no material issue relating to the Group's risk management and internal controls, including financial, operational and compliance controls and risk management functions of the Group; and (ii) that there were adequate staff with appropriate and adequate qualifications and experience, resources for accounting, internal audit and financial reporting functions, and adequate training programmes had been provided during the year ended 30 June 2018.

The Company's risk management and internal control systems have the following principles, features and processes:

Principles of Risk Management

Risk management is an advanced management technique based on the internal control system of the Company and requires the participation of the Board, the management and the employees of the Company. It is a risk control process applying to the Company's strategic development planning, each process and function of its internal operation for the purpose of identifying matters that may have potential impacts on the Company and controlling risks according to its risk appetite, which in turn provides the Company with reasonable assurance to achieve its business objectives.

The objectives of the Company's risk management and internal control are as follows:

(1) Identifying matters that may have potential impacts on the Group and controlling risks according to its risk appetite;

(2) Providing the Board and the Management of the Company with reasonable assurance to achieve the Company's business objectives. This includes but is not limited to: utilizing resources in an efficient and effective way; preventing the loss of assets; maintaining the reliability and integrity of information; keeping consistence between policies, plans, procedures, laws and regulations.

Features of the risk management

The risk management and internal control system of the Company can be divided into four parts as follows:

(1) Identifying risks: The Audit Committee will supervise the management of the Company to identify uncertainties and decide the degree of such risks.

(2) Risk assessment: The Audit Committee identifies risks from a long-term perspective and assesses different risk parameters while analysing relevant information collected for this purpose. The Audit Committee will draw the attention of the management on related risks.

(3) Critical risk control points of internal control in each business segment: The Company carries out its risk management based on its other internal control systems and strictly complies with the internal control systems of each business segments while implementing measures for each risk control points.

(4) Accounting control: The Company rigorously conforms to the International Financial Reporting Standards, the International Accounting Standards, the disclosure requirement of the Hong Kong Companies Ordinance, the Accounting Standards for Business Enterprises and major accounting policies of the Company, so as to ensure the safety and integrity of its assets and give a true and fair view of its financial position, financial performance and cash flows.

Process of the risk management

The Board has delegated to the Audit Committee responsibility for reviewing the effectiveness of the Group's internal control system. The Audit Committee works with the Group's internal audit department to carry out internal audit works based on an internal audit plan which is reviewed and approved by the Audit Committee. The Group's internal audit department reports its findings and recommendations for any corrective action required to the Audit Committee. The Audit Committee reviews the reports submitted by the internal audit department in respect of the regular review of the risk management and internal control systems. Any issues on the risk management and internal control system of the Group are discussed and evaluated by the Board at least once every year, which cover the period of the preceding financial year, or a shorter period when the review is performed more than once during the year.

The Company instructs its dedicated policy researchers to identify the trend of policy change with an aim to minimize political influence on the Group's business. The Company will also conduct research on laws, regulations and industrial standards to predict potential changes and consult relevant experts when necessary.

During the year ended 30 June 2019, the internal audit department has conducted an examination on various material control aspects including financial and operational controls with the aim of mitigating the overall business and operational risk of the Group. Risk management and internal control systems reports were submitted to the Audit Committee for review and the findings and recommendations were discussed at the committee meetings. Matters including the adequacy of resources, staff qualifications and experience, training programs and budget of the Company's accounting and reporting functions were reviewed.

Internal control of confidential information

The Company has developed its disclosure policy which provides a general guide to the Company's Directors, officers, senior management and relevant employees in handling confidential information, monitoring information disclosure and responding to enquiries.

DIRECTORS' AND AUDITOR'S RESPONSIBILITIES FOR FINANCIAL STATEMENTS

All Directors acknowledge their responsibilities for preparing the financial statements for the Reporting Period. The auditor of the Company acknowledges its reporting responsibilities in the auditor's report on the financial statements for the Reporting Period. The Directors were not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern. Accordingly, the Directors have prepared the financial statements on a going-concern basis.

COMPANY SECRETARY

The company secretary is a full time employee of the Company and has day-to-day knowledge of the Company's affairs. The company secretary reports to the Chairman and is responsible for advising the Board on corporate governance matters and facilitating communication between Board members, the Shareholders and management of the Company. During the Reporting Period, the company secretary undertook more than 15 hours of relevant professional training. The biography of the company secretary is set out in the section "Board of Directors and Senior Management" of this annual report.

THE SHAREHOLDERS' RIGHTS

Convening an Extraordinary Meeting by Shareholders

Pursuant to Article 64 of the Articles of Association, extraordinary general meetings shall be convened on the requisition of one or more Shareholders holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Board or the Secretary for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within 2 months after the deposit of such requisition. If the Board fails to convene such meeting within 21 days of such deposit, the requisitionist(s) himself (themselves) may do so in the same manner.

Procedures for Putting Forward Proposals at General Meetings by Shareholders

Shareholders are requested to follow Article 64 of the Articles of Association for including a resolution at an extraordinary general meeting. The requirements and procedures are set out above in the paragraph headed "Convening an Extraordinary Meeting by Shareholders".

Pursuant to Article 113 of the Articles of Association, no person (other than a retiring Director) shall be eligible for election to the office of Director at any general meeting unless a notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected shall have been lodged at the Head Office or at the Registration Office no earlier than the day after the dispatch of the notice of the general meeting appointed for such election and end no later than 7 days prior to the date of such general meeting and the minimum length of the period during which such notices to the Company may be given will be at least 7 days.

Tel No.: (852) 3163 1000
Fax No.: (852) 3163 1122

Company Secretarial Department and Investor Relations Department of the Company handle both telephone and written enquiries from Shareholders from time to time. Shareholders' enquiries and concerns will be forwarded to the Board and/or relevant Board Committees of the Company, where appropriate, to answer the Shareholders' questions.

The procedures for Shareholders to propose a person for election as a Director is posted on the website of the Company.

Communication with Shareholders

Information of the Group is delivered to the Shareholders through a number of channels, which include annual report, interim report, announcements and circulars at the corporate website (https://hksummi.com/). The latest information of the Group together with the published documents are also available on the Company's website.

Shareholders may at any time send their enquiries and concerns to the Board in writing through the Investor Relations Department of the Company whose contact details are as follows:

Summi (Group) Holdings Limited
Room 1012, 10/F.,
Block A, Hung Hom Commercial Centre,
Kowloon,
Hong Kong
Email: adminhk@hksummi.com

INVESTOR RELATIONS

Constitutional Documents

During the Reporting Period, the Company did not make any changes to the Memorandum and Articles of Association, and the current version of which is available on the websites of the Stock Exchange and the Company.

CORPORATE GOVERNANCE ENHANCEMENT

Enhancing corporate governance is not simply a matter of applying and complying with the Code but also about promoting and developing an ethical and healthy corporate culture. The Company will continue to review and, where appropriate, improve the current practices on the basis of the experience, regulatory changes and developments. Any views and suggestions from the Shareholders to promote and improve the transparency are also welcomed.

On behalf of the Board

Wu Shaohao
Chairman

Hong Kong, 30 September 2019

富信會計師事務所有限公司
FUSON CPA LIMITED

香港上環德輔道中288號易通商業大廈15樓A室及14樓B室
Rooms 15A and 14B, Eton Building, 288 Des Voeux Road Central, Sheung Wan, Hong Kong

TO THE MEMBERS OF SUMMI (GROUP) HOLDINGS LIMITED
森美（集團）控股有限公司
(incorporated in Cayman Islands with limited liability)

DISCLAIMER OF OPINION

We were engaged to audit the consolidated financial statements of Summi (Group) Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 36 to 127, which comprise the consolidated statement of financial position as at 30 June 2019, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of cashflows and consolidated statement of changes in equity for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

We do not express an opinion on the consolidated financial statements of the Group. Because of the significant of the matters described in the "Basis for Disclaimer of Opinion" section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements and as to whether the consolidated financial statements have been properly prepared in compliance with disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR DISCLAIMER OF OPINION

(1) Multiple uncertainties relating to going concern

As described in note 2 to the consolidated financial statements, for the year ended 30 June 2019, the Group reported a net loss attributable to the owners of the Company from continuing operations of RMB499,577,000 and had a net operating cash outflow of RMB543,043,000. Further, as at 30 June 2019, the Group had net current liabilities of RMB831,853,000 and a deficiency of shareholders' equity of RMB660,864,000.

Pursuant to the Company's announcement dated 6 December 2018, a verbal demand was made by certain bank creditors to request the Company to repay an amount in the sum of about HK$212.8 million (equivalent to RMB187.0 million) as the amount outstanding under the loan agreements respectively entered into between these bank creditors and the Company.

In addition, pursuant to the Company's announcement dated 4 March 2019, on 28 February 2019, a further demand letter was sent by a bank (the "Demand Letter") to the Company, in relation to a facility agreement dated 8 August 2016 made between (amongst others) the Company as borrower, Mr. Sin Ke (former Chairman of the Board, the former Chief Executive Officer and the former executive director of the Company) as personal guarantor and certain banks and financial institutions (the "Facility Agreement"). It is stated in the Demand Letter, inter alia, that: (1) as at 18 February 2019 (inclusive), outstanding principal amount of the loans in the sum of US$17,075,000 (equivalent to RMB117,043,000) and unpaid accrued interest in the sum of US$469,500 (equivalent to RMB3,218,000) were due and owing by the Company to the bank under the Facility Agreement; (2) the bank, pursuant to the Facility Agreement, demands for immediate payment of the outstanding principals, accrued interest, and all other amounts accrued or outstanding under the Facility Agreement which are due and owing to the bank.

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

Besides, certain of the Group's former key personnel and management left from the Group. Further, certain of major customers of the Group suspended the purchase from the Group and thus, the businesses and operations of the Group significantly declined.

These conditions, together with other matters described in note 2 to the consolidated financial statements, indicate the existence of material uncertainties which may cast significant doubt about the Group's ability to continue as a going concern.

BASIS FOR DISCLAIMER OF OPINION *(Continued)*

(1) Multiple uncertainties relating to going concern *(Continued)*

The directors of the Company (the "Directors") have been undertaking a number of measures to improve the Group's liquidity and financial position, and to remediate certain delayed repayments to financial institutions, which are set out in note 2 to the consolidated financial statements. The consolidated financial statements have been prepared on a going concern basis, the validity of which depends on the outcome of these measures, which are subject to multiple uncertainties, including: (i) Successful in the finalisation of the Finance Reorganisation (as defined in note 2 to the consolidated financial statements) with the lenders and creditors; (ii) Successful completion of the Proposed Connected Transactions (as defined in note 2 to the consolidated financial statements) in raising of around HK$233.1 million (equivalent to RMB204.8 million) funds to the Company as described in note 2 to the consolidated financial statements; (iii) Successful obtaining of additional new sources of financing as and when needed; (iv) Successful negotiation with the Group's existing lenders such that no action will be taken by the relevant lenders to demand immediate repayment of the borrowings in any breach of loan covenants or default, including those with cross-default terms; (v) Successful in the Group's Business and Operation Restructuring Plan (as defined in note 2 to the consolidated financial statements); and (vi) Successful maintenance of relationship with the suppliers of the Group, in particular those in relation to the Group's existing businesses and operations such that no actions will be taken by those suppliers against the Group should the Group not be able to meet all the payment obligations on a timely basis.

Should the Group fail to achieve the abovementioned plans and measures, it might not be able to continue operate as a going concern, and adjustments would have to be made to write down the carrying values of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effects of these adjustments have not been reflected in these consolidated financial statements.

(2) 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 Report Standards ("IFRS(s)") and omission of disclosures

As set out in note 2 to the consolidated financial statements, because of the loss of certain accounting records and documents of 重慶邦興果業有限公司 (Chongqing Bangxing Fruit Co., Ltd., "Chongqing Bangxing", a wholly owned subsidiary of the Company which is mainly engaged in the Group's Plantation and Sale of Agricultural Produce Business segment (as defined in note 1 to the consolidated financial statements)) and the fact that certain former key personnel and management of the Group who were previously responsible to the operations and businesses of Chongqing Bangxing are now not contactable, the Directors consider that the historical information of Chongqing Bangxing may not be complete and sufficient to establish an accurate and reliable view of the historical transactions, trading and financial position of Chongqing Bangxing. Accordingly, the Directors believe that, as at the date of this report, it is almost impossible, and not practical, to ascertain the opening balances brought forward as at 1 July 2018, the closing balances as at 30 June 2019 and transactions during the year ended 30 June 2019 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 year for inclusion in the consolidation financial statements of the Group.

We were unable to obtain sufficient appropriate audit evidence to determine whether the opening balances brought forward as at 1 July 2018, the closing balances as at 30 June 2019 and transactions during the year ended 30 June 2019 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 year were free from material misstatement. In view of that, we were unable to obtain sufficient appropriate audit evidence to determine whether the related impairment losses recognised in respect of the lease prepayments for orange plantations and loss from changes in fair value less cost to sell in respect of the biological assets for the year were free from material misstatement.

Against this background, we are unable to satisfy ourselves as to whether the opening and closing balances and transactions of Chongqing Bangxing included in the consolidated financial statements and to determine whether all the transactions entered into by Chongqing Bangxing for the year ended 30 June 2019 have been properly accounted for in the consolidated financial statements of the Group.

Due to insufficient financial information as mentioned above, we are unable to ensure whether the consolidated financial statements have been properly prepared in compliance with disclosures requirements under IFRSs issued by the International Accounting Standards Board (the "IASB"), Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

OTHER MATTER

The consolidated financial statements of the Group for the year ended 30 June 2018 were audited by another auditor who expressed an unmodified opinion on those statements on 27 September 2018.

RESPONSIBILITIES OF DIRECTORS AND AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

The engagement partner on the audit resulting in this independent auditor's report is Lee Yan Fai.

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

Hong Kong, 30 September 2019

Consolidated Statement of Profit and Loss and Other Comprehensive Income

for the year ended 30 June 2019

	Notes	2019 RMB'000	2018 RMB'000 (Restated)
Continuing Operations			
Revenue	6	57,101	547,713
Cost of sales		(76,801)	(317,935)
Gross (loss) profit		(19,700)	229,778
Other revenue	8	5,836	6,321
Net realised and unrealised gain (loss) on derivative financial instruments		2,355	(10,168)
Selling and distribution expenses		(64,851)	(130,550)
Administrative expenses		(67,889)	(74,971)
Write-off of property, plant and equipment and intangible assets	11	(26,027)	–
Impairment losses recognised	11	(241,506)	–
Other operating expenses	9	(29,628)	(6,752)
(Loss) profit from operations		(441,410)	13,658
Finance costs	10	(67,540)	(50,759)
Loss before tax	11	(508,950)	(37,101)
Income tax credit	12	9,373	852
Loss for the year from Continuing Operations		(499,577)	(36,249)
Discontinued Operation (Plantation and Sale of Agricultural Produce Business)			
(Loss) profit for the year from Discontinued Operation	13	(1,884,093)	47,811
(Loss) profit for the year		(2,383,670)	11,562
Other comprehensive (expense) income for the year			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		(24,898)	11,076
Total comprehensive (expense) income for the year attributable to owners of the Company		(2,408,568)	22,638
(Loss) earnings per share	17		
From continuing and discontinued operations			
– Basic and diluted (RMB cents)		(178.39)	0.87
From Continuing Operations			
– Basic and diluted (RMB cents)		(37.39)	(2.73)

Consolidated Statement of Financial Position

As at 30 June 2019

	Notes	2019 RMB'000	2018 RMB'000
Non-current assets			
Property, plant and equipment	18	151,984	344,700
Land use rights	19	21,435	21,990
Lease prepayments for orange plantations	20	–	977,875
Goodwill	21	–	56,696
Intangible assets	22	–	38,978
Held-to-maturity investment	24	–	16,918
		173,419	1,457,157
Current assets			
Inventories	25	22,008	57,131
Biological assets	26	–	169,119
Trade and other receivables	27	26,518	213,658
Lease prepayments for orange plantations	20	–	109,541
Derivative financial instruments	28	–	2,986
Pledged bank deposits	29	8,244	191,730
Cash and cash equivalents	29	4,364	521,487
		61,134	1,265,652
Current liabilities			
Trade and other payables	30	86,118	34,453
Borrowings	31	767,937	631,640
Corporate bonds	32	38,930	–
Derivative financial instruments	28	–	960
Income tax payable		2	65
		892,987	667,118
Net current (liabilities) assets		(831,853)	598,534
Total assets less current liabilities		(658,434)	2,055,691
Non-current liabilities			
Deferred tax liabilities	33	1,250	10,625
Borrowings	31	–	261,292
Corporate bonds	32	–	36,043
Deferred income	34	1,180	3,540
		2,430	311,500
Net (liabilities) assets		(660,864)	1,744,191

Consolidated Statement of Financial Position

As at 30 June 2019

	Notes	2019 RMB'000	2018 RMB'000
Capital and reserves			
Share capital	35	11,610	11,610
Reserves		(672,474)	1,732,581
(Deficiency of) shareholders' equity		(660,864)	1,744,191

The consolidated financial statements from pages 36 to 127 were approved and authorised for issue by the board of directors on 30 September 2019:

WU Shaohao
Director

WU Liantao
Director

The accompanying notes to the consolidated financial statements form an integral part of, and should be read in conjunction with, these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 30 June 2019

	Share capital RMB'000	Share premium RMB'000 (Note 36(a))	Capital reserve RMB'000 (Note 36(b))	Shares held under the share award scheme RMB'000 (Note 36(c))	Statutory reserves RMB'000 (Note 36(d))	Exchange reserve RMB'000 (Note 36(e))	Retained profits (accumulated losses) RMB'000	Total RMB'000
As at 1 July 2018	11,610	470,797	57,003	(14,672)	38,810	(22,457)	1,194,108	1,735,199
Profit for the year	–	–	–	–	–	–	11,562	11,562
Other comprehensive income for the year								
– Exchange differences arising on translation of foreign operations	–	–	–	–	–	11,076	–	11,076
Total comprehensive income for the year	–	–	–	–	–	11,076	11,562	22,638
Equity-settled share-based payments (note 37)	–	–	3,480	–	–	–	–	3,480
Dividends paid (note 16)	–	(17,126)	–	–	–	–	–	(17,126)
As at 30 June 2018 and 1 July 2019	11,610	453,671	60,483	(14,672)	38,810	(11,381)	1,205,670	1,744,191
Loss for the year	–	–	–	–	–	–	(2,383,670)	(2,383,670)
Other comprehensive expense for the year								
– Exchange differences arising on translation of foreign operations	–	–	–	–	–	(24,898)	–	(24,898)
Total comprehensive expense for the year	–	–	–	–	–	(24,898)	(2,383,670)	(2,408,568)
Equity-settled share-based payments (note 37)	–	–	(14,093)	3,513	–	–	14,093	3,513
As at 30 June 2019	11,610	453,671	46,390	(11,159)	38,810	(36,279)	(1,163,907)	(660,864)

Consolidated Statement of Cash Flows

For the year ended 30 June 2019

	2019 RMB'000	2018 RMB'000
OPERATING ACTIVITIES		
(Loss) profit before tax		
– Continuing Operations	(508,950)	(37,101)
– Discontinued Operation	(1,884,093)	47,811
	(2,393,043)	10,710
Adjustments for:		
Loss (gain) from changes in fair value of biological assets less costs to sell	372,124	(59,004)
Net realised and unrealised (gain) loss on derivative financial instruments	(2,355)	10,168
Depreciation of property, plant and equipment	50,403	46,023
Amortisation of intangible assets	5,195	5,029
Amortisation of land use rights	555	555
Impairment loss recognised in respect of lease prepayments for orange plantations	1,509,037	–
Impairment losses recognised in respect of property, plant and equipment, intangible assets and goodwill	241,506	–
Impairment loss recognised in respect of inventories	20,932	–
Losses on write-off of property, plant and equipment and intangible assets	26,027	–
Finance costs	67,540	50,759
Compensation claim	25,116	–
Equity-settled share-based payment expenses	3,513	3,480
Government grants	(2,360)	(2,360)
Bank interest income	(349)	(1,325)
Interest income from pledged bank deposits	(238)	(1,571)
Interest income from financial assets at amortised cost/held-to-maturity investment	(523)	(997)
Write-off of inventories	–	4,111
Gains on disposals of property, plant and equipment	–	(32)
Operating cash flows before movements in working capital	(76,920)	65,546
Decrease (increase) in inventories	14,191	(4,912)
Increase in biological assets	(19,906)	(10,805)
(Increase) decrease in lease prepayments for orange plantations	(604,720)	958
Decrease (increase) in trade and other receivables	128,371	(54,746)
Increase (decrease) in trade and other payables	16,006	(7,482)
Cash used in operations	(542,978)	(11,441)
Income tax paid	(65)	(291)
NET CASH USED IN OPERATING ACTIVITIES	(543,043)	(11,732)

Consolidated Statement of Cash Flows

For the year ended 30 June 2019

	2019 RMB'000	2018 RMB'000
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(1,411)	(59,347)
Withdrawal of pledged bank deposits	183,486	6,641
Redemption of held-to-maturity investment	16,918	–
Settlement for derivative financial instruments	4,381	127
Interest income received from financial assets at amortised cost/held-to-maturity investment	523	997
Bank interest income received	349	1,325
Interest income received from pledged bank deposits	238	1,549
Repayment from a director	42,887	–
Purchase of intangible assets	–	(2,000)
Placement of pledged bank deposits	–	(2,434)
Advance to a director	(42,541)	(346)
Proceeds from disposals of property, plant and equipment	–	525
NET CASH FROM (USED IN) INVESTING ACTIVITIES	204,830	(52,963)
FINANCING ACTIVITIES		
Repayments of borrowings	(332,097)	(130,213)
Interest paid	(41,789)	(45,260)
New borrowings raised	177,676	105,920
New corporate bonds issued	1,485	19,730
Advance from a director	14,830	–
Repayment to a director	–	(219)
Dividends paid	–	(17,126)
NET CASH USED IN FINANCING ACTIVITIES	(179,895)	(67,168)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(518,108)	(131,863)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	521,487	655,699
Effect of foreign exchange rate changes	985	(2,349)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by cash and cash equivalents	4,364	521,487

For the year ended 30 June 2019

1. GENERAL

Summi (Group) Holdings Limited is incorporated in the Cayman Islands as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Its parent and ultimate holding company is Rui Er Holdings Company Limited (the "Controlling Shareholder"), a company incorporated in the British Virgin Islands (the "BVI"). The addresses of the registered office and principal place of business of the Company are disclosed in the "Corporate Information" section to the annual report.

The Company acts as an investment holding company. The principal activities of its subsidiaries are set out in note 48.

During the year and up to the Termination Date (as defined in note 2), the Group was principally involved in: (1) plantation and sale of agricultural produce (the "Plantation and Sale of Agricultural Produce Business"); (2) production and sale of frozen concentrated orange juice ("FCOJ") and other related products (the "Production and Sale of FCOJ and Other Related Products Business"); and (3) production and sale of Summi 100% freshly squeezed orange juice ("Summi Fresh Orange Juice") and other products (the "Product and Sale of Summi Fresh Orange Juice and Other Products Business"). Subsequent to the cessation of the Plantation and Sale of Agricultural Produce Business segment (the "Discontinued Operation", and details of which are set out in note 13), the Group continues to be engaged in the Production and Sale of FCOJ and Other Related Products Business segment and Product and Sale of Summi Fresh Orange Juice and Other Products Business segment (collectively referred to as the "Continuing Operations").

The Company's functional currency is Hong Kong dollars ("HK$") while that for the major subsidiaries in the People's Republic of China (the "PRC") is Renminbi ("RMB"). As the operation of the Group is mainly held in the PRC, the directors of the Company (the "Directors") consider that it is appropriate to present the consolidated financial statements in RMB.

2. BASIS OF PREPARATION

As disclosed in the Company's announcements dated 12 April 2019, 16 April 2019, 23 April 2019, 3 May 2019, 26 June 2019 and 30 July 2019 (the "Announcements"), the management of the Company has been unable to contact Mr. Sin Ke ("Mr. Sin"), who was the former Chairman of the Board, the former Chief Executive Officer and the former executive director of the Company. Pursuant to the amended and restated Articles of Association of the Company and the service contract between Mr. Sin and the Company, Mr. Sin was removed from his position as a director of the Company on 23 April 2019. Further, Mr. Sin has also ceased to be the Chairman and the Chief Executive Officer of the Company at the same time. Since Mr. Sin is the main contact person between the Company and the orange plantations (the "Orange Plantations") in respect of the Group's Plantation and Sale of Agricultural Produce Business through a wholly-owned subsidiary of the Company, 重慶邦興果業有限公司 (Chongqing Bangxing Fruit Co., Ltd.*, "Chongqing Bangxing"), the Group has taken measures in order to control the Orange Plantations such as visiting the Orange Plantations and communicating and negotiating with the local communities of plantations. However, in view of the left of Mr. Sin, the Group could not reach an agreement with the local communities of plantations and the Group had been unable to access to the oranges borne by the orange trees in the Orange Plantations. After several months of efforts, the management of the Company 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 and discontinue its Discontinued Operation, i.e. the Plantation and Sale of Agricultural Produce Business segment and details of which are described in note 13.

In September 2019, the Group submitted the application to the relevant PRC government authorities to deregister Chongqing Bangxing and up to the date of this report, the deregistration procedures have not yet been completed.

In view of the above, the Company has sought legal advice as to the enforceability of the contracts on the Orange Plantations with the local communities of plantations from an independent legal adviser (the "Legal Adviser"). In addition, the Company has appointed an independent professional adviser (the "Independent Professional Adviser") to investigate the matters related to the Orange Plantations. With reference to the reports from the Legal Adviser and the Independent Professional Adviser, the Directors conducted a review on the business and operations and internal control system of Chongqing Bangxing and revealed that: (i) other than Mr. Sin, certain former key personnel and management of the Group who were also previously responsible to the operations and businesses Chongqing Bangxing are also now not contactable; and (ii) a number of accounting records and documents of Chongqing Bangxing, such as the transactions with the local communities of plantations, the payments made to the local communities of plantations and the cultivation costs incurred in respect of the biological assets etc. during the year are not available.

2. BASIS OF PREPARATION *(Continued)*

With the consultation to the Legal Adviser, the Directors consider 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 is not eligible to use the Orange Plantations for other purposes and/or to sub-lease the Orange Plantations to other third parties and thus, the Directors consider that the orange plantations will be no longer generate any economic benefits to the Group in the near future.

Given the loss of certain accounting records and documents of Chongqing Bangxing and the fact that certain former key personnel and management of the Group who were previously responsible to the operations and businesses Chongqing Bangxing are now not contactable, 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 annual report, it is almost impossible, and not practical, to ascertain the opening balances brought forward as at 1 July 2018, the closing balances as at 30 June 2019 and the transactions during the year ended 30 June 2019 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 year for inclusion in the consolidation financial statements of the Group.

Due to insufficient financial information as mentioned above, the Directors are unable to ensure whether the consolidated financial statements have been properly prepared in compliance with disclosures requirements under International Financial Reporting Standards ("IFRS(s)"), Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

Particulars regarding to the Discontinued Operation, the lease prepayments for orange plantations and biological assets of the Group are disclosed in notes 13, 20 and 26, respectively.

Going concern basis

For the year ended 30 June 2019, the Group reported a net loss attributable to the owners of the Company from Continuing Operations of RMB499,577,000 (2018: a net loss attributable to the owners of the Company from Continuing Operations: RMB36,249,000) and had a net operating cash outflow of RMB543,043,000 (2018: a net cash outflow of RMB11,732,000). Further, as at 30 June 2019, the Group had net current liabilities of RMB831,853,000 (2018: net current assets of RMB598,534,000) and a deficiency of shareholders' equity of RMB660,864,000 (2018: shareholders' equity of RMB1,744,191,000).

Pursuant to the Company's announcement dated 6 December 2018, a verbal demand was made by certain bank creditors to request the Company to repay an amount in the sum of about HK$212.8 million (equivalent to RMB187.0 million) as the amount outstanding under the loan agreements respectively entered into between these bank creditors and the Company.

In addition, pursuant to the Company's announcement dated 4 March 2019, on 28 February 2019, a further demand letter was sent by a bank (the "Demand Letter") to the Company, in relation to a facility agreement dated 8 August 2016 made between (amongst others) the Company as borrower, Mr. Sin Ke as personal guarantor and certain banks and financial institutions (the "Facility Agreement"). It is stated in the Demand Letter, inter alia, that: (1) as at 18 February 2019 (inclusive), outstanding principal amount of the loans in the sum of US$17,075,000 (equivalent to RMB117,043,000) and unpaid accrued interest in the sum of US$469,500 (equivalent to RMB3,218,000) were due and owing by the Company to the bank under the Facility Agreement; (2) the bank, pursuant to the Facility Agreement, demands for immediate payment of the outstanding principals, accrued interest, and all other amounts accrued or outstanding under the Facility Agreement which are due and owing to the bank.

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

2. BASIS OF PREPARATION *(Continued)*

Going concern basis *(Continued)*

Besides, certain of the Group's former key personnel and management left from the Group. Further, certain of its major customers of the Group suspended the purchase from the Group and thus, the businesses and operations of the Group significantly declined.

All of the above conditions indicate the existence of material uncertainties which may cast significant doubt about the Group's ability to continue as a going concern.

In view of such circumstances, the Directors have given careful consideration to the future liquidity and performance of the Group and its available sources of financing in assessing whether the Group will have sufficient financial resources to continue as a going concern. Certain measures have been taken to mitigate the liquidity pressure and to improve the Group's financial position which include, but are not limited to, the following:

(i) The Group is now actively participating in the negotiations in respect of a potential restructuring of the Company's debts and liabilities with its lenders and creditors (the "Finance Reorganisation").

(ii) In addition, the Group is identifying various options for raising of funds from the shareholders and related parties. As described in the Company's announcement dated 31 July 2019 (the "31 July 2019 Announcement") relating to the connected transactions in respect of the proposed issuance of bonds (the "Bonds"); proposed issuance of convertible bonds (the "Convertible Bonds") under Convertible Bonds specific mandate; and proposed issuance of unlisted warrants (the "Warrants") under Warrant specific mandate (the "Proposed Connected Transactions"), on 31 July 2019, the Company entered into (i) a subscription agreement with the Controlling Shareholder; and (ii) a warrant subscription agreement with Ms. Hu Mingyue, the deputy chief executive officer of the Company in relation to the subscription of the Bonds, the Convertible Bonds and the Warrants. Upon the completion on the issuance of the Bonds, the Convertible Bonds and the Warrants, the Company is expected to raise gross amount of around HK$233.1 million (equivalent to RMB204.8 million) funds to the Company. The Company is going to convene an extraordinary general meeting of the Company to approve the Proposed Connected Transactions and further details of which are set out in the 31 July 2019 Announcement.

(iii) 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 adjustment, (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 sustainable development of principle business of the Group; and (iv) containment of capital expenditures etc. (the "Group Business and Operation Restructuring Plan").

The Directors have reviewed the Group's cash flow projections (excluding the cash flows of Chongqing Bangxing) prepared by the management of the Company. The cash flow projections cover a period of not less than twelve months from 30 June 2019. They are of the opinion that, taking into account the abovementioned plans and measures, the Group will have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due within twelve months from 30 June 2019. Accordingly, the Directors are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

Notwithstanding the above, significant uncertainties exist as to whether the management of the Company will be able to achieve its plans and measures as described above. Whether the Group will be able to continue as a going concern would depend upon the Group's ability to generate adequate financing and operating cash flows through the following:

(i) Successful in the finalisation of the Finance Reorganisation with the lenders and creditors;

(ii) Successful completion of the Proposed Connected Transactions in raising of around HK$233.1 million (equivalent to RMB204.8 million) funds to the Company;

(iii) Successful obtaining of additional new sources of financing as and when needed;

2. BASIS OF PREPARATION *(Continued)*

Going concern basis *(Continued)*

(iv) Successful negotiation with the Group's existing lenders such that no action will be taken by the relevant lenders to demand immediate repayment of the borrowings in any breach of loan covenants or default, including those with cross-default terms;

(v) Successful in the Group's Business and Operation Restructuring Plan; and

(vi) Successful maintenance of relationship with the suppliers of the Group, in particular those in relation to the Group's existing businesses and operations such that no actions will be taken by those suppliers against the Group should the Group not be able to meet all the payment obligations on a timely basis.

Should the Group fail to achieve the abovementioned plans and measures, it might not be able to continue operate as a going concern, and adjustments would have to be made to write down the carrying values of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effects of these adjustments have not been reflected in these consolidated financial statements.

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

Amendments to IFRSs that are mandatorily effective for the current year

In the current year, the Company has applied for the first time, the following new IFRSs, amendments and interpretations to IFRSs issued by IASB, which are relevant to and effective for the Company's consolidated financial statements for the accounting period beginning on 1 July 2018.

IFRS 9	Financial Instruments
IFRS 15	Revenue from Contracts with Customers and the related Amendments
IFRIC-Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4
Amendments to IAS 28	As part of the Annual Improvements to IFRSs 2014–2016 Cycle
Amendments to IAS 40	Transfers of Investment Property
Amendments to IFRS	Annual Improvements to IFRSs 2014–2016 Cycle
Amendments to IAS 40	Annual Improvements to IFRSs 2015–2017 Cycle

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

IFRS 15 Revenue from Contracts with Customers ("IFRS 15")

The Group has applied IFRS 15 for the first time in the current year. IFRS 15 superseded IAS 18 Revenue, IAS 11 Construction Contracts and the related interpretations.

The Group has applied IFRS 15 retrospectively with the cumulative effect of initially applying this standard recognised at the date of initial application, 1 July 2018. Any difference at the date of initial application is recognised in the opening accumulated losses (or other components of equity, as appropriate) and comparative information has not been restated. Furthermore, in accordance with the transition provisions in IFRS 15, the Group has elected to apply the standard retrospectively only to contracts that are not completed at 1 July 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under IAS 18 Revenue and IAS 11 Construction Contracts and the related interpretations.

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

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

IFRS 15 Revenue from Contracts with Customers ("IFRS 15") *(Continued)*

The Group recognises revenue from the following major sources which arise from contracts with customers:

- Sale of agricultural produce
- Sale of FCOJ other related products
- Sale of Summi Fresh Orange Juice and other products

Information about the Group's accounting policies and the performance obligations resulting from application of IFRS 15 are disclosed in note 4.

The Directors consider that the adoption of IFRS 15 did not have any impact on the timing and amounts of revenue recognition as at 1 July 2018, opening retained earnings.

IFRS 9 Financial Instruments and the related amendments

In the current year, the Group has applied IFRS 9 Financial Instruments and the related consequential amendments to other IFRSs. IFRS 9 introduces new requirements for: 1) the classification and measurement of financial assets and financial liabilities; 2) expected credit losses ("ECL") for financial assets; and 3) general hedge accounting.

The Group has applied IFRS 9 in accordance with the transition provisions set out in IFRS 9, i.e. applied the classification and measurement requirements (including impairment under ECL model) retrospectively to instruments that have not been derecognised as at 1 July 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 July 2018. The difference between carrying amounts as at 30 June 2018 and the carrying amounts as at 1 July 2018 are recognised in the opening retained earnings and other components of equity, without restating comparative information, if appropriate. Accordingly, certain comparative information may not be comparable as comparative information was prepared under IAS 39 Financial Instruments: Recognition and Measurement.

Accounting policies resulting from application of IFRS 9 are disclosed in note 4.

Summary of effects arising from initial application of IFRS 9

(a) Classification and measurement of financial assets

The following table shows the original measurement categories for each impacted class of the Group's financial assets under IAS 39 and reconciles the carrying amounts of those financial assets determined in accordance with IAS 39 to those determined in accordance with IFRS 9:

	IAS 39 carrying amount at 30 June 2018 RMB'000	Reclassification RMB'000	IFRS 9 carrying amount at 1 July 2018 RMB'000
Financial assets			
Held-to-maturity investment			
– Unlisted debt securities	16,918	(16,918)	–
Reclassified to: Financial assets at amortised cost	–	16,918	16,918

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

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

IFRS 9 Financial Instruments and the related amendments *(Continued)*

Summary of effects arising from initial application of IFRS 9 (Continued)

(a) Classification and measurement of financial assets *(Continued)*

Under IAS 39, debt securities were classified as held-to-maturity investment and measured at amortised cost. These debt securities are classified as other financial assets at amortised cost under IFRS 9 and the subsequent measurement and accounting policies in respect of these debt securities do not materially differ from those adopted by the Group as at 1 July 2018. The measurement categories for other financial assets and all financial liabilities remain the same and the carrying amounts for other financial assets and all financial liabilities as at 1 July 2018 have not been impacted by the initial application of IFRS 9.

(b) Impairment under ECL

The Group applies the IFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all trade and other receivables. Except for those which had been determined as credit impaired under IAS 39, ECL for other financial assets at amortised cost, including pledged bank deposits and cash and cash equivalents, are assessed on 12-month ECL ("12m ECL") basis as there had been no significant increase in credit risk since initial recognition which are based on internal credit rating and past due analysis.

For pledged bank deposits and cash and cash equivalents, the Group transacts with reputable banks with high credit rating assigned by international credit-rating agencies and consider the risk of default is low and 12m ECL is insignificant. As at 1 July 2018, the Directors reviewed and assessed the Group's existing other financial assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of IFRS 9. No impairment allowance was recognised at 1 July 2018.

The adoption of IFRS 9 did not have any material financial impact to the Group as at 1 July 2018 opening retained earnings.

New and revised IFRS in issue but not yet effective

The Group has not early applied the following new and revised IFRSs that have been issued but are not yet effective:

IFRS 16	Leases[1]
IFRS 17	Insurance Contracts[2]
IFRIC-Int 23	Uncertainty over Income Tax Treatments[1]
Amendments to IFRS 3	Definition of a Business[4]
Amendments to IFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to IAS 1 and IAS 8	Definition of Material[5]
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement[1]
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures[1]
Amendments to IFRSs	Annual Improvements to IFRSs 2015–2017 Cycle[1]

1 Effective for annual periods beginning on or after 1 January 2019
2 Effective for annual periods beginning on or after 1 January 2021
3 Effective for annual periods beginning on or after a date to be determined
4 Effective for business combination and asset acquisitions for which the acquisition date is on or after the beginning of the First annual period beginning on or after 1 January 2020
5 Effective for annual periods beginning on or after 1 January 2020

Other than the new IFRS mentioned below, the Directors anticipate that the application of all these new and amendments to IFRSs and Interpretations will have no material impact on the Company's financial performance and position and/or on the disclosures in the foreseeable future.

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

New and revised IFRS in issue but not yet effective *(Continued)*

IFRS 16 "Leases"

IFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. IFRS 16 will supersede IAS 17 "Leases" and the related interpretations when it becomes effective.

IFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. In addition, IFRS 16 requires sales and leaseback transactions to be determined based on the requirements of IFRS 15 as to whether the transfer of the relevant asset should be accounted as a sale. IFRS 16 also includes requirements relating to sublease and lease modification.

Distinctions of operating leases and finance leases are removed for lessee accounting and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents operating lease payments as operating cash flows. Upon application of IFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows by the Group.

Under IAS 17, the Group has already recognised an asset and a related finance lease liability for finance lease arrangement. The application of IFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

Other than certain requirements which are also applicable to the lessor, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosure is required by IFRS 16.

As at 30 June 2019, the Group has non-cancellable operating lease commitments of RMB336,000 as disclosed in note 40. A preliminary assessment indicates that these arrangements will meet the definition of a lease, upon application of IFRS 16, the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases.

In addition, the Group currently considers refundable rental deposit paid as rights and obligations under leases to which IAS 17 applies. Under IFRS 16, Based on the definition of lease payments under IFRS16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortised cost and such adjustments are considered as additional lease payments. Adjustments to refundable rental deposits paid would be considered as additional lease payments and included in the carrying amount of right-of-use assets.

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

New and revised IFRS in issue but not yet effective *(Continued)*

IFRS 16 "Leases" *(Continued)*

The Directors expect that the adoption of IFRS 16 as compared with the current accounting policy would result in increase in the Group's right-of-use assets and related lease liability. The combination of straight-line depreciation of the right-of-use asset and the effective interest rate method applied to the lease liability will result in a higher total charge to the profit or loss in the initial year of the lease, and decreasing expenses during the latter part of the lease term, but there is no impact on the total expenses recognised over the lease term. Based on facts and circumstances as at 30 June 2019, the Directors do not expect the application of IFRS 16 will have a material impact on the financial performance and net assets of the Group.

Furthermore, the application of new requirements may result in changes in measurement, presentation and disclosure as indicated above. The Group has elected the practical expedient to apply IFRS 16 to contracts that were previously identified as leases applying IAS 17 and IFRIC-Int 4 "Determining whether an Arrangement contains a Lease" and not apply this standard to contracts that were not previously identified as containing a lease applying IAS 17 and IFRIC-Int 4. Therefore, the Group has not reassessed whether the contracts are, or contain a lease which already existed prior to the date of initial application. Furthermore, the Group has elected the modified retrospective approach for the application of IFRS 16 as lessee and will recognise the cumulative effect of initial application to opening retained profits without restating the comparative information.

4. SIGNIFICANT ACCOUNTING POLICIES

Other than the matters referred to note 2, the consolidated financial statements have been prepared in accordance with IFRSs issued by the IASB. In addition, the consolidated financial statements include applicable disclosures required by the Listing Rules and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments and biological assets that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 Share-based Payment, leasing transactions that are within the scope of IAS 17 Leases, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 Inventories or value in use in IAS 36 Impairment of Assets.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

For financial instruments which are transacted at fair value and a valuation technique that unobservable inputs is to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that at initial recognition the results of the valuation technique equals the transaction price.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability. The principal accounting policies are set out below.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries.

Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income/consolidated statement of profit or loss from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Goodwill

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Goodwill *(Continued)*

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

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

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

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

Revenue from contracts with customers (upon adoption of IFRS 15 in accordance with transitions in note 3)

Revenue is recognised to depict the transfer of promised goods and services to customers at an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services to a customer. Specifically, the Group uses a five-step approach to recognise revenue:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the Group satisfies a performance obligation.

The Group recognises revenue when a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue from contracts with customers (upon adoption of IFRS 15 in accordance with transitions in note 3) *(Continued)*

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

Principal versus agent

When another party is involved in providing goods or services to a customer, the Group determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. the Group is a principal) or to arrange for those goods or services to be provided by the other party (i.e. the Group is an agent).

The Group is a principal if it controls the specified good or service before that good or service is transferred to a customer.

The Group is an agent if its performance obligation is to arrange for the provision of the specified good or service by another party. In this case, the Group does not control the specified good or service provided by another party before that good or service is transferred to the customer. When the Group acts as an agent, it recognises revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by the other party.

Sales of goods

Revenue from trading of goods and commodities are recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the products.

Revenue recognition (before application of IFRS 15 on 1 July 2018)

Revenue is measured at the fair value of the consideration received or receivable for goods sold in the normal course of business, net of sales rebates and sales related taxes.

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition (before application of IFRS 15 on 1 July 2018) *(Continued)*

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Leases

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

The Group as lessee

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

Leasehold land and building

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

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

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

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's operations are translated into the presentation currency of the Group (i.e. RMB) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of exchange reserve.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Retirement benefit costs and termination benefits

Payments to defined contribution schemes including state-managed retirement benefit schemes and the Mandatory Provident Fund Scheme (the "MPF Scheme") are recognised as an expense when employees have rendered service entitling them to the contributions.

Short-term employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Equity-settled share-based payments

The fair value of services received determined by reference to the fair value of share options granted at the date of grant is (i) expensed on a straight-line basis over the vesting period or (ii) recognised as an expense in full at the grant date when the share options granted vest immediately, with a corresponding increase in equity (capital reserve).

At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates during the vesting period, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to capital reserve.

When share options are exercised, the amount previously recognised in capital reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in capital reserve will be transferred to retained profits.

Shares held under the share award scheme

Own equity instruments which are reacquired (shares held under the share award scheme) are recognised at cost and deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration is recognised in equity. The number of shares held by the trustee under the share award scheme would be eliminated against the corresponding amount of share capital issued in the calculation of the earnings per share for profit attributable to owners of the Company.

When trustee of the share award scheme purchases the Company's shares from the open market, the consideration paid, including any directly attributable incremental costs, is presented as shares held for share award scheme and deducted from total equity. No gain or loss is recognised on the transactions of the Company's own shares.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Shares held under the share award scheme *(Continued)*

The fair value of services received is determined by reference to the fair value of share award granted at the grant date and is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (shares held for share award reserve). When the trustee transfers the Company's granted shares to grantees upon vesting, the related costs of the granted shares vested are reversed from shares held for share award scheme. Accordingly, the related expense of the granted shares vested is reversed from shares held for share award reserve. The difference arising from such transfer is debited/credited to retained profits. At the end of the reporting period, the Group revises its estimates of the number of awarded shares that are expected to ultimately vest. The impact of the revision of the estimates, if any, is recognised in profit or loss with a corresponding adjustment to the shares held for share award reserve.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit/loss before tax because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment

Property, plant and equipment including buildings, leasehold land held for use in the production or supply of goods or services, or for administrative purposes are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of assets less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Intangible assets

Intangible assets acquired separately

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

Intangible assets acquired in a business combination

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

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

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

Impairment on tangible and intangible assets, other than goodwill

At the end of the reporting period, the Group reviews the carrying amounts of its tangible, intangible assets with finite useful lives to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any). Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment on tangible and intangible assets, other than goodwill *(Continued)*

The recoverable amount of tangible and intangible assets are estimated individually, when it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted. The calculation of the fair value less cost of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. If there is no binding sale agreement or active market for that asset (or asset group), management will make reference to the best information available to reflect the amount that an entity could obtain at end of the reporting period.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro-rata to the other assets of the unit. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Biological assets

Biological assets comprise oranges before harvested in leased orange farms and are classified as current assets due to short harvesting period.

Biological assets are stated at fair value less costs to sell from initial measurement up to the point of harvest, except where fair value cannot be measured reliably due to unavailability of market-determined prices and no reliable alternative estimates exist to determine fair value in which case the assets are held at cost less impairment losses (if any). Once the fair value becomes reliably measurable, the biological assets are measured at fair value less costs to sell. Where assets are held at fair value, changes in fair value are taken to the consolidated statement of profit or loss and other comprehensive income. Costs to sell include all costs that would be necessary to sell the assets, excluding costs necessary to get the assets to market.

After harvesting, oranges are transferred to inventories as agricultural produce at their deemed cost which is fair value at the point of harvest less costs to sell. Fair value at the point of harvest is based on the selling prices for similar oranges prevailing in the market as at or close to the harvest dates.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Provisions *(Continued)*

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with IFRS 15 since 1 July 2018. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss ("FVTPL")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest/dividend income which are derived from the Group's ordinary course of business are presented as revenue.

Financial assets

Classification and subsequent measurement of financial assets (upon application of IFRS 9 in accordance with transitions in note 3)

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL, except that at the date of initial application/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income ("OCI") if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 Business Combinations applies.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Classification and subsequent measurement of financial assets (upon application of IFRS 9 in accordance with transitions in note 3) (Continued)

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit impaired.

(ii) Equity instruments designated as at FVTOCI

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in OCI and accumulated in the FVTOCI reserve; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments and will be transferred to accumulated losses.

Dividends from these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the "other income" line item in profit or loss.

(iii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in the "other gains and losses" line item.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets (upon application of IFRS 9 in accordance with transitions in note 3)

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under IFRS 9 (including trade and other receivables). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables, contract assets and lease receivables. The ECL on these assets are assessed individually for debtors with significant balances and/or collectively using a provision matrix with appropriate groupings (should tailor to reporting entity's specific facts and circumstances.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets (upon application of IFRS 9 in accordance with transitions in note 3) (Continued)

(i) Significant increase in credit risk *(Continued)*

Despite the aforegoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if i) it has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of "investment grade" as per globally understood definitions

For financial guarantee contracts, the date that the Group becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing the financial instrument for impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of financial guarantee contracts, the Group considers the changes in the risk that the specified debtor will default on the contract.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

(e) the disappearance of an active market for that financial asset because of financial difficulties.

(f) Write-off policy

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets (upon application of IFRS 9 in accordance with transitions in note 3) (Continued)

(iii) Credit-impaired financial assets *(Continued)*

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(iv) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Where ECL is measured on a collective basis or cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- Nature of financial instruments (i.e. the Group's trade and other receivables, finance lease receivables and amounts due from customers are each assessed as a separate group. Loans to related parties are assessed for expected credit losses on an individual basis);

- Past-due status;

- Nature, size and industry of debtors; and

- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

For financial guarantee contracts, the loss allowances are recognised at the higher of the amount of the loss allowance determined in accordance with IFRS 9; and the amount initially recognised less, where appropriate, cumulative amount of income recognised over the guarantee period.

Except for financial guarantee contracts, the Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables where the corresponding adjustment is recognised through a loss allowance account.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Classification and subsequent measurement of financial assets (before application of IFRS 9 on 1 July 2018)

The Group's financial assets comprise held-to-maturity investment and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Held-to-maturity investment

Held-to-maturity investment is non-derivative financial asset with fixed or determinable payment and fixed maturity date that the Group's management has the positive intention and ability to hold to maturity.

The Group designated the investment in debt security as held-to-maturity investment because the debt security has fixed payment and maturity date and the Group has the positive intention and ability to hold to maturity. Subsequent to initial recognition, held-to-maturity investment is measured at amortised cost using the effective interest method, less any identified impairment loss (see accounting policy on impairment of financial assets below).

Interest income is recognised by applying the effective interest rate, except for short-term receivables when the effect of discounting is immaterial.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade receivables, other receivables and deposits, pledged bank deposits and cash and cash equivalents) are measured at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment of financial assets below).

Impairment of financial assets (before application of IFRS 9 on 1 July 2018)

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it is becoming probable that the borrower will enter into bankruptcy or financial re-organisation; or
- disappearance of an active market for that financial asset because of financial difficulties.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets (before application of IFRS 9 on 1 July 2018) (Continued)

For certain categories of financial asset, such as trade and other receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, other receivables and deposits, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When trade receivables, other receivables and deposits are considered uncollectible, they are written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that he carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

The Group's financial liabilities are classified into other financial liabilities.

Other financial liabilities

Other financial liabilities including trade payables, other payables and accruals, bank and other loans and corporate bonds are subsequently measured at amortised cost, using the effective interest method.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Derecognition

A financial asset is derecognised only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

A financial liability is derecognised when, and only when, the Group's obligations are discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Cash and cash equivalents

Cash and cash equivalents in the consolidated statement of financial position comprise cash on hand and at banks with a maturity of three months or less.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash on hand and at banks as defined above.

Non-current assets held for sale and discontinued operations

Non-current assets are classified as held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. The non-current assets (except for certain assets as explained below), are stated at the lower of carrying amount and fair value less costs to sell. Deferred tax assets, assets arising from employee benefits, financial assets (other than investments in subsidiaries and associates) and investment properties, which are classified as held for sale, would continue to be measured in accordance with the policies set out elsewhere in note 4.

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographic area of operations, or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area operations, or is a subsidiary acquired exclusively with a view to resale.

When an operation is classified as discontinued, a single amount is presented in the consolidated income statement, which comprises the post-tax profit or loss of the discontinued operation and the post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the assets constituting the discontinued operation.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Related parties

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

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

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

(ii) has significant influence over the Company; or

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

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

(i) the entity and the Company are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Company are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Company or to the parent of the Company.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 4, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying accounting policies

Going concern and liquidity

As explained in note 2, the consolidated financial statements have been prepared on a going concern basis and have not included any adjustments that would be required should the Group fail to continue as a going concern since the Directors are satisfied that the liquidity of the Group can be maintained in the coming year after taking into the considerations as detailed in note 2. The Directors also believe that the Group will have sufficient cash resources to satisfy its future working capital and other financing requirements for the next twelve months from 30 June 2019.

Legal title of buildings

Despite the Group had paid the full purchase consideration for the buildings, formal titles of certain of the Group's rights to the use of the buildings were not yet granted from the relevant government authorities as stated in notes 18. In the opinion of the Directors, the absence of formal titles to these buildings does not impair the value of the relevant properties to the Group.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Impairment of non-financial assets (including property, plant and equipment, land use rights and intangible assets), other than goodwill

The Group regularly reviews whether there are any indications of impairment of non-financial assets and will recognise an impairment loss if the carrying amount of an asset is lower than its recoverable amount which is the higher if its fair value less cost of disposal (market value) or its value in use.

The calculation of the fair value less cost of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. If there is no binding sale agreement or active market for that asset (or asset group), management will make reference to the best information available to reflect the amount that an entity could obtain at the end of the reporting period. In determining the value in use, the Group assesses the present value of the estimated future cash flows expected to arise from the continuing use of the asset and from its disposal at the end of its useful life. Estimates and judgements are applied in determining these future cash flows and the discount rate. The Group estimates the future cash flows based on certain assumptions, such as market competition and development and the expected growth in business. Changes in these assumptions and estimates could have a material effect on the determination of the recoverable amounts of the assets. Where the actual results are less than expected, additional impairment losses, if any, may arise.

As at 30 June 2019, the net carrying values and accumulated impairment losses recognised in respect of the Group's property, plant and equipment, land use rights and intangible assets are disclosed in notes 18, 19 and 22, respectively.

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

Key sources of estimation uncertainty *(Continued)*

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. The carrying amount of goodwill of the Group arose from the acquisition of Global One Group (as defined in note 21) in November 2011 is mainly attributable to the Production and Sale of FCOJ and Other Related Products Business segment.

In determining whether the goodwill is impaired, the carrying value of the cash-generating unit containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal (details of value in use and fair value less costs of disposal are described above).

Changes in these assumptions and estimates could have a material effect on the determination of the recoverable amounts of the assets. Where the actual results are less than expected, additional impairment losses, if any, may arise.

As at 30 June 2019, the net carrying value and accumulated impairment losses recognised in respect of the Group's goodwill at end of the reporting period are disclosed in note 21.

Provision of ECL for trade and other receivables

The Group uses provision matrix to calculate ECL for the trade and other receivables. The provision rates are based on pass due record as groupings of various debtors that have similar loss patterns. The provision matrix is based on the Group's historical default rates, taking into consideration forward-looking information that is reasonable and supportable available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered. In addition, trade and other receivables with significant balances and credit impaired are assessed for ECL individually.

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's trade and other receivables are disclosed in notes 27 and 42.

Net realisable value of inventories

The management of the Group reviews the inventories listing on a product-by-product basis at the end of the reporting period. The management estimates the net realisable value for such items based primarily on the latest invoice prices and current market conditions and the historical experience of manufacturing and selling products of similar nature.

As at 30 June 2019, the net carrying value and accumulated impairment losses recognised in respect of the Group's inventories are disclosed in note 25.

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

Key sources of estimation uncertainty *(Continued)*

Impairments of lease prepayments for orange plantations

The Group assesses the carrying amounts of the lease prepayments for orange plantations according to their recoverable amounts based on the realisability of these long-term rentals, taking into account estimated costs to plantation based on past experience and estimated net sales value of agricultural produce based on prevailing market conditions. Provision is made when events or changes in circumstances indicate that the carrying amounts may not be realised. The assessment requires the use of judgment and estimates.

As at 30 June 2019, the net carrying value and accumulated impairment losses recognised in respect of the Group's lease prepayments for orange plantations are disclosed in note 20.

Fair values of biological assets

Management estimates at end of the reporting period the fair value less costs to sell of biological assets with reference to market prices and professional valuations. Unanticipated volatile changes in market prices of the underlying agricultural produce could significantly affect the fair values of these biological assets and result in fair value re-measurement losses in future accounting periods.

The Group's orange plantation business is subject to the usual agricultural hazards from fire, wind and insects. Forces of nature such as temperature and rainfall may also affect harvest efficiency. The Directors consider adequate preventive measures are in place and the relevant legislation under relevant regulations in the PRC will assist in minimising exposure. Nevertheless, to the extent that un-anticipated factors affecting harvestable agricultural produce may result in re-measurement or losses in future accounting periods.

As at 30 June 2019, the movements of the biological assets, including the loss from changes in fair value of biological assets less costs to sell are disclosed in note 26.

Income tax

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

For the year ended 30 June 2019

6. REVENUE (FROM CONTINUING OPERATIONS)

(1) For the year ended 30 June 2019

Disaggregation of revenue from contracts with customers

During the year ended 30 June 2019, the Group is mainly engaged in the production and sale of FCOI and other related products and Summi Fresh Orange Juice and other products and details of which are as follows:

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

(2) For the year ended 30 June 2018

An analysis of the Group's revenue for the year ended 30 June 2018 from Continuing Operations is as follows:

	RMB'000
Sales of goods	547,713

7. OPERATING SEGMENTS (FROM CONTINUING OPERATIONS)

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

The Group divided the business into three segments: (1) Plantation and Sale of Agricultural Produce Business segment; (2) Production and Sale of FCOJ and Other Related Products Business segment; and (3) Product and Sale of Summi Fresh Orange Juice Business and Other Products segment. As explained in note 1, the Company decided to cease and terminate its Plantation and Sale of Agricultural Produce Business segment and thus this business segment is classified as Discontinued Operation and their net results for the year and the comparatives are excluded from the Continuing Operations as one-line item below net loss of the Continuing Operations. Further details of financial information of the Discontinued Operation are set out in note 13.

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

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

Segment revenue, results, assets and liabilities

	Production and Sale of FCOJ and Other Related Products Business RMB'000	Production and Sale of Summi Fresh Orange Juice and Other Products Business RMB'000	Total RMB'000
For the year ended 30 June 2019			
Segment revenue			
Continuing Operations			
– Sales to external customers	27,376	29,725	57,101
– Inter-segment sales	3,777	–	3,777
Segment revenue	31,153	29,725	60,878
Elimination			(3,777)
Consolidated revenue from Continuing Operations			57,101
Segment results	(215,218)	(209,862)	(425,080)
Unallocated gains			1,960
Net realised and unrealised gain on derivative financial instruments			2,355
Corporate and other unallocated expenses			(20,645)
Finance costs			(67,540)
Loss before tax from Continuing Operations			(508,950)

For the year ended 30 June 2019

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

Segment Revenue and Results *(Continued)*

	Production and Sale of FCOJ and Other Related Products Business RMB'000	Production and Sale of Summi Fresh Orange Juice and Other Products Business RMB'000	Total RMB'000
For the year ended 30 June 2018			
Segment revenue			
Continuing Operations			
– Sales to external customers	361,461	186,252	547,713
– Inter-segment sales	6,858	–	6,858
Segment revenue	368,319	186,252	554,571
Elimination			(6,858)
Consolidated revenue from Continuing Operations			547,713
Segment results	94,509	(52,347)	42,162
Unallocated gains			3,933
Net realised and unrealised loss on derivative financial instruments			(10,168)
Corporate and other unallocated expenses			(22,269)
Finance costs			(50,759)
Loss before tax from Continuing Operations			(37,101)

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

Segment Revenue and Results *(Continued)*

	Continuing Operations		Discontinued Operation	
	Production and Sale of FCOJ and Other Related Products Business RMB'000	Production and Sale of Summi Fresh Orange Juice and Other Products Business RMB'000	Plantation and Sale of Agricultural Produce Business RMB'000	Total RMB'000
As at 30 June 2019				
Assets and liabilities				
Segment assets	99,622	120,485	21	220,128
Corporate and other unallocated assets				14,425
Total assets				234,553
Segment liabilities	21,052	27,280	–	48,332
Corporate and other unallocated liabilities				847,085
Total liabilities				895,417
As at 30 June 2018				
Assets and liabilities				
Segment assets	376,152	351,781	1,256,600	1,984,533
Corporate and other unallocated assets				738,276
Total assets				2,722,809
Segment liabilities	23,133	10,226	481	33,840
Corporate and other unallocated liabilities				944,778
Total liabilities				978,618

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

Segment Revenue and Results *(Continued)*

The accounting policies of the operating segments are identical to the Group's accounting policies as described in note 4. Segment results represent the profit earned by/(loss from) each segment without allocation of certain central administration costs, director's remuneration, certain other revenue, net realised and unrealised gain (loss) 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 and other borrowings, derivative financial instruments, income tax payable, deferred tax liabilities and certain other payables which were managed in a centralised manner.

Inter-segment sales are charged at prevailing market rates.

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

Other segment information (from Continuing Operations)

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

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

Other segment information *(Continued)*

	Production and Sale of FCOJ and Other Related Products Business RMB'000	Production and Sale of Summi Fresh Orange Juice and Other Products Business RMB'000	Unallocated RMB'000	Total RMB'000
For the year ended 30 June 2018				
Amounts included in the measure of segment profit or loss or segment assets:				
Depreciation and amortisation (note (i))	26,768	24,697	142	51,607
Additions to non-current assets (note (ii))	28,434	45,837	395	74,666
Gain on disposal pf property, plant and equipment	–	(32)	–	(32)
Amounts regularly provided to the chief operating decision marker but not included in the measure of segment profit or loss assets:				
Bank interest income	–	–	(1,295)	(1,295)
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)

Notes:

(i) Amount excluded amortisation of lease prepayments for orange plantations.

(ii) Amount included 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

The Group's operations are located in the People's Republic of China (the "PRC"), Hong Kong and South East Asia.

Information about the Group's revenue from Continuing Operations and Discontinued Operation from external customers is presented based on the location of operations. Information about the Group's non-current assets is presented based on the geographical location of the assets.

	2019 RMB'000	2018 RMB'000
Revenue arising from (from Continuing Operations):		
Mainland China	40,529	546,400
Hong Kong	1,260	1,313
South East Asia	15,312	–
	57,101	547,713

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

Other segment information *(Continued)*

Geographical information *(Continued)*

	2019 RMB'000	2018 RMB'000
Non-current assets located at (from continuing and discontinued operations):		
Mainland China	**173,183**	1,439,874
Hong Kong	**236**	17,283
	173,419	1,457,157

Revenue from major products (from Continuing Operations)

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

	2019 RMB'000	2018 RMB'000
Sale of FCOJ and other Related products	**27,376**	361,461
Sale of Summi Fresh Orange Juice and other products	**29,725**	186,252
	57,101	547,713

Information about major customers (from continuing and discontinued operations)

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

	2019 RMB'000	2018 RMB'000
Customer A[1]	**21,624**	119,144
Customer B[2]	**–**	114,008
Customer C[3]	**–**	109,205

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

2 Revenue from Plantation and Sale of Agricultural Produce Business segment.

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

For the year ended 30 June 2019

8. OTHER INCOME (FROM CONTINUING OPERATIONS)

	2019 RMB'000	2018 RMB'000
Bank interest income	349	1,295
Gains on disposals of property, plant and equipment	–	32
Government grants (notes (i) and (ii))	3,876	2,360
Interest income from pledged bank deposits	238	1,571
Interest income from financial assets measured at amortised costs/held-to-maturity investment	523	997
Others	850	66
	5,836	6,321

Notes:

(i) Government grant of RMB2,360,000 (2018: RMB2,360,000) represents deferred income that was amortised during the year, which was granted in respect of supporting the Group's investment in a FCOJ production plant (note 34).

(ii) During the year ended 30 June 2019, government grant of approximately RMB1,516,000 (2018: nil) was immediately recognised as other revenue for the year as there was no unfulfilled condition or contingencies relating to this subsidy.

9. OTHER OPERATING EXPENSES (FROM CONTINUING OPERATIONS)

	2019 RMB'000	2018 RMB'000
Compensation claim (note below)	25,116	–
Equity-settled share-based payment expenses	3,513	3,480
Losses on disposals of scrap materials	851	3,048
Others	148	224
	29,628	6,752

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

10. FINANCE COSTS (FROM CONTINUING OPERATIONS)

	2019 RMB'000	2018 RMB'000
Interest expenses on corporate bonds	2,606	1,656
Interest expenses on bank loans	56,090	43,331
Imputed interest expenses	5,211	5,772
	63,907	50,759

11. (LOSS) PROFIT FOR THE YEAR (FROM CONTINUING OPERATIONS)

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

	2019 RMB'000	2018 RMB'000
Staff costs, including Directors' and chief executive's remuneration		
– Wages, salaries and other benefits	12,118	28,876
– Performance related bonuses	609	–
– Contributions to defined contribution plans	2,644	8,223
– Redundancy costs (note below)	1,381	–
– Equity-settled share-based payment expenses	3,513	3,480
	20,265	40,579
Impairment losses recognised in respect of:		
– Property, plant and equipment	118,498	–
– Intangible assets	33,005	–
– Goodwill	56,696	–
– Trade receivables	732	–
– Other receivables	32,575	–
Total impairment losses	241,506	–
Cost of inventories recognised as an expense, including:	76,801	317,935
– Impairment loss recognised in respect of inventories	20,932	–
– Write-off of inventories	–	4,111
Amortisation and depreciation on:		
– Land use rights	555	555
– Property, plant and equipment	50,403	46,023
– Intangible assets	5,195	5,029
Total amortisation and depreciation	56,153	51,607
Write-off of:		
– Property, plant and equipment	25,249	–
– Software	778	–
	26,027	–
Others:		
Auditor's remuneration	783	1,194
Net foreign exchange losses	559	3,202
Operating lease charges in respect of rented premises	454	877

Notes: During the year ended 30 June 2019, the Directors reviewed the operation and business of the Group and owning to human resources optimisation, staff redundancy cost of RMB1,381,000 was incurred.

12. INCOME TAX EXPENSES (FROM CONTINUING OPERATIONS)

	2019 RMB'000	2018 RMB'000
Current income tax:		
Malaysia	2	–
PRC Enterprise Income Tax	–	274
	2	274
Deferred tax (note 33):		
Current year	(9,375)	(1,126)
	(9,373)	(852)

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

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

No provision has been made for Hong Kong Profits Tax as there are no assessable profits generated for both years.

The provision for PRC EIT is based on the respective applicable rates on the estimated assessable profit of the Company's subsidiaries in the PRC as determined in accordance with the relevant income tax rules and regulations of the PRC for both years.

With effect from 1 January 2011, the Company's subsidiaries which are responsible for orange juice production are exempt from EIT on profits from orange juice production, pursuant to Cai Shui 2008 No. 149 issued by the Ministry of Finance of the PRC. Accordingly, from 1 January 2011, certain subsidiaries of the Group in the PRC (i.e. cultivation and selling of self-cultivated fresh oranges and orange juice production) are exempt from EIT, subject to annual review by the local PRC tax authority of the Company's subsidiaries and any future changes in the relevant tax exemption policies or regulations. These subsidiaries obtained the tax exemption from the local PRC tax authority for the years ended 30 June 2019 and 2018.

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

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

12. INCOME TAX EXPENSES (FROM CONTINUING OPERATIONS) *(Continued)*

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

	2019 RMB'000	2018 RMB'000
Loss before tax from Continuing Operations	(508,950)	(37,101)
Tax at the domestic income tax rate	(120,396)	(3,031)
Tax effect of non-deductible expenses	13,441	15,636
Tax effect of non-taxable income	(555)	(490)
Tax effect of tax exemptions granted to subsidiaries in the PRC	–	(16,314)
Tax effect of tax losses not recognised	98,137	3,347
Income tax credit from Continuing Operations	(9,373)	(852)

Details of deferred tax are set out in note 33.

13. DISCONTINUED OPERATION

As described in note 2, the management of the Company decided to cease and terminate the Plantation and Sale of Agricultural Produce Business segment through Chongqing Bangxing.

The loss for the year attributable to the Discontinued Operation in respect of the Plantation and Sale of Agricultural Produce Business segment was set out as below. The comparative figures in the consolidated statement of profit or loss and other comprehensive income have been reclassified to conform with the current year presentation in accordance with IFRS 5 "Non-current assets held for sale and discontinued operations":

	2019 RMB'000	2018 RMB'000
(Loss) profit for the year from Discontinued Operation	(1,884,093)	47,811

13. DISCONTINUED OPERATION *(Continued)*

The results of the Discontinued Operation for the year ended 30 June 2019 and 30 June 2018, which have been included in the consolidated statement of profit or loss and other comprehensive income, were as follows:

	2019 RMB'000	2018 RMB'000
Revenue	–	114,008
Cost of sales	–	(119,989)
Gross loss	–	(5,981)
Other revenue	355	30
(Loss) gain from changes in fair value of biological assets less costs to sell	(372,124)	59,004
Selling and distribution expenses	–	(3,893)
Administrative expenses	(3,287)	(1,349)
Impairment loss in respect of lease prepayments for orange plantations	(1,509,037)	–
(Loss) profit from Discontinued Operations	(1,884,093)	47,811
Finance costs	–	–
(Loss) profit before tax	(1,884,093)	47,811
Income tax expenses	–	–
(Loss) profit for the year from Discontinued Operations	(1,844,093)	47,811

(Loss)/profit for the year from Discontinued Operation include the following:

	2019 RMB'000	2018 RMB'000
Staff costs, including Directors' and chief executive's remuneration		
– Wages, salaries and other benefits	4,688	70,345
– Contributions to defined contribution plans	80	1,789
	4,768	72,134
Impairment loss recognised in respect of:		
– Lease prepayments for orange plantations	1,509,037	–
Amortisation on:		
– Lease prepayments for orange plantation	183,099	113,126
Cost of inventories recognised as an expense, including:	–	119,989
– Write-off of inventories	–	4,111
Operating lease charge in respect of orange plantations	183,099	113,126
Less: Operating lease charge recognised in biological assets	(183,099)	(47,223)
	–	65,903
Others:		
Auditor's remuneration	–	–
(Loss) gain from changes in fair value of biological assets less costs to sell	(372,124)	59,004

13. DISCONTINUED OPERATION *(Continued)*

The cash flow of the Discontinued Operation for the year ended 30 June 2019 and 30 June 2018, which have been included in the consolidated statement of cash flow, were as follows:

	2019 RMB'000	2018 RMB'000
Net cash (outflows) inflows from operating activities	**(23,254)**	76,995
Net cash outflows from investing activities	**(604,720)**	(112,168)
Net cash inflows from financing activities	**142,668**	520,489
Net cash (outflows) inflows	**(485,306)**	483,316

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

	RMB'000
Non-current assets	
Lease prepayments for orange plantations (see note 20)	–
Current assets	
Biological assets (see note 26)	–
Lease prepayments for orange plantations (see note 20)	–
Cash and cash equivalents	21
	21
Current liabilities	
Balance with Continuing Operations fellow companies	1,636,910
Net current liabilities	(1,636,889)
Total assets less current liabilities	(1,636,889)

For the years ended 30 June 2019 and 30 June 2018, all of the Chongqing Bangxing's revenue and assets are derived from external customers and operations based in the PRC and accordingly, no further analysis of the Group's geographical information is disclosed.

As explained in note 2, because of the loss of certain accounting records and documents of Chongqing Bangxing and the fact that certain former key personnel and management of the Group who were previously responsible to the operations and businesses of Chongqing Bangxing are now not contactable, the Directors consider that the historical information of Chongqing Bangxing may not be complete and sufficient to establish an accurate and reliable view of the historical transactions, trading and financial position of Chongqing Bangxing. Accordingly, the Directors believe that, as at the date of this report, it is almost impossible, and not practical, to ascertain the opening balances brought forward as at 1 July 2018, the closing balances as at 30 June 2019 and transactions during the year ended 30 June 2019 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 etc. during the year for inclusion in the consolidation financial statements of the Group.

14. DIRECTORS' AND CHIEF EXECUTIVES' EMOLUMENTS

For the year ended 30 June 2019

	Executive Directors				Independent Non-executive Directors						Non-executive Director	
	Sin Ke (note 1) RMB'000	San Kwan (note 2) RMB'000	Wu Shaohao (note 3) RMB'000	Wu Liantao (note 4) RMB'000	Zhuang Xueyuan (note 5) RMB'000	Zhuang Weidong (note 5) RMB'000	Zeng Jianzhong (note 6) RMB'000	Kyaw Sai Hong (note 7) RMB'000	Ma Chi Kin (note 8) RMB'000	Chen Ying (note 8) RMB'000	Tsang Sze Wai, Claudius (note 9) RMB'000	Total RMB'000
Emoluments paid or receivable in respect of a person's services as a director, whether of the Company and its subsidiary undertakings												
Fee	–	72	–	–	36	–	20	44	24	24	16	236
Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company and its subsidiary undertakings												
Other emoluments	–	–	–	–	–	–	–	–	–	–	–	–
Wages, salaries, and other benefits	–	286	–	–	–	–	–	–	–	–	–	286
Contributions to defined contribution plans	–	–	–	–	–	–	–	–	–	–	–	–
Equity-settled share-based payment expenses	–	–	–	–	–	–	–	–	–	–	–	–
	–	286	–	–	–	–	–	–	–	–	–	286
Total emoluments	–	358	–	–	36	–	20	44	24	24	16	522

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

For the year ended 30 June 2018

	Executive Directors		Independent Non-executive Directors			Non-executive Director	
	Sin Ke	San Kwan	Zhuang Xueyuan	Zhuang Weidong	Zeng Jianzhong	Tsang Sze Wai, Claudius	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Emoluments paid or receivable in respect of a person's services as a director, whether of the Company and its subsidiary undertakings							
Fee	96	96	48	–	48	48	336
Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company and its subsidiary undertakings							
Other emoluments	–	–	–	–	–	–	–
Wages, salaries, and other benefits	600	1,918	–	–	–	–	2,518
Contributions to defined contribution plans	–	15	–	–	–	–	15
Equity-settled share-based payment expenses	258	129	–	–	—	–	387
	858	2,062	–	–	–	–	2,920
Total emoluments	954	2,158	48	–	48	48	3,256

Notes:

1. Removed as an executive director, chief executive officer and chairman on 23 April 2019
2. Resigned on 12 April 2019
3. Appointed as an executive director on 4 December 2018 and chairman on 23 April 2019
4. Appointed on 4 December 2018
5. Resigned on 9 April 2019
6. Resigned on 31 January 2019
7. Appointed on 31 January 2019
8. Appointed on 9 April 2019
9. Resigned on 9 November 2018

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the years ended 30 June 2019 and 2018.

During the years ended 30 June 2019 and 2018, no remuneration was paid by the Group to the Directors and the chief executive as an inducement to join or upon joining the Group or as compensation for loss of office.

The remunerations of Directors and the chief executive were determined by the remuneration committee having regard to the performance of individuals and market trends.

15. FIVE HIGHEST PAID EMPLOYEES

	2019 RMB'000	2018 RMB'000
Salaries, allowances and benefits in kind	1,107	3,187
Performance related bonuses	609	–
Equity-settled share option expense	3,513	30
Retirement benefits	27	1,095
	5,256	4,312

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

	2019 No. of employees	2018 No. of employees
Nil to HK$1,000,000 (equivalent to Nil to RMB870,000) (2018: equivalent to nil to RMB831,000)	2	1
HK$1,000,001 to HK$1,500,000 (equivalent to RMB870,001 to RMB1,305,000) (2018: equivalent to RMB831,001 to RMB1,246,000)	1	1
HK$1,500,001 to HK$3,000,000 (equivalent to RMB1,305,001 to RMB2,610,000) (2018: equivalent to RMB1,246,001 to RMB2,492,000)	1	–
HK$3,000,001 to HK$3,500,000 (equivalent to RMB2,610,001 to RMB3,045,000) (2018: equivalent RMB2,492,001 to RMB2,907,000)	–	1
	4	3

During the years ended 30 June 2019 and 2018, no remuneration was paid by the Group to the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

16. DIVIDENDS

	2019 RMB'000	2018 RMB'000
Dividends recognised as distribution and paid during the year	–	17,126

The amount for the year ended 30 June 2018 represented the 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.

The Directors do not recommend the payment of any dividend for the year ended 30 June 2019 and 30 June 2018.

17. (LOSS) EARNINGS PER SHARE

From continuing and discontinued operations

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

	2019 RMB'000	2018 RMB'000
(Loss) earnings per share from continuing and discontinued operations		
(Loss) profit for the year from continuing and discontinued operations attributable to the owners of the Company for the purpose of basic and diluted loss per share	(2,383,670)	11,562

	2019	2018
Number of shares		
Weighted average number of ordinary shares in issue less shares held under the share award scheme (see note 38) for the purpose of basic (loss) earnings per share	1,336,213,527	1,328,448,727
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 (loss) earnings per share	1,336,213,527	1,328,448,727

The diluted (loss) earnings per share for the years ended 30 June 2019 and 2018 is the same as basic earnings per share. The computation of diluted (loss) earnings per share for the years ended 30 June 2019 and 2018 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.

From Continuing Operations

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

	2019 RMB'000	2018 RMB'000
(Loss) earnings per share from Continuing Operations		
(Loss) profit for the year attributable to the owners of the Company for the purpose of basic and diluted loss per share	(2,383,670)	11,562
Less: (Loss) profit for the year from Discontinued Operation	(1,884,093)	47,811
Loss for the year from Continuing Operations attributable to the owners of the Company for the purpose of basic and diluted loss per share	(499,577)	(36,249)

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

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

From Discontinued Operation

Basic and diluted loss per share for the Discontinued Operation is RMB141.00 cent per share (2018: earnings per share of RMB3.60 cent), based on the loss for the year from the discontinued operation of RMB1,884,093,000 (2018: profit of RMB47,811,000) and the denominators detailed above for both basic and diluted loss per share.

18. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Plant and machinery RMB'000	Furniture, fittings and equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
Cost						
At 1 July 2017	245,268	270,866	5,088	7,414	–	528,636
Exchange realignment	–	–	(48)	(11)	–	(59)
Additions	71	72,110	398	87	–	72,666
Disposals	–	–	–	(1,550)	–	(1,550)
At 30 June 2018 and 1 July 2018	245,339	342,976	5,438	5,940	–	599,693
Exchange adjustments	–	–	37	16	–	53
Additions	–	–	16	–	1,395	1,411
Write-off	(5,200)	(43,834)	(2,596)	–	–	(51,630)
At 30 June 2019	240,139	299,142	2,895	5,956	1,395	549,527
Accumulated depreciation and impairment						
At 1 July 2017	58,385	143,071	3,330	5,272	–	210,058
Exchange realignment	–	–	(11)	(20)	–	(31)
Provided for the year	12,589	31,891	784	759	–	46,023
Eliminated on disposals	–	–	–	(1,057)	–	(1,057)
At 30 June 2018 and 1 July 2018	70,974	174,962	4,103	4,954	–	254,993
Exchange realignment	–	–	23	7	–	30
Provided for the year	12,747	36,701	672	283	–	50,403
Impairment loss recognised	89,962	28,536	–	–	–	(118,498)
Eliminated on written-off	(3,723)	(20,488)	(2,170)	–	–	(26,381)
At 30 June 2019	169,960	219,711	2,628	5,244	–	397,543
Carrying values						
At 30 June 2019	70,179	79,431	267	712	1,395	151,984
At 30 June 2018	174,365	168,014	1,335	986	–	344,700

18. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

The above items of property, plant and equipment, except for construction in progress, are depreciated at the following rates per annum on a straight-line basis:

Buildings	2.5% to 6.67%
Plant and machinery	5% to 20%
Furniture, fittings and equipment	20% to 33%
Motor vehicles	10% to 20%

At 30 June 2019, the carrying value of the Group's buildings located in the PRC amounted to approximately RMB70,179,000 (2018: RMB174,365,000). All the buildings situated on lands which are held under medium-term lease.

At 30 June 2019, the Group has not obtained the building ownership certificate for buildings with carrying value of approximately RMB3,432,000 (2018: RMB3,744,000) from the relevant PRC government authorities. In the opinion of the Directors, the absence of formal titles to these properties does not impair their values to the Group as the Group has paid in full purchase consideration of these buildings and the probability of being evicted on the ground of an absence of formal title is remote.

At 30 June 2019, the carrying value of the Group's property, plant and equipment of approximately RMB67,164,000 (2018: RMB47,632,000) was pledged as security for the bank and other loans granted to the Group as set out in note 31.

The Group' property, plant and equipment are mainly used in both Production and Sale of FCOJ Business and Other Related Products Business segment and Product and Sale of Summi Fresh Orange Juice and Other Products Business segment. During the year, the Group's business environment turned to be difficult and there was changes in the management team during the year, the operating result of the Group's businesses and operations were seriously affected. The Group carried out a review of the existing conditions and the recoverable amounts of the Groups' buildings, plant and the related equipment.

At the end of the reporting period, the Directors identified certain assets of the Group are either operating under a less than normal capacity or become idle at end of the reporting period. During the year, the Directors consider to cease and terminate its intelligent vending machines operation which was relating to the Product and Sale of Summi Fresh Orange Juice and Other Products Business segment and thus, the related plant and equipment amounted to RMB25,249,000 was written-off during the year. Further, as at 30 June 2019, the Group's property, plant and equipment with an aggregate carrying amount of RMB260,674,000 for both Production and Sale of FCOJ Business and Other Related Products Business segment and Product and Sale of Summi Fresh Orange Juice and Other Products Business segment are identified impaired and the respective recoverable amounts were assessed based on their estimate fair value less costs of disposal of the items of property, plant and equipment by use replacement cost approach of RMB186,872,000.

The recoverable amounts of the buildings for impairment assessment were determined based on the market approach. The market approach uses prices and other relevant information generated by market comparable transactions involving comparable buildings.

18. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

Below is a summary of the value technique used and the key inputs to the valuation of the Group's buildings that are comparable transactions prices nearby the Group's buildings for the impairment assessment:

Particulars	Valuation techniques	Significant unobservable input(s)
Two buildings located in Chongqing	Market comparison approach	Market unit rate, taking into account the recent comparable transactions for similar buildings adjusted for nature, location and conditions of the buildings, which ranged from RMB923 to RMB1,182 per square meter ("sqm").
One building located in Fujian Quanzhou	Market comparison approach	Market unit rate, taking into account the recent comparable transactions for similar buildings adjusted for nature, location and conditions of the building, which ranged from RMB1,385 to RMB1,750 per sqm.
One building located in Fujian Sanming	Market Comparison approach	Market unit rate, taking into account the recent comparable transactions for similar buildings adjusted for nature, location and conditions of the building, which ranged from RMB1,000 to RMB1,659 per sqm.
One building located in Hunan Huaihua Oujin	Market comparison approach	Market unit rate, taking into account the recent comparable transactions for similar buildings adjusted for nature, location and conditions of the building, which ranged from RMB1,000 to RMB1,923 per sqm.

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

Bases on the impairment assessment, impairment loss on property, plant and equipment of RMB118,498,000 was recognised during the year.

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

Particulars regarding to impairment testing on the Group's property, plant and equipment are disclosed in note 23.

19. LAND USE RIGHTS

	RMB'000
Cost	
At 1 July 2017, 30 June 2018 and 30 June 2019	27,041
Accumulated depreciation and impairment	
At 1 July 2017	4,496
Provided for the year	555
At 30 June 2018 and 1 July 2018	5,051
Provided for the year	555
At 30 June 2019	5,606
Carrying values	
At 30 June 2019	21,435
At 30 June 2018	21,990

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

At 30 June 2019, the carrying value of the Group's land use rights of approximately RMB9,021,000 (2018: RMB9,272,000) were pledged as security for the banking facilities granted to the Group as set out in note 31.

The Group's land use rights are mainly attributable to both Production and Sale of FCOJ Business and Other Related Products Business segment and Product and Sale of Summi Fresh Orange Juice and Other Products Business segment. The Directors conducted a review on their land use rights and no impairment loss was recognised during the year.

The recoverable amounts of the land use right for impairment assessment were determined based on the market approach. The market approach uses prices and other relevant information generated by market comparable transactions involving comparable land use rights.

19. LAND USE RIGHTS *(Continued)*

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

Particulars	Valuation techniques	Significant unobservable input(s)
Two leasehold lands located in Chongqing	Market comparison approach	Market unit rate, taking into account the recent comparable transactions for similar land adjusted for nature, location and conditions of the land, which was around RMB135 per sqm.
One leasehold land located in Fujian Quanzhou	Market comparison approach	Market unit rate, taking into account the recent comparable transactions for similar land adjusted for nature, location and conditions of the land, which ranged from RMB225 to RMB226 per sqm.
One leasehold land located in Fujian Sanming	Market comparison approach	Market unit rate, taking into account the recent comparable transactions for similar land adjusted for nature, location and conditions of the land, which ranged from RMB60 to RMB68 per sqm.
One leasehold land located in Hunan Huaihua Oujin	Market comparison approach	Market unit rate, taking into account the recent comparable transactions for similar land adjusted for nature, location and conditions of the land, which ranged from RMB240 to RMB273 per sqm.

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

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

Particulars regarding to impairment testing on the Group's land use rights are disclosed in note 23.

20. LEASE PREPAYMENTS FOR ORANGE PLANTATIONS

	2019 RMB'000	2018 RMB'000
At beginning of the financial year	**1,087,416**	1,088,374
Additions (note (i))	**604,720**	112,168
Amortisation (note (ii))	**(183,099)**	(113,126)
Impairment loss (note (iii))	**(1,509,037)**	–
At end of the financial year	**–**	1,087,416
Analysed for reporting purposes as:		
Current portion	**–**	109,541
Non-current portion	**–**	977,875
	–	1,087,416

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

Notes:

(i) The amount represents the long-term rentals payments paid to the local communities of plantations during the year.

(ii) The amount represents the amortised charge which was charged to the cost of the biological assets cultivation costs for the year.

(iii) As described in note 2:

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

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

Particulars regarding to impairment testing on the Group's lease prepayments for orange plantations are disclosed in note 23.

As explained in note 2, because of the loss of certain accounting records and documents of Chongqing Bangxing and the fact that certain former key personnel and management of the Group who were previously responsible to the operations and businesses Chongqing Bangxing are now not contactable, 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 annual report, it is almost impossible, and not practical, to ascertain the opening balances brought forward as at 1 July 2018, the closing balances as at 30 June 2019 and the transactions during the year then 30 June 2019 of Chongqing Bangxing, such as the transactions with the local communities of plantations, the payments made to the local communities of plantations and the impairment loss recognised during the year, etc for inclusion in the consolidation financial statements of the Group.

21. GOODWILL

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

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

During the year, the Group's businesses and operations for its Production and Sale of FCOJ and Other Related Products Business segment recorded a significant decrease of sales from RMB361,461,000 in 2018 to RMB27,376,000 for the current year. Further, the Group had a restructuring for its business and operations and further, the Global One Group lost certain major customers and there was significant decline in its businesses and operations. In view of these circumstances, the management of the Company carried out a review of the recoverable amount of the Group's goodwill. Particulars regarding to impairment testing on the Group's goodwill are disclosed in note 23.

22. INTANGIBLE ASSETS

	Customer list RMB'000	Customer relationship RMB'000	Software RMB'000	Total RMB'000
Cost				
At 1 July 2017	82,390	43,660	–	126,050
Additions	–	–	2,000	2,000
At 30 June 2018 and 1 July 2018	82,390	43,660	2,000	128,050
Write-off	–	–	(2,000)	(2,000)
At 30 June 2019	82,390	43,660	–	126,050
Accumulated depreciation and impairment				
At 1 July 2017	40,383	43,660	–	84,043
Provided for the year	4,501	–	528	5,029
At 30 June 2018 and 1 July 2018	44,884	43,660	528	89,072
Provided for the year	4,501	–	694	5,195
Elimination on write-off	–	–	(1,222)	(1,222)
Impairment loss recognised	33,005	–	–	33,005
At 30 June 2019	82,390	43,660	–	126,050
Carrying values				
At 30 June 2019	–	–	–	–
At 30 June 2018	37,506	–	1,472	38,978

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

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

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

Particulars regarding impairment testing on the Group's customer list are disclosed in note 23.

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

23. IMPAIRMENT ASSESSMENTS

Impairment of property, plant and equipment, land use rights and customer list

The Group assesses whether there are any indicators of impairment for property, plant and equipment, land use rights and customer list in accordance with the accounting policy in note 4. An impairment exists when the carrying value of an asset or cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to disposal (i.e. market value) and its value in use.

The calculation of the fair value less cost of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. If there is no binding sale agreement or active market for that asset (or asset group), management will make reference to the best information available to reflect the amount that an entity could obtain at end of the reporting period. When value-in-use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows. These value-in-use calculations require the use of considerable judgments, estimates and assumptions. Changes in these assumptions and estimates could have a material effect on the determination of the recoverable amounts of the assets.

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

As at 30 June 2019, with reference to the valuation conducted by Royson, the management reviewed the recoverable amounts of the property, plant and equipment, land use rights and customer list after taking into account of (i) certain of the Group's former key personnel and management left from the Group and also certain of its major customers of the Group suspended the purchase from the Group, it is uncertain whether there might have further decline in the Group's businesses and operations in the coming years; (ii) the sluggish of the Group's market might cause further decline in purchase orders from the customers in the near future, especially the Production and Sale of FCOJ Business and Other Related Products Business segment; and (iii) It is uncertain for the successful of the Group's Business and Operation Restructuring Plan as mentioned above. The Directors estimated that there might have significant decline in the present value of the estimated future cash flow, the anticipated cash flow to be generated from the future use of the assets would be uncertain which are lower than their fair values less cost of disposals.

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

23. IMPAIRMENT ASSESSMENTS *(Continued)*

Impairment of goodwill

The Group's goodwill is mainly attributable to the acquisition of the Global One Group (as defined in note 21 above) in respect of the Production and Sale of FCOJ and Other Related Products Business segment.

The management of the Company carried out a review on the recoverable amount of the goodwill during the financial year, with reference to valuation performed by Royson. The carrying value of the cash-generating unit containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal.

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

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

Based on the assessment of the management of the Company, impairment loss in respect of the Group's goodwill amounted to RMB56,696,000 (2018: nil) was recognised during the current year to the extent that the carrying amount exceeded its recoverable amounts based on the best estimate by the management.

Impairments of lease prepayments for orange plantations

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

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

In view of that, the Directors consider that the orange plantations will be no longer generate any economic benefits to the Group and accordingly, full impairment loss in respect of the lease prepayments for orange plantations amounted to RMB1,509,037,000 (2018: nil) was recognised during the current year to the extent that the carrying amounts exceeded its recoverable amounts based on the best estimate by the management.

24. HELD-TO-MATURITY INVESTMENT

	2019 RMB'000	2018 RMB'000
Held-to-maturity investment comprised:		
Debt securities, unlisted	–	16,918

The Group's held-to-maturity investment represented debt security that was issued by financial institution in Macau and carried fixed interest at 6% per annum (2018: 6%), payable semi-annually, and would mature on 30 October 2023. At 30 June 2018, the carrying value of the Group's held-to-maturity investment of approximately RMB16,918,000 was pledged as security for the banking facilities granted to the Group.

As explained in note 3, the amount was reclassified as "financial assets at amortised cost" as at 1 July 2017.

During the year, the Group recognised interest income of RMB523,000 (2018: RMB997,000) and the amount was credited to profit or loss for the year. The investment was redeemed during the year.

25. INVENTORIES

	2019 RMB'000	2018 RMB'000
Consumables and packing materials	4,310	1,137
Summi fresh orange juice	6,780	39,282
FCOJ	31,850	16,712
	42,940	57,131
Less: Impairment	(20,932)	–
	22,008	57,131

26. BIOLOGICAL ASSETS

	2019 RMB'000	2018 RMB'000
At beginning of the financial year	**169,119**	99,310
Increase due to cultivation (note (i))	**203,005**	273,387
(Loss) gain from changes in fair value less cost to sell (note (ii))	**(372,124)**	59,004
Harvested oranges transferred to inventories (note (iii))	**–**	(262,582)
At end of the financial year	**–**	169,119

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

Notes:

(i) The amounts represent the additional of cultivation costs incurred during the year, including fertilisers, pesticides, labour costs, orange farm rental costs and amortisation for lease prepayments for orange plantation.

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

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

(iii) All oranges were harvested annually, and harvest season was commenced shortly before the calendar year end with the duration of approximately five months. The Directors considered that there was no active market for the oranges before harvest as at 30 June 2018. The present value of expected cash flows was not considered a reliable measure of their fair value due to the need for, and use of, subjective assumptions including weather condition, natural disaster and effectiveness of agricultural chemicals. As such, the Directors considered that the fair value of biological assets at the end of the reporting period could not be measured reliably and no reliable alternative estimates existed to determine fair value. Therefore, biological assets continued to be stated at cost as at 30 June 2018.

As explained in note 2, because of the loss of certain accounting records and documents of Chongqing Bangxing and the fact that certain former key personnel and management of the Group who were previously responsible to the operations and businesses Chongqing Bangxing are now not contactable, 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. Further, the Directors consider that the Group is unable to assess and consider the conditions of the Orange Plantation and thus, they believes that, as at the date of this annual report, it is almost impossible, and not practical, to ascertain the reasonableness in respect of the movements of biological assets, including the loss from changes in fair value less cost to sell of the biological assets which was charged to the profit or loss for the year for inclusion in the consolidation financial statements of the Group.

For the year ended 30 June 2019

27. TRADE AND OTHER RECEIVABLES

	2019 RMB'000	2018 RMB'000
Trade receivables (note (i))	**19,984**	168,505
Less: Impairments/allowance for credit losses	**(732)**	–
	19,252	168,500
Other receivables (note (iii)):		
– Other receivable relating to marketing and promotion activities (note (ii))	**15,000**	15,000
– Amount due from a former director (note (iv))	**–**	346
– Others	**4,881**	7,222
	19,881	22,568
Less: Impairment/allowance for credit losses	**(15,000)**	–
	4,881	22,568
Others (note (iii)):		
– Rental deposits for intelligent vending machines (note (ii))	**17,575**	17,575
– Other deposits	**122**	359
– Prepayments	**2,263**	4,651
	19,960	22,585
Less: Impairment/allowance for credit losses	**(17,575)**	–
	2,385	22,585
Total trade and other receivables	**26,518**	213,658

Notes:

(i) As at 30 June 2018 and 1 July 2018, trade receivables from contracts with customers amounted to RMB168,505,000 and RMB168,505,000 respectively. The credit term of the trade receivable is ranging from 30 to 120 days (2018: 30 to 90 days).

Included in trade receivables of RMB2,500,000 (2018: nil) was amount due from a related company which held by Mr. Wu Liaotao ("Mr. Wu"), a director of the Company.

In respect of trade receivables, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. Therefore, the Directors of the Company consider that the Group's credit risk is minimised and ECL allowance is considered insignificant.

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

	2019 RMB'000	2018 RMB'000
0 to 30 days	**12,990**	60,401
31 to 60 days	**5,247**	56,086
61 to 90 days	**1,015**	51,739
Over 90 days	**–**	279
	19,252	168,505

27. TRADE AND OTHER RECEIVABLES *(Continued)*

Notes: *(Continued)*

(i) *(Continued)*

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.

Movements in the impairments/allowance for credit losses for trade receivables:

	2019 RMB'000	2018 RMB'000
As at 1 July	–	–
Impairment losses recognised	732	–
As at 30 June	732	–

Details of the assessment on expected credit losses are set out in note 42.

(ii) As at 30 June 2018, the amount of RMB15,000,000 represented the other receivable relating to refund of early termination of the marketing and promotion activities which was paid in 2017. During the year ended 30 June 2019, the Directors consider that the Group could not recover the amount from the third party and thus, the amount was charged to profit or loss for the year.

As at 30 June 2018, the amount of RMB17,575,000 represented the rental deposits in relation to the lease of the placement of intelligent vending machines operation. In view of the changes on the new management team, the Directors decided to close down the leasing of the intelligent vending machines operations. The Directors consider that the Group could not recover the outstanding balance from the third party and thus, the amount was fully charged to profit or loss for the year.

Movements in the allowance for doubtful debts of other receivables:

	2019 RMB'000	2018 RMB'000
As at 1 July	–	–
Impairment losses recognised to profit or loss	32,575	–
Write-off	–	–
As at 30 June	32,575	–

(iii) Other than the other receivable relating to marketing and promotion activities and rental deposits for intelligent vending machines, the Directors consider that the other financial assets are low risk because the probability of default of the counterparties is insignificant or do not have any past due amounts. Accordingly, the Group performed impairment assessment individually based on 12m ECL and ECL allowance is considered insignificant.

(iv) The amount due from Mr. Sin Ke, a former director of the Company was unsecured, interest-free and was fully settled during the year. The maximum amount outstanding during the year was approximately RMB42,887,000 (2018: RMB346,000).

28. DERIVATIVE FINANCIAL INSTRUMENTS

	2019 RMB'000	2018 RMB'000
Current assets		
Cross-currency interest rate swap	–	2,986
Current liabilities		
Foreign currency forward contracts	–	960

Cross-currency interest rate swap

The Group used cross-currency interest rate swap to manage its currency and interest risks. On 16 August 2016, the Group entered into a cross-currency interest rate swap contract with bank, covering the period from 16 August 2016 to 8 August 2018. The cross-currency interest rate swap contract entitled the Group to receive interest at floating rates on an aggregate notional principal of US$40,000,000 and to pay interest at fixed rates on an aggregate notional principal of RMB265,600,000 simultaneously. The Group agreed with the bank to swap the interest difference between fixed rate and floating rate, as well as the currency difference between US$ and RMB, respectively, on the respective deemed notional principal amounts on a monthly basis.

Foreign currency forward contracts

The total notional principal amount of the outstanding foreign currency forward contracts to sell RMB for US$ as at end of the reporting period was US$9,000,000. As at 30 June 2018, all the foreign currency forward contracts were with maturity dates within 12 months from the end of the reporting period.

During the year, the Group's realised all its derivative financial instruments and recognised a gain of RMB2,355,000 which was credited to the profit or loss for the year. The Group did not have any outstanding derivative financial instrument as at 30 June 2019.

29. PLEDGED BANK DEPOSITS AND CASH AND CASH EQUIVALENTS

	2019 RMB'000	2018 RMB'000
Pledged bank deposits to secure interest-bearing bank loans	8,244	191,730
Less: Current portion of pledged bank deposits	(8,244)	(191,730)
Non-current portion of pledged bank deposits	–	–

Bank balances carry interest at market rates which range from 0.001% to 0.33% (2018: 0.001% to 0.38%) per annum. The pledged deposits carry fixed interest rate ranging from 0.22% to 2.3% (2018: 0.22% to 1.86%) per annum. The pledged bank deposits will be released upon the settlement of relevant bank borrowings.

29. PLEDGED BANK DEPOSITS AND CASH AND CASH EQUIVALENTS *(Continued)*

Pledged bank deposits represent deposits pledged to banks to secure banking facilities granted to the Group. Deposits amounting to RMB8,244,000 (2018: RMB191,730,000) have been pledged to secure short-term bank loans and are therefore classified as current assets.

The credit risks on time deposits and bank balances are limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

30. TRADE AND OTHER PAYABLES

	2019 RMB'000	2018 RMB'000
Trade payables	**21,214**	5,727
Payables for acquisition of property, plant and equipment	**2,997**	3,479
Accrued sales commission	**3,939**	5,116
Other tax payables	**10,217**	10,359
Accrued staff costs	**1,724**	3,636
Interest payables	**22,456**	1,627
Amount due to a director (note below)	**14,830**	–
Other payables and accruals	**8,741**	4,509
	86,118	34,453

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

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

	2019 RMB'000	2018 RMB'000
0–90 days	**21,214**	5,727

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 ranging from 90 to 150 days (2018: 90 days).

For the year ended 30 June 2019

31. BORROWINGS

	2019 RMB'000	2018 RMB'000
Bank borrowings (note (i))	668,237	892,932
Other borrowings (note (ii))	99,700	–
	767,937	892,932
The carrying amount of borrowings that contain a repayment on demand clause (shown under current liabilities) but repayable:		
Within one year or on demand	767,937	631,640
Within a period of more than one year but not exceeding two years	–	261,292
Within a period of more than two years but not exceeding five years	–	–
Within a period of more than five years	–	–
	767,937	892,932
The carrying amount of borrowings that are repayable on demand due to breach of loan covenants (shown under current liabilities) (note (iii))	(630,237)	–
	137,700	892,932
Less: Amounts due within one year shown under current liabilities	(137,700)	(631,640)
Amounts shown under non-current liabilities	–	261,292
Analysed as:		
– Secured (note (iv))	150,256	337,022
– Unsecured	617,681	555,910
	767,937	892,932
Analysed as:		
– Fixed-rate borrowings	129,695	226,299
– Variable-rate borrowings	638,242	666,633
	767,937	892,932
Bank loans held by		
– PRC companies	164,696	211,000
– Non-PRC companies	603,241	681,932
	767,937	892,932

31. BORROWINGS *(Continued)*

Borrowings comprise

Notes:

(i) Details of the bank borrowings

(a) As at 30 June 2019, included in the Group's unsecured bank loans was a three-year term loan facility in an aggregate sum of US$80,000,000 (equivalent to approximately RMB548,371,000) (2018:US$80,000,000 (equivalent to approximately RMB530,826,000)) for the purpose of general working capital. The Facility was jointly guaranteed by the Company's director, Mr. Sin, and six non-PRC incorporated subsidiaries.

According to the repayment terms as stated in the Facility Agreement, 50% of the principal amounted to US$40,000,000 (equivalent to approximately RMB274,185,000) (2018: US$40,000,000 (equivalent to approximately RMB265,413,000)) is repayable in two installments in August 2018 and February 2019 respectively and the remaining 50% of the principal amounted to US$40,000,000 (equivalent to approximately RMB274,185,000) (2018: US$40,000,000 (equivalent to approximately RMB265,413,000)) is repayable on maturity date on 8 August 2019 so that approximately RMB274,185,000 (2018: (equivalent to approximately RMB265,413,000)) was classified as non-current liabilities as at 30 June 2018.

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

(b) As at 30 June 2019, a two-year unsecured bank loan of HK$18,501,000 (2018: HK$24,704,000) (equivalent to approximately RMB16,320,000 (2018: RMB20,897,000)) is guaranteed by a PRC subsidiary.

(c) As at 30 June 2019, bank borrowings of RMB10,000,000 (2018: RMB10,000,000) are jointly guaranteed by a key management personnel and its PRC subsidiaries.

(d) As at 30 June 2018, the Group's current portion of long-term bank borrowings amounted to approximately RMB271,142,000.

(ii) Details of the other borrowings

(a) As at 30 June 2019, unsecured other borrowings of RMB28,900,000 was provided by an independent third party (the "Party A") with interest rate at 12% per annum which is repayable within one year.

(b) As at 30 June 2019, two secured other borrowings of RMB20,000,000 and RMB50,800,000 were provided by Party A and another independent third party, respectively with interest rate at 12% per annum which is repayable within one year.

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

(iv) As at 30 June 2019 and 30 June 2018, the Group's held-to-maturity investment/financial assets measured at cost, certain property, plant and equipment and land use rights and pledged bank deposits were pledged as security for the Group's bank and other borrowings and the banking facilities granted to the Group and details of which are set out in respective notes.

For the year ended 30 June 2019

31. BORROWINGS *(Continued)*

As at end of the reporting period, the effective interest rates (which are also equal to contacted interest rates) on the Group's interest-bearing bank and other borrowings are as follows:

	2019	2018
Fixed-rate bank loans	**3.62%–6.53%**	3.62%–6.53%
Variable-rate bank loans	**2.63%–7.00%**	2.63%–6.01%
Fixed-rate other loans	**12.00%**	N/A
Included in the bank loans are the following amounts denominated in currency other than the functional currency of certain subsidiaries:		
US$	**558,166**	451,103

32. CORPORATE BONDS

	2019	2018
Carrying amounts repayable based on scheduled repayment dates set out in the agreements:		
After two years but within five years	**19,539**	5,390
Over five years	**19,391**	30,653
	38,930	36,043
Analysed as:		
– Current liabilities	**38,930**	–
– Non-current liabilities	**–**	36,043
	38,930	36,043

32. CORPORATE BONDS *(Continued)*

Details of the corporate bonds are as follows:

	Par value HK$'000	Issue date	Maturity date	Duration	Issue amount HK$'000
Bond I	4,000	11 August 2016	11 February 2024	7.5 years	4,000
	2,000	18 August 2016	18 February 2024	7.5 years	2,000
	1,000	26 August 2016	26 February 2024	7.5 years	1,000
	2,000	12 August 2016	12 February 2024	7.5 years	2,000
	3,000	6 October 2016	6 April 2024	7.5 years	3,000
	2,000	29 November 2016	29 May 2024	7.5 years	2,000
	2,000	29 November 2016	29 May 2024	7.5 years	2,000
	2,000	29 November 2016	29 May 2024	7.5 years	2,000
	18,000				18,000
Bond II	1,000	5 September 2016	5 September 2021	5 years	1,000
	2,000	6 October 2016	6 October 2021	5 years	2,000
	3,000				3,000
Bond III	2,000	12 December 2017	11 June 2025	7.5 years	2,000
	1,000	29 December 2017	28 June 2025	7.5 years	1,000
	2,000	22 March 2018	21 September 2025	7.5 years	2,000
	3,000	9 April 2018	8 October 2025	7.5 years	3,000
	2,000	18 April 2018	17 October 2025	7.5 years	2,000
	3,000	1 June 2018	30 November 2025	7.5 years	3,000
	1,000	7 June 2018	6 December 2025	7.5 years	1,000
	14,000				14,000
Bond IV	2,000	9 January 2018	8 January 2023	5 years	2,000
	1,000	19 January 2018	18 January 2023	5 years	1,000
	1,000	6 April 2018	5 April 2023	5 years	1,000
	4,000				4,000
Bond V	10,000	11 January 2018	10 January 2026	8 years	10,000
Bond VI	2,000	20 August 2018	19 February 2026	7.5 years	2,000
	51,000				51,000

32. CORPORATE BONDS *(Continued)*

The Company issued corporate bonds to independent third parties for the purpose of general working capital with an aggregate nominal value of HK$51,000,000 (equivalent to approximately RMB44,819,000) (2018: HK$49,000,000 (equivalent to approximately RMB40,695,000)) in aggregate. They were issued at a fixed interest rate of 6% or 6.50% (2018: 6% or 6.5%) per annum and are payable annually from the date of issuance and maturity date. The principal will be repaid on maturity. The effective interest rate is 7.15% (2018: 7.15%) per annum.

Pursuant to the clauses of the corporate bonds agreements with the lenders, the lenders are eligible to request the Group to repay the corporate bonds immediately if the Group is unable to meet certain financial conditions as set out in the corporate bonds agreements. In view of the current financial difficulties of the Group as set out in note 2, the Company did not comply with the relevant clauses of the corporate bonds agreements and accordingly, the Group reclassified all its corporate bonds as current liabilities as at 30 June 2019.

33. DEFERRED TAX LIABILITIES

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

	Intangible assets RMB'000	Undistributed retained profits of PRC subsidiaries RMB'000	Total RMB'000
At 1 July 2017	10,501	1,250	11,751
Credited to profit or loss	(1,126)	–	(1,126)
At 30 June 2018 and 1 July 2018	9,375	1,250	10,625
Credited to profit or loss	(9,375)	–	(9,375)
At 30 June 2019	–	1,250	1,250

At 30 June 2019, the Group has unused tax losses of approximately RMB14,762,000 (2018: RMB10,190,000) available for offset against future profits. No deferred tax asset has been recognised in respect of such losses due to the unpredictability of future profit streams. The losses may be carried forward indefinitely.

Pursuant to the EIT Law, 10% withholding tax is levied on foreign investors (5% for foreign investors registered in Hong Kong provided they meet certain criteria) in respect of dividend distributions arising from a foreign investment enterprise's profit earned after 1 January 2008. At 30 June 2019 and 2018, the Directors believed that should the Group determine to distribute profits of the Group's PRC subsidiaries in the foreseeable future, the Group will be able to obtain the approval for the preferential withholding tax of 5% in relation to the dividend income.

At 30 June 2019, deferred tax liabilities of RMB1,250,000 (2018: RMB1,250,000) have been recognised in respect of the tax that would be payable on the portion of the retained profits of the Group's PRC subsidiaries which the Directors expect to be distributed by them in the foreseeable future, based on the assumption that the approval for the 5% preferential withholding tax rate will be obtained.

However, deferred tax liabilities associated with undistributed retained profits of PRC subsidiaries amounting to approximately RMB385,755,000 (2018: RMB1,714,595,000) have not been recognised at 30 June 2019, as the Company is able to control the dividend policy of the Group's PRC subsidiaries and the Directors consider it probable that a portion of the undistributed retained profits earned by the Group's PRC subsidiaries as at 30 June 2019 will not be distributed in the foreseeable future.

34. DEFERRED INCOME

	RMB'000
At 1 July 2017	5,900
Amortised during the year	(2,360)
At 30 June 2018 and 1 July 2018	3,540
Amortised during the year	(2,360)
At 30 June 2019	1,180

Deferred income represented local government grant received for supporting the Group's investment in a FCOJ production plant. The grant was recognised as other revenue over the estimated useful lives of the production plant assets.

The Group received discretionary grants from various PRC government authorities in recognition of the Group's contribution to the development of the local agricultural industry and investment in a FCOJ production plant in Chongqing. These government grants were not recurring in nature and were not only available to the Group. There was no assurance that the Group would receive these government grants in the future.

35. SHARE CAPITAL OF THE COMPANY

	Number of shares	Share capital	
		HK$'000	RMB'000
Ordinary shares of HK$0.01 each			
Authorised			
As at 1 July 2017, 30 June 2018 and 30 June 2019	3,000,000,000	30,000	26,376
Issued and fully paid			
As at 1 July 2017, 30 June 2018 and 30 June 2019	1,347,860,727	13,479	11,610

There were no movements of the Company's share capital during the year ended 30 June 2019 and 30 June 2018.

36. RESERVES

a) Share premium

The application of the share premium account is governed by the Companies Law of the Cayman Islands. The share premium is distributable.

b) Capital reserve

The capital reserve of the Group at 30 June 2019 and 2018 comprises the following:

- The excess of paid-in capital of Summi Fujian of RMB3,585,000.
- The capital reserve of Sunshine Vocal in connection with the waiver of an equity shareholder's loan and related interest of RMB36,396,000.
- The fair value of the actual or estimated number of share options granted to employees of the Group recognised in accordance with the accounting policy adopted for share-based payments in note 4.

c) Shares held under the share award scheme

The amount represents the reserve relating to the "shares held under the share award scheme" and details of which are set out 38. The carrying amount of the shares held as at the year end was presented as a deduction against equity.

d) Statutory reserves

Statutory reserves were established in accordance with the relevant PRC rules and regulations and the articles of association of the Group's PRC subsidiaries. Transfers to the reserves were approved by the directors of these companies.

The Group's PRC subsidiaries are required to transfer no less than 10% of their net profits, as determined in accordance with the PRC accounting rules and regulations, to the statutory surplus reserve until the reserve balance reaches 50% of their registered capital. The transfer to this reserve must be made before the distribution of a dividend to shareholders.

The statutory surplus reserve can be used to make good previous years' losses, if any, and may be converted into share capital by the issue of new shares to shareholders in proportion to their existing shareholdings or by increasing the par value of the shares currently held by them, provided that the balance after such issue is not less than 25% of the registered capital.

The Group's PRC subsidiaries made appropriations to discretionary surplus reserve in accordance with their board of directors' resolutions.

e) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of the Company. The reserve is dealt with in accordance with the accounting policies set out in note 4.

37. SHARE-BASED PAYMENT TRANSACTIONS

A share option scheme was adopted pursuant to a written resolution of the shareholders of the Company passed on 7 June 2008 and refreshed at the annual general meeting held on 5 November 2012 (the "Share Option Scheme"). Each option gives the holder the right to subscribe for one ordinary share of HK$0.01 each of the Company.

The purpose of the Share Option Scheme is to recognise, motivate and provide incentives to those who make contribution to the Group and to attract and retain the best available personnel, to provide additional incentive to employees (full-time and part-time), Directors, consultants, advisers, distributors, contractors, suppliers, agents, customers, business partners or service providers of the Group and to promote the success of the business of the Group.

The qualified participants include (i) any full-time or part-time employee of any member of the Group; (ii) any consultant or adviser of any member of the Group; (iii) any director (including executive, non-executive or independent non-executive directors) of any member of the Group; (iv) any substantial shareholder of any member of the Group; and (v) any distributor, contractor, supplier, agent, customer, business partner or service provider of any member of the Group.

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

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

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

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

On 19 November 2015, the Company granted 54,000,000 share options with a subscription price of HK$1.11 per share to certain qualified participants.

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

Details of specific categories of options are as follows:

Date of options granted to the employees of the Group	Number of options	Exercise price	Vesting condition and exercisable percentage condition	Up to %	Expiry date of the share options
18 November 2008 ("2008 Option")	39,000,000	HK$0.75	1 year from grant date	31.3	17 November 2018
			2 years from grant date	31.3	
			3 years from grant date	37.4	
11 October 2009 ("2009 Option")	10,000,000	HK$0.90	On the grant date	30.0	10 October 2019
			1 year from grant date	30.0	
			2 years from grant date	40.0	
4 January 2013 ("2013 Option 1")	62,400,000	HK$1.13	On the grant date	100.0	3 January 2014
21 March 2013 ("2013 Option 2")	57,200,000	HK$1.03	On the grant date	100.0	20 March 2015
19 November 2015 ("2015 Option")	54,000,000	HK$1.11	1 year from grant date	50.0	18 November 2020
			2 years from grant date	50.0	
Total options granted	222,600,000				

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

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

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

The following table discloses movements of the Company's share options during the year ended 30 June 2018:

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

The fair value of the share options granted was calculated using the Binomial model. The inputs into the model were as follows:

	19 November 2015
Weighted average share price	HK$1.10
Exercise price	HK$1.11
Expected volatility	45.80%
Expected life	5 years
Risk-free rate	1.578%
Expected dividend yield	0%

Expected volatility was determined by reference to the historical volatility of the Company's share price over the previous 5 years. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioral considerations.

Risk-free interest rate represents the yields to maturity of Hong Kong Exchange Fund Note with respective terms to maturity at the valuation date.

During the year ended 30 June 2018, the Group recognised equity-settled share-based payment expenses of RMB3,480,000 in relation to share options granted by the Company. During the year, the Group transferred an amount of RMB14,093,000 to accumulated losses upon the cancellation of 44,350,000 share option during the year.

The Binomial model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the Directors' best estimate. The value of an option varies with different variables of certain subjective assumptions.

38. SHARES HELD UNDER SHARE AWARD SCHEME

On 11 September 2015, the Company adopted the share award scheme (the "Scheme") under which shares of the Company (the "Awarded Shares") may be awarded to the certain employees including directors and senior management of the Group ("Eligible Participants"), to provide incentives or rewards for their commitment and/or contribution to the Group and to provide them with a direct economic interest in attaining the long-term business objectives of the Group. The Share Award Scheme shall be valid and effective for a period of ten years commencing on the adoption date, i.e., 11 September 2015.

The aggregate number of Awarded Shares permitted to be awarded under the Share Award Scheme throughout the duration of the Scheme is limited to 10% of the issued share capital of the Company as at the adoption date. The maximum aggregate number of Awarded Shares which may be awarded to a Selected Participant shall not exceed 1% of the issued share capital of the Company as at the adoption date.

The Company has set up a trust (the "Trust") for the purpose of facilitating the purchase, holding and sale of shares in the Group for the benefit of the employees of the Group. All the shares repurchased by the Group through the Trust in the Stock Exchange are recorded as treasury stock in the reserve and are for the Scheme only.

When an Eligible Participant has satisfied all vesting conditions, which might include service and/or performance conditions, specified by the board of directors of the Company at the time of making the award and become entitled to the shares of the Company forming the subject of the award, the trustee shall transfer the relevant Awarded Shares to that employee.

The voting rights and powers of any shares held under the Scheme shall be exercised by the independent trustee who shall abstain from voting.

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

There are no movement of the shares held under share award scheme during the year ended 30 June 2018.

During the year ended 30 June 2019, 19,412,000 shares were granted to Eligible Participants and thus, an aggregate amount of RMB3,513,000 (2018: nil) was charged to profit or loss for the year.

39. RETIREMENT BENEFITS PLANS

The Group operates a Mandatory Provident Fund Scheme for all qualifying employees in Hong Kong. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5% of relevant payroll costs to the Scheme, which contribution is matched by employees.

The employees of the Group's subsidiary in PRC are members of a state-managed retirement benefit scheme operated by the government of PRC. The subsidiary is required to contribute 5% to 27% of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the specified contributions.

The total expense recognised in profit or loss of approximately RMB2,724,000 (representing RMB2,644,000 from Continuing Operations and RMB80,000 from Discontinued Operation) (2018: RMB10,012,000 (representing RMB8,223,000 from Continuing Operations and RMB1,789,000 from Discontinued Operation)) represents contributions payable to these plans by the Group at rates specified in the rules of the plans.

40. CONTINGENT LIABILITIES

In May 2019, the Company received the Company received a statement of claim from a former employee relating to the outstanding wages and end of year payment with an aggregate amount of HK$2,520,000 (equivalent of RMB2,192,000) and the Group has already made a full provision for such claim during the year.

Other than the above, the Group did not have any material contingent liabilities as at 30 June 2019

41. OPERATING LEASES

The Group as lessee

	2019 RMB'000	2018 RMB'000
Minimum lease payments paid under operating leases during the year	454	130,537

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2019 RMB'000	2018 RMB'000
Within one year	192	123,487
In the second to fifth years inclusive	144	197,188
Over five years	–	122,955
	336	443,630

Operating lease payments represent rentals payable by the Group for certain of its office properties. Leases are negotiated for an average term of 2 years (2018: 3 years) and rentals are fixed for an average of 3 years.

42. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The overall strategy of the Group remains unchanged from prior year.

The capital structure of the Group consists of net debts, which includes bank loans and corporate bonds, net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital and reserves.

The Directors review the capital structure on a semi-annual basis. As part of this review, the Directors consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the Directors, the Group will balance its overall capital structure through the payment of dividends, the issue of new shares as well as the issue of new debts or the redemption of existing debts.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements, except for the debt covenant requirement of the loan agreements entered into.

For the year ended 30 June 2019

43. FINANCIAL INSTRUMENTS

a) Categories of financial instruments

	2019 RMB'000	2018 RMB'000
Financial assets		
Derivative financial instruments	–	2,986
Held-to-maturity investment	–	16,918
Financial assets at amortised cost	39,126	–
Loans and receivables (including cash and cash equivalents)	–	925,234
Financial liabilities		
Derivative financial instruments	–	960
Other financial liabilities at amortised cost	892,985	953,069

b) Financial risk management objectives and policies

The Group's major financial instruments include derivative financial instruments, held-to-maturity investment, trade receivables, other receivables and deposits, pledged bank deposits, cash and cash equivalents, trade payables, other payables and accruals, bank and other borrowings and corporate bonds. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

(a) Currency risk

The functional currencies of certain subsidiaries are HK$, MYR or RMB.

The companies of the Group mainly operated in their local jurisdiction with most of the transactions settled in their functional currencies of the operations and did not have significant exposure to risk resulting from changes in foreign currency exchange rates. However, certain bank loans, derivative financial instrument, bank balances and pledged bank deposits of the Group are denominated in currencies other than the functional currency of the respective subsidiaries which expose the Group to currency risk. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

43. FINANCIAL INSTRUMENTS *(Continued)*

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

Market risk *(Continued)*

(a) Currency risk (Continued)

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	Assets		Liabilities	
	2019	2018	**2019**	2018
	RMB'000	RMB'000	**RMB'000**	RMB'000
US$	**8,244**	199,625	**672,282**	451,103
MYR	**12,653**	–	**14,788**	–
	20,897	199,625	**687,070**	451,103

Sensitivity analysis

The following table details the Group's sensitivity to increase and decrease in RMB against the relevant foreign currencies. The increase or decrease in the foreign exchange rates in US$ and MYR are the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates.

	Increase/(decrease) in foreign exchange rate %	Effect on profit/loss after taxation RMB'000	Effect on accumulated losses RMB'000
US$	1	5,545	5,545
	(1)	(5,545)	(5,545)
MYR	1	16	16
	(1)	(16)	(16)

In the opinion of the management, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposures at the end of the reporting period does not reflect the exposure during the year.

(b) Interest risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate held-to-maturity investment, derivative financial instruments, pledged bank deposits, bank and other borrowings and corporate bonds. The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank balances and bank and other borrowings. It is the Group's policy to keep certain of its bank loans at floating rate of interests so as to minimise the fair value interest rate risk. The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note. The Group currently does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider other necessary actions when significant interest rate exposure is anticipated. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of London Inter-bank Offered Rate ("LIBOR") arising from the Group's US$ denominated bank loans.

43. FINANCIAL INSTRUMENTS *(Continued)*

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

Market risk *(Continued)*

(b) Interest risk (Continued)

Sensitivity analysis

Based on the management's assessment of the reasonably possible change in interest rates, it is estimated that a general increase/decrease of 100 basis points (2018: 100 basis points) in interest rates, with all other variables held constant, would decrease/increase (2018: increase/decrease) the Group's profit after tax and retained profits by approximately RMB6,056,000 (2018: RMB1,452,000) for the year. This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank loans and bank balances.

The sensitivity analysis above has been determined based on the exposure to interest rates for non-derivative instruments at the end of the reporting period. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. The 100 basis points (2018: 100 basis points) increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates. The analysis is performed on the same basis for the year ended 30 June 2018.

Credit risk

As at 30 June 2019 and 2018, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

The Group's credit risk is primarily attributable to trade and other receivables. Management has a credit policy in place and the exposures to the credit risk are monitored on an ongoing basis.

In respect of trade and other receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay and take into account information specific to the customers as well as pertaining to the economic environment in which the customers operate. Trade receivables are due within the credit period from the date of billing. Normally, the Group does not obtain collateral from customers.

The Group's concentration of credit risk by geographical locations is mainly in the South East Asia and PRC, which accounted for 77% and 21% respectively (2018: Nil and 99%) of the total trade receivable as at 30 June 2018.

The Group has concentration of credit risk as 21% (2018: 25%) and 80% (2018: 73%) of the total trade receivables was due from the Group's largest customer and the five largest customers respectively within the Production and Sale of FCOJ and Other Related Products segment.

The credit risk on the Group's liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

43. FINANCIAL INSTRUMENTS *(Continued)*

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

Credit risk *(Continued)*

Expected credit loss

As part of the Group's credit risk management, the Group applied internal credit rating for its customers. Certain of the Group's trade receivables are grouped under a provision matrix based on shared credit risk characteristics by reference to past default experience and current past due exposure of the debtor.

The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort. Such forward-looking information is used by the management of the Group to assess both the current as well as the forecast direction of conditions at the reporting date. The grouping is regularly reviewed by the management of the Group to ensure relevant information about specific debtors is updated.

Liquidity risk

As at 30 June 2019, the Group's total bank and other borrowings was RMB764,268,000, out of which, the borrowings of the Group with an aggregate amount of RMB626,568,000 were overdue and/or in breaching the clauses of the loan agreements with the lenders and thus, the respective lenders are eligible to request the Group to repay the borrowings immediately.

As explained in note 2, the Directors have reviewed the Group's cash flow projections (excluding the cash flows of Chongqing Bangxing) prepared by the management of the Company. The cash flow projections cover a period of not less than twelve months from 30 June 2019. They are of the opinion that, taking into account the abovementioned plans and measures, the Group will have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due within twelve months from 30 June 2019. Accordingly, the Directors are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

The following table details the Group's remaining contractual maturity for its financial liabilities and derivative instruments. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. Specifically, bank loans with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates.

The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curve at the end of the reporting period.

43. FINANCIAL INSTRUMENTS *(Continued)*

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

Liquidity risk *(Continued)*

In addition, the following table details the Group's liquidity analysis for its derivative financial instruments. The tables have been drawn up based on the undiscounted contractual net cash (inflows) and outflows on derivative instruments that settle on a net basis. The liquidity analysis for the Group's derivative financial instruments are prepared based on the contractual settlement dates as the management consider that the settlement dates are essential for an understanding of the timing of the cash flows of derivatives.

	Less than 1 year or on demand RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
At 30 June 2019						
Non-derivative financial liabilities						
Trade and other payables	86,118	–	–	–	86,118	86,118
Bank and other borrowings (note below)	781,572	21,871	–	–	803,443	767,937
Corporate bonds (note below)	2,623	2,623	13,411	40,629	59,286	38,930
	870,313	24,494	13,411	40,629	948,847	892,985

	Less than 1 year or on demand RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
At 30 June 2018						
Non-derivative financial liabilities						
Trade and other payables	24,094	–	–	–	24,094	24,094
Bank and other loans	643,356	282,124	–	–	925,480	892,932
Corporate bonds	2,449	2,449	12,914	38,830	56,642	36,043
	669,899	284,573	12,914	38,830	1,006,216	953,069
Derivative – net settlement						
Foreign exchange forward contracts	962	–	–	–	962	960

Note: As described in notes 31 and 32, in view of the current financial difficulties of the Group, the Company did not comply with the relevant clauses of the banks and corporate bonds agreements and accordingly, the Group reclassified all its bank borrowings and corporate bonds as current liabilities as at 30 June 2019.

44. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the consolidated statement of cash flows as cash flows from financing activities.

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

	1 July 2017 RMB'000	Financing cash flows RMB'000	Finance costs incurred RMB'000	Foreign exchange movements RMB'000	30 June 2018 RMB'000
Interest payables (note 30)	1,955	(45,260)	44,987	(55)	1,627
Amount due to a director (note 30)	219	(219)	–	–	–
Borrowings (note 31)	931,870	(24,293)	4,975	(19,620)	892,932
Corporate bonds (note 32)	15,544	19,730	797	(28)	36,043
	949,588	(50,042)	50,759	(19,703)	930,602

45. RELATED PARTY TRANSACTIONS

(i) Transaction with related parties

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

	Trade sales	
	2019 RMB'000	2018 RMB'000
Sales of goods to related company held by a director	5,724	–

Note: Mr. Wu Liantao, a director of the Company, is the shareholder of the related company.

(ii) Balances with related parties

Other than those disclosed elsewhere in these consolidated financial statements, the Group did not have any significant outstanding balances with related parties as at 30 June 2019 and 20 June 2018.

45. RELATED PARTY TRANSACTIONS *(Continued)*

(iii) Compensation of key management personnel

	2019 RMB'000	2018 RMB'000
Wages, salaries and other benefits	2,107	5,958
Contribution to defined contribution plans	52	69
Equity-settled share-based payments	–	1,611
	2,159	7,638

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

46. NON-MAJOR CASH TRANSACTION

Other than the matter described in note 9 in respect of the compensation claim, the Group did not have any major non-cash transaction during the year.

47. PLEDGE OF ASSETS

At the end of the reporting period, the Group had pledged the following assets to borrowers to secure the credit facilities granted to the Group:

	2019 RMB'000	2018 RMB'000
Held-to-maturity investment	–	16,918
Property, plant and equipment	67,164	47,632
Land use rights	9,021	9,272
Pledged bank deposits	8,244	191,730
	84,429	265,552

48. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with current year's presentation.

49. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

General information of subsidiaries

Details of the subsidiaries directly and indirectly held by the Company at the end of the reporting period are set out below.

Name of subsidiary	Class of shares held	Place/country of establishment/ incorporation and operation	Paid up issued share capital/ registered capital	Percentage of ownership interest attributable to the Group and voting power held by the Group				Principal activities
				2019		2018		
				Indirect %	Indirect %	Direct %	Indirect %	
Sunshine Vocal Limited	Ordinary shares	The BVI	US$100,000	100	–	100	–	Investment holding in Hong Kong
Rich Anges Limited	Ordinary shares	The BVI	US$1	100	–	100	–	Investment holding in Hong Kong
Potel Limited	Ordinary shares	Hong Kong	HK$1	–	100	–	100	Investment holding in Hong Kong
Manwell (China) Limited	Ordinary shares	Hong Kong	HK$1	–	100	–	100	Investment holding in Hong Kong
Global One	Ordinary shares	The BVI	US$1	–	100	–	100	Investment holding in Hong Kong
Summi (HK) Asia Limited	Ordinary shares	Hong Kong	HK$1	–	100	–	100	Sales of Summi fresh orange juice in Hong Kong
Summi Yummy Limited	Ordinary shares	Hong Kong	HK$10,000	–	60	–	60	Not yet commence business
森美（福建）食品有限公司 Summi (Fujian) Food Co. Limited* ("Summi Fujian") (note a)	Contributed capital	The PRC	RMB80 million	–	100	–	100	Manufacturing and selling of FCOJ in the PRC
三明森美食品有限公司 Sanming Summi Food Co. Limited* (note b)	Contributed capital	The PRC	RMB10 million	–	100	–	100	Manufacturing and selling of FCOJ in the PRC
重慶天邦食品有限公司 Chongqing Tianbang Food Co. Limited* (note a)	Contributed capital	The PRC	HK$80 Million	–	100	–	100	Manufacturing and selling of FCOJ in the PRC
懷化歐勁果業有限公司 (note b)	Contributed capital	The PRC	RMB30 million	–	100	–	100	Manufacturing and selling of FCOJ in the PRC

49. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY *(Continued)*

General information of subsidiaries *(Continued)*

Name of subsidiary	Class of shares held	Place/country of establishment/ incorporation and operation	Paid up issued share capital/ registered capital	Percentage of ownership interest attributable to the Group and voting power held by the Group				Principal activities
				2019		2018		
				Indirect %	Indirect %	Direct %	Indirect %	
重慶尚果農業科技有限公司 Chongqing Shangguo Fruit Technology Co, Ltd.* (note b)	Contributed capital	The PRC	RMB35 million	–	100	–	100	Manufacturing and selling of Summi fresh orange juice in the PRC
重慶邦興果業有限公司 Chongqing Bangxing Fruit Co., Ltd. (notes b and f)	Contributed capital	The PRC	RMB2 million	–	100	–	100	Sale of fresh oranges in the PRC
廈門晨毅商貿有限公司 (note b)	Contributed capital	The PRC	RMB5 million	–	100	–	100	Sale of Summi fresh orange juice in the PRC
Rui Er Summi BVI Ltd (note c)	Ordinary shares	The BVI	US$50,000	–	100	–	–	Investment holding
Rui Er Summi Hong Kong (note d)	Ordinary shares	Hong Kong	HK$10,000	–	100	–	–	Dormant
Summi (Malaysia) Trading Sdn. Bhd (note e)	Registered capital	Malaysia	Malaysia Ringgit 10,000	–	100	–	–	Sale of food and beverage products

Notes:

a. Wholly owned foreign enterprise

b. Companies incorporated as private companies in the PRC

c. The entity was incorporated on 15 February 2019

d. The entity was incorporated on 19 February 2019

e. The entity was incorporated on 8 April 2019

f. The company is mainly engaged in the sale of fresh oranges in the PRC and the business and operation of the company was accounted for as Discontinued Operation during the year (see note 2). In September 2019, the Group submitted the application to the relevant PRC government authorities to deregister the company and up to the date of this report, the deregistration procedures have not yet been completed.

50. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	2019 RMB'000	2018 RMB'000
NON-CURRENT ASSETS		
Property, plant and equipment	233	362
Investments in subsidiaries	–	288,099
Amounts due from subsidiaries	–	561,694
Held-to-maturity investment	–	16,918
	233	867,073
CURRENT ASSETS		
Derivative financial instruments	–	2,986
Other receivables	202	3,652
Pledged bank deposits	8,244	142,130
Cash and cash equivalents	2,428	22,755
	10,874	171,523
CURRENT LIABILITIES		
Other payables	27,585	4,046
Borrowings	603,243	420,640
Amounts due to subsidiaries	167,920	–
Corporate bonds	38,930	–
Derivative financial instruments	–	960
	837,678	425,646
NET CURRENT LIABILITIES	(826,804)	(254,123)
TOTAL ASSETS LESS CURRENT LIABILITIES	(826,571)	612,950
NON-CURRENT LIABILITIES		
Borrowings	–	261,292
Corporate bonds	–	36,043
Amounts due to subsidiaries	–	90,565
	–	387,900
NET (LIABILITIES) ASSETS	(826,571)	225,050
CAPITAL AND RESERVES		
Share capital	11,610	11,610
Reserves	(838,181)	213,440
(Deficiency of) shareholders' equity	(826,571)	225,050

50. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

(Continued)

The movement of the Company's reserves are as follows:

	Share premium RMB'000	Capital reserve RMB'000 (note i)	Shares held under the share award scheme RMB'000	Exchange reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
As at 1 July 2018	470,797	15,687	(14,672)	10,855	(190,901)	291,766
Loss for the year	–	–	–	–	(63,382)	(63,382)
Other comprehensive income for the year						
– Exchange differences arising on translation of foreign operations	–	–	–	(1,298)	–	(1,298)
Total comprehensive income for the year	–	–	–	(1,298)	(63,382)	(64,680)
Recognition of equity-settled share-based payments (note 37)	–	3,480	–	–	–	3,480
Dividends paid (note 16)	(17,126)	–	–	–	–	(17,126)
As at 30 June 2018 and 1 July 2019	453,671	19,167	(14,672)	9,557	(254,283)	213,440
Loss for the year	–	–	–	–	(1,050,650)	(1,050,650)
Other comprehensive expense for the year						
– Exchange differences arising on translation of foreign operations	–	–	–	(4,484)	–	(4,484)
Total comprehensive expense for the year	–	–	–	(4,484)	(1,050,650)	(1,055,134)
Recognition of equity-settled share-based payments (note 37)	–	(14,093)	3,513	–	14,093	3,513
As at 30 June 2019	453,671	5,074	(11,159)	5,073	(1,084,442)	(838,181)

51. EVENTS AFTER THE REPORTING PERIOD

The Company has the following significant events after the reporting period:

1. In September 2019, the Group submitted the application to the relevant PRC government authorities to deregister Chongqing Bangxing and up to the date of this report, the deregistration procedures have not yet been completed and details of which are set out in note 2.

2. Pursuant to the 31 July 2019 Announcement, on 31 July 2019, the Company entered into (i) a subscription agreement with the Controlling Shareholder; and (ii) a warrant subscription agreement with Ms. Hu Mingyue in relation to the subscription of the Bonds, the Convertible Bonds and the Warrants. Upon the completion on the issuance of the Bonds, the Convertible Bonds and the Warrants, the Company is expected to raise gross amount of around HK$233.1 million (equivalent to RMB204.8 million) funds to the Company and details of which are set out in note 2.

Five Years Financial Summary

For the year ended 30 June 2019

The consolidated results, assets and liabilities of the Group for the last five financial years as extracted from the financial statements of the Groups are summarised below:

Result

	Year ended 30 June 2019 RMB'000	Year ended 30 June 2018 RMB'000	Year ended 30 June 2017 RMB'000	Year ended 30 June 2016 RMB'000	Year ended 30 June 2015 RMB'000
Revenue	**57,101**	661,721	604,286	581,273	470,834
(Loss) profit for the year	**(2,383,670)**	11,562	67,483	62,870	78,025

Assets and liabilities

	As at 30 June				
	2019 RMB'000	2018 RMB'000	2017 RMB'000	2016 RMB'000	2015 RMB'000
Total assets	**234,563**	2,722,809	2,739,415	2,307,505	2,283,849
Total liabilities	**895,417**	978,618	1,004,216	627,055	638,148