



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

Annual Report 2023

Healthy Life
with Summi



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Corporate Information

As at 27 September 2023

DIRECTORS

Executive Directors

Mr. Wu Shaohao
Mr. Wu Liantao (*Chairman*)

Independent Non-Executive Directors

Ms. Chung Wing Yee
Mr. Ma Yu-heng
Ms. Yang Xuping
Mr. Zhong Shuirong

COMPANY SECRETARY

Ms. Chin Ying Ying, CPA

AUTHORISED REPRESENTATIVES

Mr. Wu Liantao
Ms. Chin Ying Ying, CPA

AUDIT COMMITTEE

Mr. Ma Yu-heng (*Chairman*)
Ms. Chung Wing Yee
Ms. Yang Xuping
Mr. Zhong Shuirong

REMUNERATION COMMITTEE

Mr. Zhong Shuirong (*Chairman*)
Mr. Wu Shaohao
Ms. Chung Wing Yee
Ms. Yang Xuping

NOMINATION COMMITTEE

Mr. Wu Shaohao (*Chairman*)
Ms. Chung Wing Yee
Mr. Ma Yu-heng
Ms. Yang Xuping

INVESTMENT AND COMPLIANCE COMMITTEE

Mr. Wu Shaohao (*Chairman*)
Mr. Wu Liantao
Mr. Ma Yu-heng

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 702, 7/F
Laford Centre
838 Lai Chi Kok Road
Cheung Sha Wan, Kowloon
Hong Kong

REGISTERED OFFICE

Windward 3, Regatta Office Park
PO Box 1350
Grand Cayman KY1-1108
Cayman Islands

AUDITOR

Yongtuo Fuson CPA Limited

PRINCIPAL BANKER

Standard Chartered Bank

SHARE REGISTRAR IN HONG KONG

Link Market Services (Hong Kong) Pty Limited
Suite 1601, 16/F., Central Tower
28 Queen's Road Central
Hong Kong

SHARE REGISTRAR AND TRANSFER OFFICE IN CAYMAN ISLANDS

Ocorian Trust (Cayman) Limited
(Formerly known as "Esteria Trust (Cayman) Limited")
Windward 3, Regatta Office Park
PO Box 1350
Grand Cayman KY1-1108
Cayman Islands

COMPANY WEBSITE

<https://hksummi.com>

LISTING INFORMATION

Stock Code: 756

Financial Summary

For the year ended 30 June

FINANCIAL HIGHLIGHTS

	2023 RMB'000	2022 RMB'000	Change % (Approximate)
Consolidated statement of profit or loss and other comprehensive income			
Revenue	21,366	30,172	(29.2%)
Gross profit	6,608	7,178	(7.9%)
Loss for the year	(26,998)	(39,816)	(32.2%)
EBITDA (note)	19,373	4,408	339.5%
Basis and diluted EPS (RMB cents)	(1.18)	(1.74)	(32.2%)
Consolidated statement of financial position			
Cash and cash equivalents	5,030	5,420	(7.2%)
Inventories	6,619	6,013	10.1%
Trade receivables	1,018	4,351	(76.6%)
Borrowings	206,588	183,264	12.7%
Net liabilities	(297,546)	(257,995)	15.3%

Note: EBITDA: loss before tax + finance costs + depreciation – interest income

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 2023 (the "Reporting Period").

For the Reporting Period, the Group recorded revenue of approximately RMB21,366,000 (2022: RMB30,172,000), representing a decrease of approximately 29.2%. The decrease in revenue was mainly due to the cessation of business in Malaysia. During the Reporting Period, the gross profit of the Group was RMB6,608,000 (2022: RMB7,178,000), representing a decrease of approximately RMB570,000 and the gross profit margin was 30.9% (2022: 23.8%). The increase in gross profit margin was mainly due to the inclusion of business in Malaysia which generated a slim gross profit margin in last year.

The Company faced a difficult time for the Reporting Period. Amid the uncertain global economic outlook, the general business environment remains challenging in coming year. The Group has been maintaining "Summi" Fresh Orange Juice, "Be Juice" Fresh Juice series, "Kokonut" coconut water series and Summi low sugar juice series, and also developing a series of new products by leveraging the Group's advantages in food and beverage industry to support the growth of revenue of the Group. Other than exploring the sales network of the Group, especially other than in Hong Kong, the Group has been striving for diversifying its product offering, developing new products such as Chinese bottled tea and zero sugar soda, which are still in development due to the impact of the COVID-19 and identifying new locations for setting up new plants in Hong Kong for the Company's products.

The management of the Company used its best endeavours to maintain the sustainability of the Company. Other than exploring the existing business of the Group, the Group has been striving for diversifying its business and identifying new locations for setting up new plants for the Company's products, and the management of the Company expects that those developments have the potential to become a robust profit engine of the Group in the foreseeable future.

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.

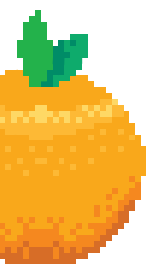
APPRECIATION

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 Liantao

Chairman and Executive Director

Hong Kong, 27 September 2023



Management Discussion and Analysis

BUSINESS REVIEW AND PROSPECT

For the Reporting Period, the Group recorded revenue of approximately RMB21,366,000 (2022: RMB30,172,000), representing a decrease of approximately 29.2%. The decrease in revenue was mainly due to the cessation of distribution and sale in Malaysia (the “Malaysia Business”) after 30 June 2022. During the Reporting Period, the gross profit of the Group was RMB6,608,000 (2022: RMB7,178,000), representing a decrease of approximately RMB570,000 and the gross profit margin was 30.9% (2022: 23.8%). The increase in gross profit margin was mainly due to the inclusion of the Malaysia Business which generated a slim gross profit margin in last year.

The Company faced a difficult time for the Reporting Period. Amid the uncertain global economic outlook, the general business environment remains challenging in coming year. The Group has been maintaining “Summi” Fresh Orange Juice, “Be Juice” Fresh Juice series, “Kokonut” coconut water series and Summi low sugar juice series, and also developing a series of new products by leveraging the Group’s advantages in food and beverage industry to support the growth of revenue of the Group. Other than exploring the sales network of the Group, especially other than in Hong Kong, the Group has been striving for diversifying its product offering, developing new products such as Chinese bottled tea and zero sugar soda, which are still in development due to the impact of the COVID-19 and identifying new locations for setting up new plants in Hong Kong for the Company’s products.

DISCLAIMER OPINION

Yongtuo Fuson CPA Limited (“Yongtuo Fuson”), the auditors of the Company were engaged to audit the consolidated financial statements of the Company for the Reporting Period. However, Yongtuo Fuson was unable to form an audit opinion on the consolidated financial statements of the Group, reasons and details of which were set out in the Independent Auditor’s Report section of this report.

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

The Board and the Audit Committee concur with the view of the auditors. The management of the Company has been striving to improve the liquidity position of the Company and several measures have been implemented. On 10 July 2023, the Company has entered into the subscription agreement with the subscriber in collection with the allotment of 1,123,500,000 share of the Company (the “Shares”), which is expected to be completed in October 2023. The Company will raise net proceeds of approximately HK\$74.7 million (equivalent to approximately RMB69.3 million). The management is of the opinion that it is appropriate to prepare the consolidated financial statements on a going concern basis.

The Audit Committee has also discussed with the Board and the management regarding the going concern issue and understood the concerns of the auditors. The Audit Committee agreed with the position taken by the Board regarding the accounting treatment adopted by the Company. There is no disagreement by the Board, the management nor the Audit Committee with the position taken by the auditors regarding the going concern issue.

OPERATING PERFORMANCE

Summi Products

During the Reporting Period, the Group has been continuously improving its sales network and developing new products in relation to Summi Products to leverage the advantages of “Summi” brand. The sales of the Group were impacted by COVID 19 epidemic among which the sales of Summi Products decreased by 23.6% from approximately RMB20,969,000 in last year to RMB16,027,000.

Management Discussion and Analysis

FCOJ and related products

Sales of frozen concentrated orange juice (the “FCOJ”) and related products decreased from approximately RMB9,203,000 over the same period last year to approximately RMB5,339,000 in the Reporting Period. The decrease in sales of FCOJ and related products was attributable to the sluggish global economic conditions during the COVID 19 pandemic, which had a significant impact on the markets and the price competition from overseas suppliers had been intensified.

Breakdown of revenue by product for the Reporting Period and the corresponding year are set out as follows:

	2023		2022	
	RMB'000	Approximate percentage of total revenue	RMB'000	Approximate percentage of total revenue
Summi brand products and other products	16,027	75.0%	20,969	69.5%
FCOJ and related products	5,339	25.0%	9,203	30.5%
	21,366	100%	30,172	100%

Selling, distribution costs and administrative expenses

The Group’s distribution costs mainly included marketing expenses and transportation costs. Distribution costs increased by approximately 8.75% from approximately RMB4,536,000 over the corresponding year to approximately RMB4,933,000 during the Reporting Period.

The Group’s administrative expenses mainly included general office administrative expenses, salaries, amortisation, etc. Administrative expenses decreased from approximately RMB42,323,000 over the corresponding year to approximately RMB29,667,000 during the Reporting Period.

Finance costs

During the Reporting Period, the Group’s finance costs were approximately RMB29,055,000 (2022: RMB26,599,000).

Net loss

During the Reporting Period, the Group’s net loss was approximately RMB26,998,000, as compared to approximately RMB39,816,000 of the corresponding year.

LIQUIDITY, FINANCIAL RESOURCES, GEARING AND CAPITAL STRUCTURE

Liquidity

As at 30 June 2023, net current liabilities amounted to approximately RMB348,196,000 (2022: net current liabilities of approximately RMB310,936,000).

Management Discussion and Analysis

Financial resources

As at 30 June 2023, the Group had cash and cash equivalents of approximately RMB5,030,000 (2022: approximately RMB5,420,000) and total bank and other borrowings of approximately RMB206,588,000 (2022: approximately RMB183,264,000). The Group has corporate bonds of RMB137,756,000 (2022: RMB116,702,000).

As at 30 June 2023, trade and other receivables were approximately RMB12,472,000 (2022: approximately RMB21,085,000) and inventories were approximately RMB6,619,000 (2022: approximately RMB6,013,000).

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.

	2023	2022
Quick ratio (x)	0.02	0.03
Current ratio (x)	0.06	0.09
Gearing ratio (note (a))	N/A	N/A

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

FOREIGN EXCHANGE EXPOSURE

The Group is subject to foreign exchange risks arising primarily from currencies pegged to United States Dollar ("US\$"). Majority of our income source is denominated in RMB while the repayment of interest and principals of our bank borrowings, are denominated in US\$. Any substantial fluctuation between the currencies may have significant effects on the Group.

Furthermore, the conversion of RMB into foreign currencies is subject to rules and regulations of exchange control enforced by the government. The Group has a standing foreign exchange risk management policy and uses forward contracts and various derivative instruments to mitigate the associated risks.

PLEDGE OF ASSETS

At the end of the Reporting Period, the Group had pledged certain assets to borrowers to secure credit facilities granted to the Group, of which the details are set out in note 33 to this report.

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 approximately RMB2,337,000) and the Group has already made a full provision for such claim during the years ended 30 June 2020 and 2021. As at the end of the Reporting Period and up to the date of approval of these consolidated financial statements, apart from expressly stated above, the Group is a party to a number of civil litigations cases, as either a plaintiff or defendant. In the opinion of the Directors, these cases are either premature and/or the Group has a very high likelihood of success in its action and, therefore will not have any adverse impact on the Group's results and financial position. In the opinion of the Directors, adequate provision has been made in these consolidated financial statements. Other than the above, the Group did not have any material contingent liabilities as at 30 June 2023.

Management Discussion and Analysis

CAPITAL EXPENDITURE

During the Reporting Period, the Group's capital expenditure amounted to approximately RMB3,044,000 (2022: approximately RMB3,158,000) which was used for acquisition of property, plant and equipment.

HUMAN RESOURCES AND REMUNERATION POLICY

As at 30 June 2023, the Group employed 110 employees (2022: 125 employees). The Group offered competitive remuneration package, discretionary bonuses and social insurance benefits to its employees. Remuneration is determined with reference to market terms and the performance, qualification and experience of individual employee. The Group also provides appropriate staff training and development, so as enhance the Group's sustainable development.

EVENT AFTER REPORTING PERIOD

On 10 July 2023, the Company entered into the subscription agreement with Rui Er Holdings Company Limited (which is wholly owned by Mr. Wu Shaohao, an executive Director and the controlling shareholder of the Company, hence a connected person of the Company under the Rules (the "Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange")) in connection with the allotment of 1,123,500,000 Share (the "Subscription Share") representing approximately 32.99% of the enlarged issued Share immediately following completion of the subscription agreement at HK\$0.067 per Subscription Share (the "Subscription"). An ordinary resolution was passed at the extraordinary general meeting of the Company held on 19 September 2023 (the "EGM") approving the Subscription. The completion of the Subscription is expected to be taken place in October 2023. For details of the above subscription, please refer to the Company's announcements on 10 July and 19 September 2023 and circular on 31 August 2023.

On 19 September 2023, an ordinary resolution was passed at the EGM approving the increase of the Company's authorised share capital to HK\$50 million divided into 5,000,000,000 Shares of HK\$0.01 each. For further details, please refer to the Company's announcements dated 24 July and 19 September 2023 and circular dated 31 August 2023.

Board of Directors and Senior Management

Executive Directors

Mr. Wu Shaohao (吳紹豪先生), aged 56, was appointed as an executive Director on 4 December 2018. Mr. Wu Shaohao has over 19 years of management experience in property development in the People's Republic of China (the "PRC"). He obtained a master of educational leadership degree from the University of Canberra. He 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 Shaohao is the father of Mr. Wu Liantao.

Mr. Wu Shaohao is the director of Rui Er Summi (BVI) Limited (瑞爾森美(英屬維爾京群島)有限公司), Rich Anges Limited (裕佳有限公司), Global One Management Limited, Summi Yummy Limited (森美波仔有限公司), Sunshine Vocal Limited and Potel Limited (邦天有限公司), which are wholly owned subsidiaries of the Company.

Please refer to the section headed "Report of the Directors – Interests and Short Positions of the Directors in Shares, Underlying Shares and Debentures of the Company and its Associated Corporations" in this annual report for Mr. Wu Shaohao's interest in the shares of the Company (the "Shares") as at 30 June 2023 which fall to be disclosed to the Company under Divisions 7 and 8 of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO").

Mr. Wu Liantao (吳聯韜先生), aged 30, was appointed as an executive Director on 4 December 2018 and redesigned as the chairman of the Board with effect from 16 May 2023. Mr. Wu Liantao graduated from Purdue University in 2016 with the degree of bachelor of science. He has served as an accounting manager at Signature Homes, a property developer in California from August 2016 to March 2017 and served as an investment manager in 上海賽領翹玄資產管理有限公司 (Shanghai Sailing Capital Pushi Management Co., Ltd) from September 2017 to November 2018. Mr. Wu Liantao is the son of Mr. Wu Shaohao.

Mr. Wu Liantao is the director of 郴州森美橙園投資發展有限公司 ("Chenzhou Summi Chengyuan Investment Development Company Limited"), Rich Anges Limited (裕佳有限公司), Global One Management Limited, Sunshine Vocal Limited and Potel Limited (邦天有限公司) which are wholly owned subsidiaries of the Company.

* The English translation is for identification purpose only

Board of Directors and Senior Management

Independent non-executive Directors

Ms. Chung Wing Yee (鍾穎怡女士) (“Ms. Chung”), aged 41, has over 10 years of experience in human capital management and office administration. She is currently the human resources and general manager of R&I Professional Services Limited, which provides professional services in the fields of accounting, taxation, other business management and company secretary. Ms. Chung obtained a Bachelor of Arts degree in international business management from University of Northumbria in 2009.

Mr. Ma Yu-heng (馬有恒先生) (“Mr. Ma”), aged 53, has experience in financing, banking and corporate finance for over 24 years. Mr. Ma has been the chief financial officer and vice president of China Grand Star Luxury Cars Investment Holdings Limited (中國星盛名車投資控股有限公司) from September 2018 to April 2022. Since September 2022, Mr. Ma has acted as the chief financial officer of Guardforce AI Co., Ltd., a company listed on the NASDAQ in the United States of America (stock code: GFAI). Mr. Ma is currently a member of CPA Australia. Mr. Ma graduated from Soochow University, Taiwan (台灣東吳大學) in June 1993 with a bachelor’s degree in business administration in business mathematics. He also obtained a master’s degree in business administration from Da-Yeh University, Chung Hua, Taiwan (台灣大葉大學) in June 1995.

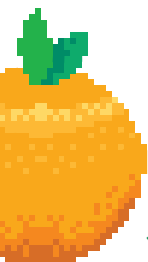
Mr. Ma has been an independent non-executive director of China Fordoo Holdings Limited (stock code: 2399), China Overseas Nuoxin International Holdings Limited (stock code: 464) and Fantasia Holdings Group Co., Limited (stock code: 1777), the issued shares of which are both listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”), since March 2022, July 2023 and August 2023 respectively. Mr. Ma was an independent non-executive director of China U-Ton Future Space Industrial Group Holdings Ltd. from May 2022 to April 2023, a company formerly listed on the Main Board of the Stock Exchange.

Ms. Yang Xuping (楊許萍女士) (“Ms. Yang”), aged 39, has over 10 years of experience in Chinese law, regulatory compliance and other legal affairs. She has been an in-house lawyer of Kaisa Holdings Limited since 2013. Ms. Yang obtained a bachelor’s degree in law from School of Law of Jilin University (吉林大學) in 2006.

Mr. Zhong Shuirong (鍾水榮先生) (“Mr. Zhong”), aged 33, has over 8 years of experience in financial accounting and internal control consulting. He is currently working in a company engaging in food research and development, production and sales in mainland China and leading the financial accounting work in the financial department. Mr. Zhong obtained a Bachelor’s degree in Accounting from Fujian University of Technology in June 2014. In September 2019, he obtained the intermediate accounting professional qualification issued by the Ministry of Human Resources and Social Security and the Ministry of Finance of the People’s Republic of China.

SENIOR MANAGEMENT

The members of senior management are the executive Directors whose biographies are set out above.



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 39 to the consolidated financial statements. There was no significant change in nature of the Group's activities during the Reporting Period.

BUSINESS REVIEW

Discussion and analysis of the principal activities of the Group are set out in business review section on pages 5 to 8. The analysis of the operations of the Group during the Reporting Period are set out in note 7 to the consolidated financial statements.

ENVIRONMENT POLICIES AND PERFORMANCE

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

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

COMPLIANCE WITH LAWS AND REGULATIONS

The Group's business is mainly conducted through the Company's subsidiaries in the PRC and the shares of the Company (the "Shares") are listed on the Stock Exchange. As such, the establishment and operation of the Group are subject to the relevant laws and regulations in the PRC and Hong Kong. During the Reporting Period 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.



Report of the Directors

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 regulations as may be amended or promulgated in the future.

RESULTS AND DIVIDENDS

The results of the Group for the Reporting Period are set out in the consolidated statement of profit or loss and other comprehensive income on page 39 of this annual report.

No interim dividend was paid or declared in respect of the Reporting Period (2022: nil).

The Board did not recommend the payment of a final dividend for the Reporting Period (2022: 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 AND SUPPLIERS

For the Reporting Period, the aggregate purchases attributable to the Group's largest supplier and the five largest suppliers in aggregate accounted for 65% and 98% respectively of the Group's total purchases during the Reporting Period. Revenue attributable to the Group's largest customer and the five largest customers in aggregate accounted for 42% and 83% respectively of the Group's total revenue during the Reporting Period.

One 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.

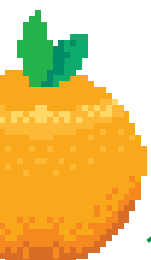
NON-CURRENT ASSETS

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 16 to the consolidated financial statements.

Right-of-uses asset/Land use rights

Details of movements during the Reporting Period in right-of-uses asset/land use rights of the Group are set out in notes 17 to the consolidated financial statements.



Report of the Directors

SHARE CAPITAL

Details of movements in the share capital of the Company during the Reporting Period are set out in note 25 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 42.

As at 30 June 2023, the Company had a deficiency of reserves of approximately RMB444,817,000 (2022: approximately RMB416,890,000) attributable to the Shareholders.

DIRECTORS

The Directors during the Reporting Period and up to the date of this report were:

Executive Directors

Mr. Wu Shaohao

Mr. Wu Liantao (*Chairman*)

Non-Executive Director

Mr. Tsang Ho Yin (appointed on 20 July 2022 and resigned on 29 September 2022)

Independent Non-Executive Directors

Ms. Chung Wing Yee (appointed on 11 July 2022)

Mr. Ma Yu-heng (appointed on 30 September 2022)

Ms. Yang Xuping (appointed on 6 March 2023)

Mr. Zhong Shuirong (appointed on 30 September 2022)

Mr. Chen Ying (resigned on 8 July 2022)

Mr. Kyaw Sai Hong (resigned on 8 July 2022)

Mr. Ma Chi Kin (resigned on 8 July 2022)

Mr. Cheng King Yip (appointed on 20 July 2022 and resigned on 29 September 2022)

Mr. Yim Hong Cheuk Foster (appointed on 20 July 2022 and resigned on 28 September 2022)

In accordance with the Articles of Association, at each annual general meeting, the Directors 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 (the "AGM").

Each of the independent non-executive Directors has made an annual confirmation of independence pursuant to Rule 3.13 of 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.

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the Directors and senior management of the Group are set out on pages 9 to 10 of this annual report.

Report of the Directors

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors, Mr. Wu Shaohao and Mr. Wu Liantao has entered into a service contract with the Company for a fixed term of 3 years and is subject to re-election or retirement by rotation and other related provisions as stipulated in the Articles of Association.

As at this annual report date, each of the independent non-executive Directors has entered into a letter of appointment with the Company for a term of 2 years and is subject to re-election or retirement by rotation and other related provisions as stipulated in the Articles of Association.

None of the Directors, including those to be re-elected at the forthcoming AGM, has a service contract with the Company and/or any of its subsidiaries which is not determinable by the Company within one year without the payment of compensation (other than statutory compensation).

PERMITTED INDEMNITY PROVISION

The Articles of Association 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 insurance coverage for the Directors and officers during the Reporting Period and up to the date of this report.

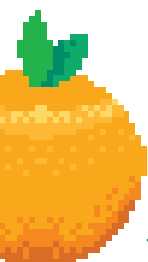
REMUNERATION POLICY

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.

REMUNERATION OF DIRECTORS AND FIVE INDIVIDUALS WITH HIGHEST REMUNERATION

Details of the emoluments of the Directors and five individuals with highest remuneration are set out in notes 12 and 13 to the consolidated financial statements.



Report of the Directors

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

As at 30 June 2023, interests and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of the SFO) held by the Directors and chief executives of the Company which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO) or have been entered in the register maintained by the Company pursuant to section 352 of the SFO, or otherwise have been notified to the Company and the Stock Exchange pursuant to the Appendix 10 – Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) to the Listing Rules are as follows:

1. Interests and long positions in the Shares

Name of Director/ 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)	1,309,881,110 (L)	57.40%

Notes:

1. The letter “L” denotes a long position in the Shares/underlying Shares.
2. 1,309,881,110 Shares were held by Rui Er Holdings Company Limited (“Rui Er”), a company incorporated in the British Virgin Islands and is owned as to 100% by Mr. Wu beneficially. Therefore, Mr. Wu is deemed to be interested in these shares under the SFO.

Save as disclosed above, as at 30 June 2023, none of the Directors or chief executive of the Company held any interests and short position in the Shares, underlying Shares and debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) which would be required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Report of the Directors

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

As at 30 June 2023, as far as is known to the Directors, the following persons (not being a Director or chief executive of the Company) had interests or short positions in the Shares or underlying Shares which fell to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Interests and short position in the Shares and underlying Shares

Name of Shareholder	Capacity/Nature	No. of Shares/ underlying Shares held/interested in	Approximate percentage of issued share capital of the Company
Rui Er	Beneficial owner (Note 2)	1,309,881,110 (L)	57.40%
Ms. Yang Xijuan	Interest of spouse (Note 2)	1,309,881,110 (L)	57.40%
Ms. Hu Mingyue ("Ms. Hu")	Beneficial owner (Note 3)	120,784,960 (L)	5.29%

Notes:

- The letters "L" denote a long position in the Shares/underlying Shares.
- Please refer to note 2 to the section headed "Report of the Directors – Interests and Short Positions of the Directors in Shares, Underlying Shares and Debentures of the Company and its Associated Corporations" in this annual report for details. Rui Er is owned as to 100% by Mr. Wu. As Ms. Yang is the spouse of Mr. Wu, Ms. Yang Xijuan was deemed, or taken to be, interested in the 1,309,881,110 Shares held by Mr. Wu by virtue of the SFO.
- Ms. Hu was deemed (by virtue of the SFO) to be interested in 120,784,960 shares, which were held in the beneficial owner capacity.

Save as disclosed above, and as at 30 June 2023, the Directors were not aware of any persons (who were not Directors or chief executive of the Company) or other corporation who had an interest or short position in the Shares or underlying Shares which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or which would be required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein.

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in note 12 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 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.

Report of the Directors

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Apart from the details as disclosed in this annual report, 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 Directors 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

Related parties transactions

The material related party transactions in relation to the key management compensation as disclosed in note 37 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 in this annual report, the Directors consider that those material related party transactions disclosed in note 37 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.

Connected transaction

On 10 July 2023, the Company entered into the subscription agreement with Rui Er (which is wholly owned by Mr. Wu Shaohao, an executive Director and the controlling shareholder of the Company, hence a connected person of the Company under the Listing Rules) in connection with the allotment of 1,123,500,000 Subscription Share representing approximately 32.99% of the enlarged issued Shares immediately following completion of the subscription agreement at HK\$0.067 per Subscription Share.

For details of the above subscription, please refer to the Company's announcement and circular on 10 July 2023 and 31 August 2023 respectively.

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 2023 are set out in note 23 to the consolidated financial statements.

Report of the Directors

RETIREMENT SCHEMES

Particulars of the retirement schemes and contributions to defined contribution plans of the Group are set out in note 27 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 to all Directors and all Directors have confirmed that they had complied with the Model Code contained in Appendix 10 to the Listing Rules 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 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 AGM 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 AGM 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.

Report of the Directors

As at 30 June 2023 and up to the date of this report, there was no option outstanding, granted, cancelled, exercised or lapsed.

SHARE AWARD SCHEME

On 11 September 2015, the Company adopted the share award scheme (the “Share Award Scheme”) under which the Board may, from time to time, award the Shares (the “Awarded Shares”) to selected participants (including, without limitation, any Directors) of the Company or of any subsidiary (the “Selected Participant”) pursuant to the terms of the trust deed of the Share Award Scheme. The Share Award Scheme shall be valid and effective for a period of ten years commencing on the adoption date.

The number of Awarded Shares permitted to be awarded under the Share Award Scheme throughout the duration of the Share Award Scheme is limited to 10% of the issued share capital of the Company as at the adoption date. The maximum aggregate number of Awarded Shares which may be awarded to a Selected Participant shall not exceed 1% of the issued share capital of the Company as at the adoption date.

During the Reporting Period, no share was granted by the Company. Details of the Share Award Scheme are set out in the announcement issued by the Company on 11 September 2015.

PUBLIC FLOAT

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

PRE-EMPTIVE RIGHTS

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

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining high standards of corporate governance. Save as disclosed in the Corporate Governance Report of this annual report, the Company has complied with all the applicable provisions as set out in the Appendix 14 – Corporate Governance Code 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 21 to 36 of this annual report.



Report of the Directors

AUDITORS

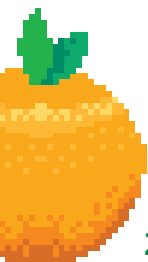
The consolidated financial statements for the Reporting Period have been audited by Yongtuo Fuson, who will retire and, being eligible, offer itself for re-appointment at the forthcoming AGM.

On behalf of the Board

Wu Liantao

Chairman and Executive Director

Hong Kong, 27 September 2023



Corporate Governance Report

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

CORPORATE GOVERNANCE PRACTICES

The Company is committed to fulfilling its responsibilities to the Shareholders and protecting and enhancing Shareholders' value through good corporate governance.

The Board recognises the importance of good corporate governance in management and internal procedures so as to achieve effective accountability. The Company has adopted the principles and all relevant code provisions as set out under the Corporate Governance Code (the "CG code") contained in Appendix 14 to the Listing Rules.

Rule 3.28 and Rule 3.05 of the Listing Rules require an issuer to have a company secretary and appoint two authorised representatives respectively. With Mr. Lee Kwok Lun's resignation as the company secretary of the Company (the "Company Secretary") and an authorised representative of the Company with effect from 30 June 2022, the Company failed to comply with Rule 3.28 and Rule 3.05. Following the appointment of Ms. Chin Ying Ying as the Company Secretary and an authorized representative with effect from 11 July 2022, the Company has fully complied with the requirements of Rule 3.28 and Rule 3.05 of the Listing Rules. For details, please refer to the announcements of the Company dated 30 June and 11 July 2022.

Mr. Chen Ying, Mr. Ma Chi Kin and Mr. Kyaw Sai Hong resigned as the independent non-executive Directors on 8 July 2022, therefore, the number and composition of independent non-executive directors failed to meet the requirements under (i) Rule 3.10(1) and Rule 3.10A of the Listing Rules which require the board of directors must include at least 3 independent non-executive directors representing at least one-third of the board; (ii) Rule 3.10(2) of the Listing Rules which requires at least one of the independent non-executive directors having appropriate professional qualifications or accounting or related financial management expertise; (iii) Rule 3.21 of the Listing Rules which requires the audit committee to comprise a minimum of three members and be chaired by an independent non-executive director; (iv) Rule 3.25 of the Listing Rules which requires the remuneration committee to be chaired by an independent non-executive director and comprising a majority of independent non-executive directors; and (v) Rule 3.27A of the Listing Rules which requires the nomination committee to comprise a majority of independent non-executive directors. The Company has taken immediate actions in identifying appropriate persons and following the appointment of Mr. Chung Wing Yee on 11 July 2022; and Mr. Yim Hong Cheuk Foster and Mr. Cheng King Yip on 20 July 2022, the Company has fully complied with the requirements under Rules 3.10(1), Rule 3.10A, Rule 3.10(2), Rule 3.21, Rule 3.25 and Rule 3.27A of the Listing Rules. For details, please refer to the announcements of the Company dated 8 July, 11 July and 20 July 2022.

Due to the resignation of Mr. Yim Hong Cheuk Foster and Mr. Cheng King Yip as the independent non-executive Directors on 28 September and 29 September 2022 respectively, the Company was not able to comply with Rule 3.10(1), Rule 3.10(2), Rule 3.21, Rule 3.25 and Rule 3.27A of the Listing Rules. Following the appointment of Mr. Ma Yu-heng and Mr. Zhong Shuirong with effect from 30 September 2022, the Company has fully complied with the requirements under Rules 3.10(1), Rule 3.10(2), Rule 3.21, Rule 3.25 and Rule 3.27A of the Listing Rules. For details, please refer to the announcements of the Company dated 28 September and 30 September 2022.

Corporate Governance Report

Saved as disclosed above, to the best of the knowledge of the Board, the Company has complied with the CG code during the Reporting Period. The Board will periodically review the Company's corporate governance functions and will continuously improve the Company's corporate governance practices by assessing their effectiveness with evolving standards to meet changing circumstances and needs.

CODE OF CONDUCT REGARDING DIRECTORS' SECURITIES TRANSACTIONS

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

THE BOARD OF DIRECTORS

Composition of the Board

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

During the Reporting Period, the Directors were:

Executive Directors

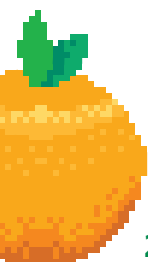
Mr. Wu Shaohao
Mr. Wu Liantao (*Chairman*)

Non-Executive Director

Mr. Tsang Ho Yin (appointed on 20 July 2022 and resigned on 29 September 2022)

Independent Non-Executive Directors

Ms. Chung Wing Yee (appointed on 11 July 2022)
Mr. Ma Yu-heng (appointed on 30 September 2022)
Ms. Yang Xuping (appointed on 6 March 2023)
Mr. Zhong Shuirong (appointed on 30 September 2022)
Mr. Chen Ying (resigned on 8 July 2022)
Mr. Kyaw Sai Hong (resigned on 8 July 2022)
Mr. Ma Chi Kin (resigned on 8 July 2022)
Mr. Cheng King Yip (appointed on 20 July 2022 and resigned on 29 September 2022)
Mr. Yim Hong Cheuk Foster (appointed on 20 July 2022 and resigned on 28 September 2022)



Corporate Governance Report

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 9 to 10. 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/her independence pursuant to the independence guidelines set out in Rule 3.13 of the Listing Rules. The Company considers all independent non-executive Directors satisfied the Listing Rules requirement of independence.

Chairman and Chief Executive

The CG Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. From 1 July 2022 to 16 May 2023, Mr. Wu Shaohao served as the chairman of the Company (the “Chairman”) and Mr. Wu Liantao, an executive Director, served as the chief executive officer of the Company (the “Chief Executive Officer”). With effect from 16 May 2023, Mr. Wu Liantao was redesigned as the Chairman and Mr. Chen Xiang Yu was appointed as Chief Executive Officer.

The Company continues to fully support the division of responsibility between the Chairman and the Chief Executive Officer to ensure a balance of power and authority.

Board Meetings

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



Corporate Governance Report

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

	Attendance/ Number of Board meetings held	Attendance/ Number of general meeting held
Executive Directors		
Mr. Wu Shaohao	6/6	1/1
Mr. Wu Liantao (<i>Chairman</i>)	6/6	1/1
Non-executive Director		
Mr. Tsang Ho Yin	1/1	N/A
Independent Non-Executive Directors		
Ms. Chung Wing Yee (appointed on 11 July 2022)	5/6	1/1
Mr. Ma Yu-heng (appointed on 30 September 2022)	3/3	1/1
Ms. Yang Xuping	N/A	N/A
Mr. Zhong Shuirong (appointed on 30 September 2022)	3/3	1/1
Mr. Cheng King Yip (resigned on 29 September 2022)	1/1	N/A
Mr. Yim Hong Cheuk Foster (resigned on 28 September 2022)	1/1	N/A
Mr. Chen Ying (resigned on 8 July 2022)	N/A	N/A
Mr. Kyaw Sai Hong (resigned on 8 July 2022)	N/A	N/A
Mr. Ma Chi Kin (resigned on 8 July 2022)	N/A	N/A

The Company Secretary, chief financial executive and other selected members of the Company also attended the AGM together with our external auditor, Yongtuo Fuson to answer any questions 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.

Corporate Governance Report

Appointment, Re-election and Removal of Directors

A nomination committee of the Company (the “Nomination Committee”) has been established on 7 June 2008. The Nomination Committee has from time to time identified 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.

Independent non-executive Directors are appointed for a specific term subject to retirement by rotation and re-election in accordance with the Articles of Association. Their terms of appointment are set out in the section headed “Report of the Directors – Directors’ Service Contracts” in this report. Each independent non-executive Director is required to inform the Company as soon as practicable if there is any changes that may affect his/her independence and must provide an annual confirmation of his/her independence to the Company.

In accordance with the Articles of Association, at each annual general meeting, the Director(s) who were appointed during the year will retire from office as Directors and, being eligible, will offer themselves for re-election at the forthcoming AGM.

Insurance for the Directors’ and Officers’ liabilities

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

Induction and Continuous Professional Development

Newly appointed Directors will receive guidelines 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/she is fully aware of his/her 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 in any suitable training programmes to develop and refresh their knowledge and skills.

According to the records provided by the Directors, all existing Directors had participated in continuous professional development programmes such as trainings, workshops, seminars, conference and other continuing development programmes.

Corporate Governance Report

BOARD COMMITTEES

Remuneration Committee

As at the date of this report, the Remuneration Committee comprises one executive Director, namely Mr. Wu Shaohao and three independent non-executive Directors, namely Mr. Zhong Shuirong (chairman of the Remuneration Committee), Ms. Chung Wing Yee and Ms. Yang Xuping. The roles and functions of the Remuneration Committee include consulting the Board about their remuneration proposals for executive Directors, making recommendations 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, assessed performance of the Directors and senior management and their remuneration packages.

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

Members of Remuneration Committee	Attendance/ Number of meeting
Mr. Zhong Shuirong (<i>Chairman</i>) (appointed on 30 September 2022)	2/2
Mr. Wu Shaohao	4/4
Ms. Chung Wing Yee (appointed on 11 July 2022)	4/4
Ms. Yang Xuping (appointed on 6 March 2023)	N/A
Mr. Chen Ying (resigned on 8 July 2022)	N/A
Mr. Ma Chi Kin (resigned on 8 July 2022)	N/A
Mr. Yim Hong Cheuk Foster (appointed on 20 July 2022 and resigned on 28 September 2022)	N/A

Nomination Committee

As at the date of this report, the Nomination Committee comprises one executive Director, namely Mr. Wu Shaohao (chairman of the Nomination Committee) and three independent non-executive Directors, namely Ms. Chung Wing Yee, Mr. Ma Yu-heng and Ms. Yang Xuping. 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.

Corporate Governance Report

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

Since the Board is composed of members coming from diverse backgrounds, the Nomination Committee considered the Board to possess a diversity of perspectives which is up to the standard of the CG Code and is appropriate to the Group's requirements which is determined by the Directors' skills and experience appropriate to the Company's business. Besides, the Nomination Committee had also evaluated the performance of the retiring Directors during the year.

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

Members of Nomination Committee	Attendance/ Number of meeting
Mr. Wu Shaohao (<i>Chairman</i>)	4/4
Ms. Chung Wing Yee (appointed on 11 July 2022)	4/4
Mr. Ma Yu-heng (appointed on 30 September 2022)	2/2
Ms. Yang Xuping	N/A
Mr. Cheng King Yip (appointed on 20 July 2022 and resigned on 29 September 2022)	N/A
Mr. Kyaw Sai Hong (resigned on 8 July 2022)	N/A
Mr. Ma Chi Kin (resigned on 8 July 2022)	N/A

Board Nomination Policy

The Company adopted a nomination policy in compliance with the CG Code with effect from 1 January 2019, which establishes written guidelines for the Nomination Committee to identify individuals suitably qualified to become Board members and make recommendations to the Board on the selection of individuals nominated for directorships with reference to the formulated criteria. The Board is ultimately responsible for selection and appointment of new Directors.

The Board, through the delegation of its authority to the Nomination Committee, has used its best efforts to ensure that Directors appointed to the Board possess the relevant background, experience and knowledge in business, finance and management skills critical to the Group's business to enable the Board to make sound and well considered decisions. Collectively, they have competencies in areas which are relevant and valuable to the Group.

Corporate Governance Report

Nomination Process

The Nomination Committee shall assess whether any vacancy on the Board has been created or is expected on a regular basis or as required.

The Nomination Committee utilises various methods for identifying director candidates, including recommendations from Board members, management, and professional search firms. All director candidates, including incumbents and candidates nominated by the Shareholders are evaluated by the Nomination Committee based upon the director qualifications. While director candidates will be evaluated on the same criteria through review of resume, personal interview and performance of background checks. The Nomination Committee retains the discretion to establish the relative weighting of such criteria, which may vary based on the composition, skill sets, age, gender and experiences of the collective Board rather than on the individual candidate for the purpose of diversity perspectives appropriate to the requirement of the Company's business.

Selection Criteria

The Nomination Committee will take into account whether a candidate has the qualifications, skills, experience and gender diversity that add to and complement the range of skills, experience and background of existing Directors by considering the highest personal and professional ethics and integrity of the director candidates, proven achievement and competence in the nominee's field and the ability to exercise sound business judgment, skills that are complementary to those of the existing Board, the ability to assist and support management and make significant contributions to the Company's success and such other factors as the Nomination Committee may deem are in the best interests of the Company and the Shareholders.

The Company shall review and reassess the nomination policy and its effectiveness on a regular basis or as required.

Audit Committee

As at the date of this report, the Audit Committee consists of four independent non-executive Directors, namely Mr. Ma Yu-heng (chairman of the Audit Committee), Ms. Chung Wing Yee, Ms. Yang Xuping and Mr. Zhong Shuirong. 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 advices and comments to the Board. The Audit 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.



Corporate Governance Report

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. The Audit Committee has noted the material uncertainties of events or conditions that may cast significant doubt on the Group's ability to continue to operate as a going concern as reported in the Independent Auditor's Report. There was no disagreement between the Board and the Audit Committee regarding the selection, appointment, resignation or dismissal of the external auditors.

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

Members of Audit Committee	Attendance/ Number of meetings
Mr. Ma Yu-heng (<i>Chairman</i>) (appointed on 30 September 2022)	2/2
Ms. Chung Wing Yee (appointed on 11 July 2022)	2/3
Mr. Zhong Shuirong (appointed on 30 September 2022)	2/2
Mr. Cheng King Yip (appointed on 20 July 2022 and resigned on 29 September 2022)	1/1
Mr. Yim Hong Cheuk Foster (appointed on 20 July 2022 and resigned on 28 September 2022)	1/1
Mr. Kyaw Sai Hong (resigned on 8 July 2022)	N/A
Mr. Chen Ying (resigned on 8 July 2022)	N/A
Mr. Ma Chi Kin (resigned on 8 July 2022)	N/A

Investment and Compliance Committee

An investment and compliance committee of the Company (the "Investment and Compliance Committee") has been established on 1 October 2019 with specific written terms of reference.

As at the date of this report, the Investment and Compliance Committee comprises two executive Directors, namely Mr. Wu Shaohao (the chairman of the Investment and Compliance Committee) and Mr. Wu Liantao and one independent non-executive Director, namely Mr. Ma Yu-heng. The roles and functions of the Investment and Compliance Committee include reviewing, evaluating investment projects for long-term development of the Company (including mergers & acquisition, joint venture and equity investments) and making recommendations to the Board on the major investment and financing solutions, studying and making recommendations to the Board on the major capital investment and other significant investment matters which may have effect on the development of the Company, supervising the implementation of the above-mentioned matters duly approved by the Board and other matters as delegated by the Board, making recommendations to the Board on compliance matters in relation to the Listing Rules, the SFO and relevant rules and regulations and to make recommendations to the Board in relation to the policy of corporate governance of the Company. The Investment and Compliance Committee's authority and duties are set out in written terms of reference that are posted on the website of the Stock Exchange and the Company.

Corporate Governance Report

During the Reporting Period, the Investment and Compliance Committee, among others, had reviewed the Group's investment projects and financing solutions for long-term development of the Company and made recommendations to the Board on significant investment matters which may have effect on the development of the Company. It also has made recommendations to the Board on compliance matters and the policy of corporate governance of the Company.

One meeting was held during the Reporting Period and the attendance by each committee member is set out below:

Members of Investment and Compliance Committee	Attendance/ Number of Meetings
Mr. Wu Shaohao (<i>Chairman</i>)	1/1
Mr. Wu Liantao	1/1
Mr. Ma Yu-heng (appointed on 30 September 2022)	1/1
Mr. Cheng King Yip (appointed on 20 July 2022 and resigned on 29 September 2022)	N/A
Mr. Kyaw Sai Hong (resigned on 8 July 2022)	N/A

AUDITOR'S REMUNERATION

During the year, the Company engaged Yongtuo Fuson as the external auditors. The remuneration paid or payable to the external auditors of the Group for the Reporting Period comprised fees for audit services of HK\$1,200,000 (equivalent to approximately RMB1,071,000) (2022: HK\$1,300,000 (equivalent to approximately RMB1,074,000)).

The responsibilities of the external auditor with respect to the consolidated financial statements for the Reporting Period are set out in the Independent Auditor's Report section on pages 37 to 125.

The Board is aware of material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern. As at 30 June 2023, the Company had net current liabilities of approximately RMB348 million and an accumulated deficit of RMB297 million.

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

Corporate Governance Report

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

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; and 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 Group has also established procedures and internal controls for the handling and dissemination of inside information, whereby business units shall report to the Chief Executive Officer of any potential inside information. The Chief Executive Officer shall follow the Guidelines on Disclosure of Inside Information issued by the Securities and Futures Commission in considering whether any disclosure is required and shall seek legal advice where necessary.

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) 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 Reporting Period.

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

Corporate Governance Report

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.

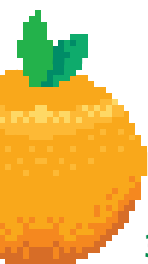
The objectives of the Company's risk management and internal control are as follows:

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



Corporate Governance Report

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 minimise 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 Reporting Period, the Company appointed an independent consultant to conduct 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. Having considered the results of the review conducted by the independent consultant, the Audit Committee is of the view that the risk management, internal control systems and internal audit functions of the Group were effective and in compliance with the requirements of code provision D.2.1 of the CG Code for the Reporting Period in all material respects.

Internal control of confidential information

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

DIRECTORS' AND AUDITOR'S RESPONSIBILITIES FOR FINANCIAL STATEMENTS

All Directors acknowledge their responsibilities for preparing the financial statements for the Reporting Period. The auditor of the Company acknowledges its reporting responsibilities in the auditor's report on the financial statements for the Reporting Period. The Directors have noted the material uncertainties of events or conditions that may cast significant doubt on the Group's ability to continue to operate as a going concern as reported in the Independent Auditor's Report. The Directors have undertaken a number of measures to improve the Group's liquidity and financial position and to remediate certain delayed repayments to financial institutions. The consolidated statements have been prepared on a going concern basis.

COMPANY SECRETARY

Ms. Chin Ying Ying has been appointed as the Company Secretary with effect from 11 July 2022. During the Reporting Period, the Company Secretary undertook more than 15 hours of relevant professional training.

Corporate Governance 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 Company 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.

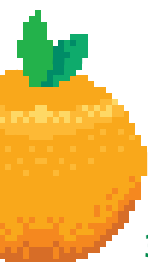
Procedures for Putting Forward Proposals at General Meetings by Shareholders

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

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

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



Corporate Governance Report

Communication with Shareholders

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

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

Investor Relations Department
Summi (Group) Holdings Limited
Room 702, 7/F
Laford Centre
838 Lai Chi Kok Road
Cheung Sha Wan, Kowloon
Hong Kong
Email: adminhk@hksummi.com
Tel No.: (852) 3163 1000
Fax No.: (852) 3163 1122

POLICY ON PAYMENT OF DIVIDENDS

The Company adopted a policy on payment of dividends (the "Dividend Policy") in compliance with provision F.1.1 of the CG Code which establishes an appropriate procedure on declaring and recommending the dividend payment of the Company.

The Company will declare and/or recommend the payment of dividends to Shareholders after considering the Company's ability to pay dividends, which will depend upon, among other things, its actual and expected financial results, cash flow, general business conditions and strategies, current and future operations, statutory, contractual and regulatory restrictions and so on. The Board has complete discretion on whether to pay a dividend, subject to Shareholders' approval, where applicable. Even if the Board decides to recommend and pay dividends, the form, frequency and amount will depend upon the operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors of and affecting the Group. The Board may also consider declaring special dividends from time to time, in addition to the interim and/or final dividends.

The Company shall review and reassess the Dividend Policy and its effectiveness on a regular basis or as required.

INVESTOR RELATIONS Constitutional Documents

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

Corporate Governance Report

CORPORATE GOVERNANCE ENHANCEMENT

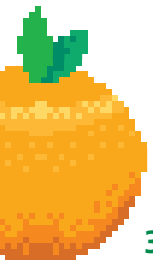
Enhancing corporate governance is not simply a matter of applying and complying with the CG Code but also about promoting and developing an ethical and healthy corporate culture. The Company will continue to review and, where appropriate, improve the current practices on the basis of the experience, 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 Liantao

Chairman and Executive Director

Hong Kong, 27 September 2023



Independent Auditor's Report



永拓富信會計師事務所有限公司
YONGTUO FUSON CPA LIMITED

TO THE MEMBERS OF SUMMI (GROUP) HOLDINGS LIMITED

森美(集團)控股有限公司

(Incorporated in Cayman Islands with limited liability)

DISCLAIMER OF OPINION

We were engaged to audit the consolidated financial statements of Summi (Group) Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 39 to 125, which comprise the consolidated statement of financial position as at 30 June 2023, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows 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 form an audit opinion on these consolidated financial statements. In all other respects, in our opinion the consolidated financial statements have been properly prepared in compliance with disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR DISCLAIMER OF OPINION

Multiple uncertainties relating to going concern

As described in note 2 to the consolidated financial statements, during the year ended 30 June 2023, the Group incurred a loss attributable to the owners of the Company of approximately RMB26,989,000. In addition, as at 30 June 2023, the Group had net current liabilities of approximately RMB348,196,000 and a deficit of shareholders' equity attributable to owners of the Company of approximately RMB297,370,000.

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.

The directors of the Company ("Directors") have been undertaking a number of plans and measures to improve the Group's liquidity and financial position, and to mitigate the liquidity pressure and to improve the Group's financial position, 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 plans and measures, which are subject to multiple uncertainties, including:

- (i) Successful execution and completion of the Capital Fund Raising Plan, Financing Plan and Business and Operation Restructuring Plan (as defined in note 2 to this report); and
- (ii) Successful generation of operating cash flows and in obtaining of additional sources of financing to finance the settlement of its existing financial obligations, commitments and future operating and capital expenditure, as well as to maintain sufficient cash flows of the Group's operations.

Independent Auditor's Report

BASIS FOR DISCLAIMER OF OPINION *(Continued)*

Multiple uncertainties relating to going concern *(Continued)*

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

RESPONSIBILITIES OF DIRECTORS AND AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

Our responsibility is to conduct an audit of the Group's consolidated financial statements in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and to issue an auditor's report. This report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. However, because of the matters described in the Basis for Disclaimer of Opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements.

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

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

Yongtuo Fuson CPA Limited

Certified Public Accountants

Lee Yan Fai

Practising Certificate Number: P06078

Hong Kong, 27 September 2023

Consolidated Statement of Profit and Loss and Other Comprehensive Income

For the year ended 30 June 2023

	Notes	2023 RMB'000	2022 RMB'000
Revenue	6	21,366	30,172
Cost of sales		(14,758)	(22,994)
Gross profit		6,608	7,178
Other income (expenses), net	8	30,064	25,297
Other operating expenses		(15)	(1,583)
Selling and distribution expenses		(4,933)	(4,536)
Administrative expenses		(29,667)	(42,323)
Reversal of impairment losses in respect of property, plant and equipment	10	–	1,500
Finance costs	9	(29,055)	(26,599)
Loss before tax	10	(26,998)	(41,066)
Income tax credit	11	–	1,250
Loss for the year		(26,998)	(39,816)
<i>Other comprehensive (expense) income for the year</i>			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		(12,553)	18,564
Total comprehensive expense for the year		(39,551)	(21,252)
Loss for the year attributable to:			
– Owners of the Company		(26,989)	(39,807)
– Non-controlling interests		(9)	(9)
		(26,998)	(39,816)
Total comprehensive expense attributable to:			
– Owners of the Company		(39,542)	(21,243)
– Non-controlling interests		(9)	(9)
		(39,551)	(21,252)
Loss per share			
– Basic and diluted (RMB cents)	15	(1.18)	(1.74)

Consolidated Statement of Financial Position

As at 30 June 2023

	Notes	2023 RMB'000	2022 RMB'000
Non-current assets			
Property, plant and equipment	16	78,334	91,901
Right-of-use assets	17	19,152	19,494
		97,486	111,395
Current assets			
Inventories	19	6,619	6,013
Trade and other receivables	20	12,472	21,085
Cash and cash equivalents	21	5,030	5,420
		24,121	32,518
Current liabilities			
Trade and other payables	22	73,475	100,847
Borrowings	23	183,621	160,205
Lease liabilities	17	436	979
Corporate bonds	24	114,785	81,423
		372,317	343,454
Net current liabilities		(348,196)	(310,936)
Total assets less current liabilities		(250,710)	(199,541)
Non-current liabilities			
Borrowings	23	22,967	23,059
Lease liabilities	17	898	116
Corporate bonds	24	22,971	35,279
		46,836	58,454
		(297,546)	(257,995)

Consolidated Statement of Financial Position

As at 30 June 2023

	Notes	2023 RMB'000	2022 RMB'000
Capital and reserves			
Share capital	25	19,341	19,341
Reserves	26	(316,711)	(277,169)
Deficit attributable to owners of the Company			
Non-controlling interests		(176)	(167)
		(297,546)	(257,995)

The consolidated financial statements from pages 39 to 125 were approved and authorised for issue by the board of directors on 27 September 2023:

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 2023

	Attributable to owners of the Company						Subtotal RMB'000	Non- controlling interests RMB'000	Total RMB'000
	Share capital RMB'000 (Note 26(a))	Share premium RMB'000 (Note 26(b))	Capital reserve RMB'000 (Note 26(b))	Statutory reserves RMB'000 (Note 26(c))	Exchange reserve RMB'000 (Note 26(d))	Accumulated losses RMB'000			
As at 1 July 2021	19,341	557,185	75,394	38,810	(34,211)	(893,104)	(236,585)	(158)	(236,743)
Loss for the year	-	-	-	-	-	(39,807)	(39,807)	(9)	(39,816)
Other comprehensive income for the year									
- Exchange differences arising on translation of foreign operations	-	-	-	-	18,564	-	18,564	-	18,564
Total comprehensive income (expense) for the year	-	-	-	-	18,564	(39,807)	(21,243)	(9)	(21,252)
As at 30 June 2022 and 1 July 2022	19,341	557,185	75,394	38,810	(15,647)	(932,911)	(257,828)	(167)	(257,995)
Loss for the year	-	-	-	-	-	(26,989)	(26,989)	(9)	(26,998)
Other comprehensive expense for the year									
- Exchange differences arising on translation of foreign operations	-	-	-	-	(12,553)	-	(12,553)	-	(12,553)
Total comprehensive expense for the year	-	-	-	-	(12,553)	(26,989)	(39,542)	(9)	(39,551)
As at 30 June 2023	19,341	557,185	75,394	38,810	(28,200)	(959,900)	(297,370)	(176)	(297,546)

Consolidated Statement of Cash Flows

For the year ended 30 June 2023

	2023 RMB'000	2022 RMB'000
OPERATING ACTIVITIES		
Loss before tax	(26,998)	(41,066)
Adjustments for:		
Depreciation of property, plant and equipment	16,434	18,186
Depreciation of right-of-use assets	885	689
Finance costs	29,055	26,599
Reversal of provision for other tax payables	(12,950)	–
Overprovision of sale commissions and accrual charges	(4,758)	–
Reversal of impairment losses recognised in respect of inventories	(3,734)	(6,148)
Written back of trade and other payables	(2,753)	0
Reversal of impairment losses in respect of property, plant and equipment	–	(1,500)
Bank interest income	(3)	–*
Loss (gains) on disposals of property, plant and equipment and right-of-use assets	3	(18,355)
Written off of property, plant and equipment	170	64
Operating cash flows before movements in working capital	(4,649)	(21,531)
Decrease in inventories	3,128	5,794
Decrease (increase) in trade and other receivables	6,133	(1,568)
Increase in trade and other payables	1,129	24,414
Cash from operations	5,741	7,109
Income tax paid	–	–
NET CASH FROM OPERATING ACTIVITIES	5,741	7,109
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(3,044)	(3,158)
Withdrawal of security deposits	–	2,621
Proceeds from disposals of property, plant and equipment and right-of-use assets	3	39,079
Interest income received	3	–*
NET CASH (USED IN) FROM INVESTING ACTIVITIES	(3,038)	38,542

Consolidated Statement of Cash Flows

For the year ended 30 June 2023

	2023 RMB'000	2022 RMB'000
FINANCING ACTIVITIES		
Repayments of borrowings	(65,394)	(118,494)
Redemption of corporate bonds	(4,413)	–
Repayment to (advances from) a director and related companies	(11,206)	42,589
Repayments of lease liabilities	(399)	(196)
Interest paid	(9,882)	(12,435)
New borrowings raised	82,979	38,450
NET CASH USED IN FROM FINANCING ACTIVITIES	(8,315)	(50,086)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(5,612)	(4,435)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	5,420	3,770
Effect of foreign exchange rate changes	5,222	6,085
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by cash and cash equivalents	5,030	5,420

* Less than RMB1,000.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2023

1. GENERAL

Summi (Group) Holdings Limited (the “Company”) was 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 “Rui Er”, the “Controlling Shareholder”), a company incorporated in the British Virgin Islands (the “BVI”). Mr. Wu Shaohao (“Mr. Wu”, the “Controlling Party”) owns the entire issued share capital of Rui Er, who is also the Chairman and executive director of the Company. 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 35.

During the year, the Company and its subsidiaries (collectively referred to as the “Group”) was involved in: (1) 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 (2) 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”).

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.

The English names of all the companies established in the PRC presented in these consolidated financial statements represent the best efforts made by the Directors for the translation of the Chinese names of these companies to English names as they do not have official English names.

2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

Going concern assessment

The Directors have, at the time of approving the consolidated financial statements, a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the consolidated financial statements.

During the year ended 30 June 2023, the Group incurred a loss attributable to owners of the Company of approximately RMB26,989,000 (2022: RMB39,807,000). In addition, as at 30 June 2023, the Group had net current liabilities of approximately RMB348,196,000 (2022: RMB310,936,000) and a deficit of shareholders’ equity attributable to owners of the Company of approximately RMB297,370,000 (2022: RMB257,828,000). Further, as at 30 June 2023, the Group’s borrowings and corporate bonds were of approximately RMB344,344,000 (2022: RMB299,966,000) and out of which, an amount of the Group’s borrowings and corporate bonds of approximately RMB298,406,000 (2022: RMB241,628,000) will fall due repayable within one year, while its cash and cash equivalents amounted to approximately RMB5,030,000 (2022: RMB5,420,000) only.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2023

2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

Going concern assessment *(Continued)*

The conditions described above indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern and hence, its ability to realise its assets and discharge its liabilities in the normal course of business.

In view of aforementioned, 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 sources to continue as a going concern. The following plans and measures are formulated to mitigate the liquidity pressure and to improve the financial position of the Group:

- (i) The Company's Subscription (as defined in note 25) will be completed in October 2023 which will bring net proceeds of approximately HK\$74,710,000 (equivalent to approximately RMB69,279,000) to the Group and details of which are set out in note 25;
- (ii) The Directors will consider to improve the financial position of the Group and to enlarge the capital base of the Company by further conducting fund raising exercises such as share placement, rights issues or others when necessary (the "Capital Fund Raising Plan");
- (iii) The Group is still actively in the process of negotiating with various bank, other financial institutions, third parties and related parties to renew its existing borrowings and corporate bonds which will be matured within twelve months after 30 June 2023 and to raise short-term and/or long-term financing to the Group so that the Group will be able to meet all financial obligations as and when they fall due in the coming twelve months from 30 June 2023 (the "Financing Plan"); and
- (iv) The Group continues to take active plans and measures to control operation and administrative costs through various channels, including but not limited to (i) having production and human resources optimisation and adjustments, (ii) reorganising the structure to each segment and maintaining close communication with suppliers, customers and banks, etc. (iii) committing to soliciting for new customers and exploring overseas markets to support the sustainable development of principle business of the Group; and (iv) containment of capital expenditures etc. (the "Business and Operation Restructuring Plan").

The Directors have reviewed the Group's cash flow forecast prepared by management, which covers a period of twelve months from 30 June 2023. They are of the opinion that, taking into account the above-mentioned plans and measures, the Group will have sufficient funds to maintain its operations and to meet its financial obligations as and when they fall due within the next twelve months from 30 June 2023. Accordingly, the Directors are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2023

2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

Going concern assessment (Continued)

Notwithstanding the above, significant uncertainties exist as to whether the Group is able to achieve its plans and measures, which are subject to multiple uncertainties as described above. Whether the Group will be able to continue as a going concern would depend upon the following:

- (i) Successful execution and completion of the Capital Fund Raising Plan, Financing Plan and Business and Operation Restructuring Plan; and
- (ii) Successful generation of operating cash flows and in obtaining of additional sources of financing to finance the settlement of its existing financial obligations, commitments and future operating and capital expenditure, as well as to maintain sufficient cash flows of the Group's operations.

Should the Group fail to achieve the above mentioned 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 AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

Amendments to IFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to IFRSs issued by the International Accounting Standards Board ("IASB") for the first time, which are mandatorily effective for the Group's annual period beginning on 1 July 2022 for the preparation of the consolidated financial statements:

Amendments to IFRS 3	Reference to the Conceptual Framework
Amendment to IFRS 16	Covid-19-Related Rent Concessions
Amendment to IAS 16	Property, plant and Equipment – Proceeds before Intended Use
Amendment to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendment to IFRSs	Annual Improvements to IFRSs 2018 – 2020

The Directors are of the opinion that the application of the amendments to IFRSs in the current year has had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2023

3. APPLICATION OF AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”) (Continued)

New and amendments to IFRSs in issue but not yet effective

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

IFRS 17 (including the October 2020 and February 2022 Amendments to IFRS 17)	Insurance Contracts ¹
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ²
Amendment to IFRS 16	Lease Liability in a Sale and Leaseback ³
Amendments to IAS 1	Classification of Liabilities as Current or Non-current ³
Amendments to IAS 1	Non-current Liabilities with Covenants ³
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies ¹
Amendments to IAS 8	Definition of Accounting Estimates ¹
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ¹

¹ Effective for annual periods beginning on or after 1 April 2023.

² Effective for annual periods beginning on or after a date to be determined.

³ Effective for annual periods beginning on or after 1 April 2024.

The Directors anticipate that the application of all these new and amendments to IFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2023

4. BASIS OF PREPARATION OF CONSOLIDATION FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation of consolidation financial statements

The consolidated financial statements have been prepared in accordance with IFRSs issued by the IASB. For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. 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 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 IFRS 16 *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*.

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.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2023

4. BASIS OF PREPARATION OF CONSOLIDATION FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) Significant accounting policies

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

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

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

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

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.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

Revenue from contracts with customers

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

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

Notes to the Consolidated Financial Statements

For the year ended 30 June 2023

4. BASIS OF PREPARATION OF CONSOLIDATION FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) Significant accounting policies *(Continued)*

Revenue from contracts with customers *(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 or enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

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

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with IFRS 9 Financial Instruments. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A contract asset and a contract liability relating to the same contract are accounted for and presented on a net basis.

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.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2023

4. BASIS OF PREPARATION OF CONSOLIDATION FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) Significant accounting policies *(Continued)*

Revenue from contracts with customers *(Continued)*

Principal versus agent (Continued)

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

Sales of goods

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

Leases

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified or arising from business combinations or arising from business combinations, the Group assesses whether a contract is or contains a lease based on the definition under IFRS 16 Leases at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

The Group as a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components, including contract for acquisition of ownership interests of a property which includes both leasehold land and non-lease building components, unless such allocation cannot be made reliably.

Short-term leases

The Group applies the short-term lease recognition exemption to leases of office premises that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. Lease payments on short-term leases are recognised as expense on a straight-line basis or another systematic basis over the lease term.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2023

4. BASIS OF PREPARATION OF CONSOLIDATION FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) Significant accounting policies *(Continued)*

Leases *(Continued)*

Right-of-use assets

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

Refundable rental deposits

Refundable rental deposits paid are accounted under IFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2023

4. BASIS OF PREPARATION OF CONSOLIDATION FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) Significant accounting policies *(Continued)*

Leases *(Continued)*

Lease liabilities (Continued)

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise the option; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

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.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2023

4. BASIS OF PREPARATION OF CONSOLIDATION FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) Significant accounting policies *(Continued)*

Borrowing costs

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

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

Government grants

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

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

Government grants related to income 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. Such grants are presented under "other income".

Retirement benefit costs

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

Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another IFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2023

4. BASIS OF PREPARATION OF CONSOLIDATION FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) Significant accounting policies *(Continued)*

Taxation

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

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

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised.

Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

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

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

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.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2023

4. BASIS OF PREPARATION OF CONSOLIDATION FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) Significant accounting policies *(Continued)*

Taxation *(Continued)*

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

Property, plant and equipment

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

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.

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.

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.

Impairment on property, plant and equipment and right-of-use assets

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

The recoverable amount of property, plant and equipment and right-of-use 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.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2023

4. BASIS OF PREPARATION OF CONSOLIDATION FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) Significant accounting policies *(Continued)*

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

In testing a cash-generating unit for impairment, corporate assets are allocated to the relevant cash-generating unit when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of cash-generating units.

Recoverable amount is the higher of fair value less costs of disposal or value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. 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 or the group of cash-generating units. An impairment loss is recognised immediately in profit or loss.

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

Notes to the Consolidated Financial Statements

For the year ended 30 June 2023

4. BASIS OF PREPARATION OF CONSOLIDATION FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) Significant accounting policies *(Continued)*

Cash and cash equivalents

Cash and cash equivalents presented on the consolidated statement of financial position include:

- (a) cash, which comprises of cash on hand and demand deposits, excluding bank balances that are subject to regulatory restrictions that result in such balances no longer meeting the definition of cash; and
- (b) cash equivalents, which comprises of short-term (generally with original maturity of three months or less), highly liquid investments that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

For the purposes of the consolidated statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts which are repayable on demand and form an integral part of the Group's cash management. Such overdrafts are presented as short-term borrowings in the consolidated statement of financial position.

Inventories

Inventories are stated at the lower of cost and net realizable value. Costs of inventories are determined on a weighted average method. Net realizable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Group must incur to make the sale.

Provisions

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

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

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.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2023

4. BASIS OF PREPARATION OF CONSOLIDATION FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) Significant accounting policies *(Continued)*

Financial instruments *(Continued)*

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with IFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

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

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

Financial assets

Classification and subsequent measurement of financial assets

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

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Amortised cost and interest income

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

Notes to the Consolidated Financial Statements

For the year ended 30 June 2023

4. BASIS OF PREPARATION OF CONSOLIDATION FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) Significant accounting policies *(Continued)*

Financial instruments *(Continued)*

Financial assets (Continued)

Impairment of financial assets

The Group performs impairment assessment under expected credit loss (“ECL”) model on financial assets (including trade and other receivables, cash and cash equivalents) which are subject to impairment under IFRS 9 *Financial Instruments*. 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 has been performed based on the Group’s historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables. The ECL on these assets are assessed individually for debtors with significant balances and/or collectively using a provision matrix with appropriate groupings.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless there has been a significant increase in credit risk since initial recognition, in which case 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;

Notes to the Consolidated Financial Statements

For the year ended 30 June 2023

4. BASIS OF PREPARATION OF CONSOLIDATION FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) Significant accounting policies *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets *(Continued)*

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

- 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.

Despite the foregoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if i) it has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of "investment grade" as per globally understood definitions.

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

Notes to the Consolidated Financial Statements

For the year ended 30 June 2023

4. BASIS OF PREPARATION OF CONSOLIDATION FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) Significant accounting policies *(Continued)*

Financial instruments *(Continued)*

Financial assets (Continued)

Impairment of financial assets *(Continued)*

(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 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.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2023

4. BASIS OF PREPARATION OF CONSOLIDATION FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) Significant accounting policies *(Continued)*

Financial instruments *(Continued)*

Financial assets (Continued)

Impairment of financial assets *(Continued)*

(iv) Write-off policy

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

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights. The Group uses a practical expedient in estimating ECL on trade receivables using a provision matrix taking into consideration historical credit loss experience, adjusted for forward looking information that is available without undue cost or effort.

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

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

- Nature of financial instruments (i.e. the Group's trade and other receivables are assessed for expected credit losses on an individual basis);
- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2023

4. BASIS OF PREPARATION OF CONSOLIDATION FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) Significant accounting policies *(Continued)*

Financial instruments *(Continued)*

Financial assets (Continued)

Impairment of financial assets *(Continued)*

(v) Measurement and recognition of ECL *(Continued)*

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

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

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

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities and equity

Classification as debt or equity

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

Notes to the Consolidated Financial Statements

For the year ended 30 June 2023

4. BASIS OF PREPARATION OF CONSOLIDATION FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) Significant accounting policies *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity (Continued)

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.

Perpetual instruments, which include no contractual obligation for the Group to deliver cash or other financial assets or the Group has the sole discretion to defer payment of distribution and redemption of principal amount indefinitely are classified as equity instruments.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Financial liabilities

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

Financial liabilities at amortised cost

Financial liabilities including borrowings, trade and other payables, borrowings, corporate bonds and lease liabilities are subsequently measured at amortised cost, using the effective interest method.

Derecognition of financial liabilities

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

Related parties

For the purposes of these financial statements, related parties include a person and entity as defined below:

- (a) A person or a close member of that person's family is related to the Group if that person:
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Company or of a parent of the Group; or

Notes to the Consolidated Financial Statements

For the year ended 30 June 2023

4. BASIS OF PREPARATION OF CONSOLIDATION FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) Significant accounting policies *(Continued)*

Related parties *(Continued)*

(b) An entity is related to the Group (reporting entity) if any of the following conditions applies:

- (i) the entity and the Group 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 Group 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 Group or an entity related to the Group;
- (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 Group or to the parent of the Group.

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker (the "CODM"). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Executive Directors that make strategic decisions.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2023

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 2023.

Legal title of buildings

Despite the Group had paid the full purchase consideration for the buildings, formal titles of certain of the Group's rights to the use of the buildings were not yet granted from the relevant government authorities as stated in note 16. In the opinion of the Directors, the absence of formal titles to these buildings does not impair the value of the relevant properties to the Group.

Key sources of estimation uncertainty

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

Estimated impairment of property, plant and equipment and right-of-use assets

The Group regularly reviews whether there are any indications of impairment of property, plant and equipment and right-of-use assets and will recognise an impairment loss if the carrying amount of an asset is lower than its recoverable amount which is the higher of its fair value less cost of disposal (the market value) or its value-in-use. In determining whether an asset is impaired, the Group has to exercise judgment and make estimation, particularly in assessing whether an event has occurred or any indicators that may affect the asset value.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2023

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

Key sources of estimation uncertainty *(Continued)*

Estimated impairment of property, plant and equipment and right-of-use assets *(Continued)*

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

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

As at 30 June 2023, the carrying values and accumulated impairment losses recognised in respect of the Group's property, plant and equipment and right-of-use assets are disclosed in notes 16 and 17(i), respectively.

Provision of ECL for trade and other receivables

The Group uses provision matrix to calculate ECL for the trade and other receivables. The provision rates are based on past due record as groupings of various debtors that have similar loss patterns. In addition, the Group uses practical expedient in estimating ECL on trade receivables which are not assessed individually using a provision matrix. The provision rates are aging of the debtors as groupings of various debtors taking into consideration of the Group's historical default rates and forward-looking information that is reasonable and supportable available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered. In addition, trade and other receivables with significant balances and credit impaired are assessed for ECL individually.

As at 30 June 2023, the provision of ECL is sensitive to changes in estimates. The information about the ECL for trade and other receivables are disclosed in notes 20 and 30.

Net realisable value of inventories

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

As at 30 June 2023, the net carrying value and accumulated impairment losses recognised in respect of the Group's inventories are disclosed in note 19.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2023

6. REVENUE

Disaggregation of revenue from contracts with customers

During the year ended 30 June 2023, the Group is mainly engaged in the production and sale of FCOJ and other related products and Summi Fresh Orange Juice and other products and details of which are as follows:

	2023 RMB'000	2022 RMB'000
Revenue from contracts with customers		
<i>Types of operations</i>		
– Sale of FCOJ and other related products	5,339	9,203
– Sale of Summi Fresh Orange Juice and other products	16,027	20,969
Total	21,366	30,172

Sale of FCOJ and other related products

The Group sells FCOJ and other related products to the food and beverages manufacturers. Revenue is recognised when control of the goods has transferred, being when the goods have been shipped to the customer's specific location.

Sale of Summi Fresh Orange Juice and other products

The Group sells Summi Fresh Orange Juice and other products to the (i) wholesale and distributors; (ii) retail; and (iii) restaurants.

For sales of Summi Fresh Orange Juice and other products to the wholesale and distributors, revenue is recognised when control of the goods has transferred, being when the goods have been delivered to the customers' specific location. Following the delivery, the wholesaler and distributors have full discretion over the manner of distribution and price to sell the goods, has the primary responsibility when selling on the goods and bears the risks of obsolescence and loss in relation to the goods.

For sales of Summi Fresh Orange Juice and other products to the retail and restaurants, revenue is recognised when the goods have been delivered to the customers and the control of the goods has been transferred, being at the point the customer purchases the goods.

All revenue contracts are for period of one year or less. As permitted by IFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2023

6. REVENUE (Continued)

Analysis of revenue by types of goods, geographical markets, timing and sales channel/
type of customers

	FCOJ and other related products RMB'000	Summi Fresh Orange Juice and other products RMB'000	Total RMB'000
For the year ended 30 June 2023			
Revenue from contracts with customers			
<i>Types of goods</i>			
– FCOJ	5,339	–	5,339
– Summi Fresh Orange Juice	–	14,330	14,330
– Summi brand products	–	1,697	1,697
Total	5,339	16,027	21,366
<i>Geographical markets</i>			
– Mainland China	5,339	14,330	19,669
– Hong Kong	–	1,697	1,697
	5,339	16,027	21,366
<i>Timing of revenue recognition:</i>			
– A point in time	5,339	16,027	21,366
<i>Sales channel/type of customers:</i>			
– Food and beverages manufacturers	5,339	–	5,339
– Retail	–	15,038	15,038
– Restaurants	–	989	989
	5,339	16,027	21,366

Notes to the Consolidated Financial Statements

For the year ended 30 June 2023

6. REVENUE (Continued)

**Analysis of revenue by types of goods, geographical markets, timing and sales channel/
type of customers (Continued)**

	FCOJ and other related products RMB'000	Summi Fresh Orange Juice and other products RMB'000	Total RMB'000
For the year ended 30 June 2022			
Revenue from contracts with customers			
<i>Types of goods</i>			
– FCOJ	9,203	–	9,203
– Summi Fresh Orange Juice	–	12,613	12,613
– Summi brand products	–	2,234	2,234
– Other products	–	6,122	6,122
Total	9,203	20,969	30,172
<i>Geographical markets</i>			
– South East Asia [#]	–	6,122	6,122
– Mainland China	9,203	12,613	21,816
– Hong Kong	–	2,234	2,234
	9,203	20,969	30,172
<i>Timing of revenue recognition:</i>			
– A point in time	9,203	20,969	30,172
<i>Sales channel/type of customers:</i>			
– Food and beverages manufacturers	9,203	–	9,203
– Wholesale and distributors	–	6,122	6,122
– Retail	–	13,502	13,502
– Restaurants	–	1,345	1,345
	9,203	20,969	30,172

[#] The amount mainly represented its sales to Summi Fresh Orange Juice and other products in Malaysia. Pursuant to the Company's announcement dated 6 March 2023, the Company decided to cease such operations after 30 June 2022.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2023

7. OPERATING SEGMENTS INFORMATION

The Group determines its operating segments based on the information reported to the chief operating decision maker (i.e. "CODM"), 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 two segments: (1) Production and Sale of FCOJ and Other Related Products Business segment; and (2) Production and Sale of Summi Fresh Orange Juice and Other Products Business segment.

The following is an analysis of the Group's revenue, results, assets and liabilities by reportable and operating segments are as follows:

Segment revenue and results

	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 2023			
Segment revenue			
– Sales to external customers	5,339	16,027	21,366
– Inter-segment sales	6,204	8,223	14,427
Segment revenue	11,543	24,250	35,793
Inter-segment sales			(14,427)
Consolidated revenue			21,366
Segment results	9,535	4,019	13,554
Unallocated losses			(15)
Corporate and other unallocated expenses			(11,482)
Finance costs			(29,055)
Loss before tax			(26,998)

Notes to the Consolidated Financial Statements

For the year ended 30 June 2023

7. OPERATING SEGMENTS INFORMATION *(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 2022			
Segment revenue			
– Sales to external customers	9,203	20,969	30,172
– Inter-segment sales	193	3,368	3,561
Segment revenue	9,396	24,337	33,733
Inter-segment sales			(3,561)
Consolidated revenue			30,172
Segment results	5,249	(14,776)	(9,527)
Unallocated losses			89
Corporate and other unallocated expenses			(5,029)
Finance costs			(26,599)
Loss before tax			(41,066)

Notes to the Consolidated Financial Statements

For the year ended 30 June 2023

7. OPERATING SEGMENTS INFORMATION *(Continued)*

Segment 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
As at 30 June 2023			
Assets and liabilities			
Segment assets	62,553	31,185	93,738
Corporate and other unallocated assets			27,869
Total assets			121,607
Segment liabilities	142,876	67,745	210,621
Corporate and other unallocated liabilities			208,532
Total liabilities			419,153

Notes to the Consolidated Financial Statements

For the year ended 30 June 2023

7. OPERATING SEGMENTS INFORMATION *(Continued)*

Segment assets and liabilities *(Continued)*

	Production and Sale of FCOJ and Other Related Products Business RMB'000	Production and Sale of Summi Fresh Orange Juice and Other Products Business RMB'000	Total RMB'000
As at 30 June 2022			
Assets and liabilities			
Segment assets	89,525	40,041	129,566
Corporate and other unallocated assets			14,347
Total assets			143,913
Segment liabilities	175,462	110,848	286,310
Corporate and other unallocated liabilities			115,598
Total liabilities			401,908

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, other operating expense, director's remuneration, certain other income and finance costs. This is the measure reported to the chief operating decision maker for the purpose of resource allocation and performance assessment.

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

- all assets are allocated to operating segments other than cash and cash equivalents, certain property, plant and equipment and other receivables which were managed in a centralised manner.
- all liabilities are allocated to operating segments other than corporate bonds, certain lease liabilities, borrowings and certain other payables which were managed in a centralised manner.

Inter-segment sales are charged at prevailing market rates.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2023

7. OPERATING SEGMENTS INFORMATION *(Continued)*

Other segment information

	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 2023				
Amounts included in the measure of segment profit or loss or segment assets:				
Depreciation	4,959	12,222	138	17,319
Additions to non-current assets	3,044	514	–	3,558
(Reversal of) impairment losses recognised in respect of inventories	(5,863)	2,129	–	(3,734)
Amounts regularly provided to the chief operating decision marker but not included in the measure of segment profit or loss or segment assets:				
Bank interest income	2	1	–	3
Loss on disposals of property, plant and equipment and right-of-use assets	3	–	–	3
Finance costs	–	–	29,055	29,055

Notes to the Consolidated Financial Statements

For the year ended 30 June 2023

7. OPERATING SEGMENTS INFORMATION (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
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For the year ended 30 June 2022

Amounts included in the measure of segment profit or loss or segment assets:

Depreciation	6,744	11,971	160	18,875
Additions to non-current assets	3,088	510	–	3,598
(Reversal of) impairment losses recognised in respect of:				
– Property, plant and equipment	–	1,500	–	1,500
– Inventories	(3,128)	(3,020)	–	(6,148)

Amounts regularly provided to the chief operating decision marker but not included in the measure of segment profit or loss or segment assets:

Bank interest income	–	–	–	–*
Gains on disposals of property, plant and equipment and right-of-use assets	18,355	–	–	18,355
Finance costs	–	–	26,599	26,599

* Less than RMB1,000.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2023

7. OPERATING SEGMENTS INFORMATION *(Continued)*

Geographical information

In prior years, the Group's operations are mainly located in Hong Kong, Mainland China and Malaysia. Pursuant to the Company's announcement dated 6 March 2023, the Company decided to cease its operations in Malaysia after 30 June 2022.

Information about the Group's revenue from external customers is presented based on the location of operations and details are as follows:

	2023 RMB'000	2022 RMB'000
Revenue		
Mainland China	19,669	21,816
Hong Kong	1,697	2,234
South East Asia	–	6,122
	21,366	30,172

Information about the Group's non-current assets is presented based on the geographical location of the assets and details are as follows:

	2023 RMB'000	2022 RMB'000
Non-current assets		
Mainland China and South East Asia	96,825	110,897
Hong Kong	661	498
	97,486	111,395

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For the year ended 30 June 2023

7. OPERATING SEGMENTS INFORMATION (Continued)

Information about major customers

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

	2023 RMB'000	2022 RMB'000
Customer A ¹	8,948	11,553
Customer B ²	3,861	–
Customer C ³	2,071	2,764
Customer D ^{4 & 5}	–	3,349

¹ Revenue from Production and Sale of Summi Fresh Orange Juice and Other Products Business segment. The customer is controlled and beneficially owned by a director of the Group.

² Revenue from Production and Sale of Summi Fresh Orange Juice and Other Products Business segment.

³ Revenue from Production and Sale of FCOJ and Other Related Products Business segment.

⁴ Revenue from Production and Sale of Summi Fresh Orange Juice and Other Products Business segment. The customer is controlled and beneficially owned by a director of a subsidiary of the Company.

⁵ The current year revenue did not contribute over 10% of the total revenue of the Group.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2023

8. OTHER INCOME (EXPENSES), NET

	Notes	2023 RMB'000	2022 RMB'000
Bank interest income		3	– *
Government grants			
– Hong Kong	(a)	324	–
– PRC	(b)	2,370	7,313
(Losses) gains on disposals of property, plant and equipment and right-of-use assets		(3)	18,355
Reversal of provision for other tax payables		12,950	–
Written back of trade and other payables		2,753	–
Overprovision of sale commissions and accrual charges		4,758	–
Gain on deregistration of a subsidiary		7	–
Others		6,902	(371)
		30,064	25,297

* The amount less than RMB1,000.

Notes:

- (a) During the year ended 30 June 2023, the Group recognised government grants of RMB324,000 in respect of Covid-19-related subsidies, of which RMB300,000 relates to Employment Support Scheme, RMB21,000 relates to SME Export Marketing Fund and RMB2,000 relates to Anti-epidemic Fund provided by the Hong Kong Government.
- (b) During the year ended 30 June 2023, governments grant of approximately RMB2,370,000 (2022: RMB7,313,000) was recognised as other income for the year as there was no unfulfilled condition or contingencies relating to this subsidy.

9. FINANCE COSTS

	2023 RMB'000	2022 RMB'000
Interest expenses on corporate bonds	16,168	18,117
Interest expenses on bank and other borrowings	12,830	8,421
Interest on lease liabilities	57	61
	29,055	26,599

Notes to the Consolidated Financial Statements

For the year ended 30 June 2023

10. LOSS BEFORE TAX

Loss before tax has been arrived at after charging (crediting):

	2023 RMB'000	2022 RMB'000
Staff costs, including Directors' and Chief Executive Officer's remuneration		
– Wages, salaries and other benefits	6,601	8,580
– Performance related bonuses	149	207
– Contributions to defined contribution plans	660	832
	7,410	9,619
Reversal of impairment losses in respect of property, plant and equipment	–	(1,500)
Cost of inventories recognised as an expense, including:	14,758	22,994
– Reversal of impairment losses recognised in respect of inventories	(3,734)	(6,148)
Depreciation on:		
– Property, plant and equipment	16,434	18,186
– Right-of-use assets	885	689
	17,319	18,875
Others:		
Auditor's remuneration	1,071	1,074
Foreign exchange gains and losses, net	345	1,214
Short-term leases expenses	760	313
Written off of property, plant and equipment	170	64

Notes to the Consolidated Financial Statements

For the year ended 30 June 2023

11. INCOME TAX CREDIT

	2023 RMB'000	2022 RMB'000
Current income tax	–	–
Deferred income tax	–	1,250
	–	1,250

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

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

The provision for PRC Enterprise Income Tax ("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. The applicable income tax rate for the rest of the Group's operating subsidiaries in the PRC is 25% for both years. No provision has been made for PRC EIT as there are no assessable profits generated for both years.

Income tax for the Group's Malaysia operations is calculated at the rate of 24% on the estimated assessable profit derived from Malaysia for both years. No provision has been made for Malaysia income tax as there are no assessable profits generated for both years.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2023

11. INCOME TAX CREDIT (Continued)

A tax credit from deferred income tax of RMB1,250,000 was recognised for the year ended 30 June 2022 which was mainly attributable by the reversal of deferred tax liabilities relating to undistributed retained profits of certain PRC subsidiaries during the year.

At 30 June 2023, the Group has unused tax losses of approximately RMB68,072,000 (2022: RMB56,335,000) 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.

The income tax 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:

	2023 RMB'000	2022 RMB'000
Loss before tax	(26,998)	(41,066)
Tax at the domestic income tax rate	(3,910)	(3,955)
Tax effect of non-deductible expenses	5,503	2,755
Tax effect of non-taxable income	(5,504)	–
Tax effect of tax losses not recognised	3,911	1,200
Reversal of previously recognised deferred tax liabilities	–	(1,250)
Income tax credit	–	(1,250)

Notes to the Consolidated Financial Statements

For the year ended 30 June 2023

12. DIRECTORS' AND CHIEF EXECUTIVES' EMOLUMENTS

The remuneration paid or payable to the directors and Chief Executive Officer of the Company were as follows:

	Other emoluments [#]					Total
	Fee*	Wages, salaries and other benefits	Discretionary bonuses and performance incentive payments	Contributions to defined contribution plans	Other emoluments	
For the year ended 30 June 2023						
Executive Directors						
Wu Shaohao	-	-	-	-	-	-
Wu Liantao (note (i) below)	-	-	-	-	-	-
Independent Non-executive Directors						
Chung Wing Yee (note (ii) below)	123	-	-	-	-	123
Zhong Shuirong (note (iii) below)	64	-	-	-	-	64
Ma Yu-heng (note (iii) below)	80	-	-	-	-	80
Yang Xuping (note (iv) below)	29	-	-	-	-	29
Cheng King Yip (note (v) below)	31	-	-	-	-	31
Yim Hong Cheuk, Foster (note (vi) below)	30	-	-	-	-	30
Kway Sai Hing (note (vii) below)	9	-	-	-	-	9
Ma Chi Kin (note (vii) below)	9	-	-	-	-	9
Chen Ying (note (vii) below)	-	-	-	-	-	-
Non-executive Director						
Tsang Ho Yin (note (viii) below)	41	-	-	-	-	41
Chief executive officer						
Chen Xiang Yu (note (ix) below)	-	-	-	-	-	-
	416	-	-	-	-	416

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For the year ended 30 June 2023

12. DIRECTORS' AND CHIEF EXECUTIVES' EMOLUMENTS (Continued)

	Other emoluments [#]					Total
	Fee [*]	Wages, salaries and other benefits	Discretionary bonuses and performance incentive payments	Contributions to defined contribution plans	Other emoluments	
For the year ended						
30 June 2022						
Executive Directors						
Wu Shaohao	-	-	-	-	-	-
Wu Liantao (note (i) below)	-	-	-	-	-	-
Independent						
Non-executive Directors						
Kway Sai Hing (note (vii) below)	99	-	-	-	-	99
Ma Chi Kin (note (vii) below)	99	-	-	-	-	99
Chen Ying (note (vii) below)	99	-	-	-	-	99
Chief Executive Officer						
Hu Mingue ("Ms. Wu") (note (x) below)	248	-	-	-	-	248
	545	-	-	-	-	545

* Emoluments paid or receivable in respect of a person's services as a director, whether of the Company and its subsidiary undertakings

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

Notes:

- (i) Resigned as the Chief Executive Officer of the Company with effect from 16 May 2023.
- (ii) Appointed as independent Non-executive Directors with effect from 11 July 2022.
- (iii) Appointed as independent Non-executive Directors with effect from 30 September 2022.
- (iv) Appointed as independent Non-executive Directors with effect from 6 March 2023.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2023

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

Notes: *(Continued)*

- (v) Appointed and resigned as Independent Non-executive Directors with effect from 20 July 2022 and 29 September 2022 representatively.
- (vi) Appointed and resigned as Independent Non-executive Directors with effect from 20 July 2022 and 28 September 2022 representatively.
- (vii) Resigned as independent Non-executive Director with effect from 8 July 2022.
- (viii) Appointed and resigned as Non-executive Directors with effect from 20 July 2022 and 29 September 2022 representatively.
- (ix) Appointed as the Chief Executive Officer of the Company with effect from 16 May 2023.
- (x) Resigned as the Chief Executive Officer of the Company with effect from 30 September 2021.

There was no arrangement under which a Director or the Chief Executive Officer waived or agreed to waive any remuneration during the years ended 30 June 2023 and 2022.

During the years ended 30 June 2023 and 2022, no remuneration was paid by the Group to the Directors 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 Officer were reviewed by the remuneration committee of the Company having regard to the performance of individuals and market trends.

The Executive Directors' and Chief Executive Officer's emoluments shown above were for their services in connection with the management of the affairs of the Company and its subsidiaries, if applicable.

The Non-executive Directors' emoluments shown above were for their services as directors of the Company.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2023

13. FIVE HIGHEST PAID EMPLOYEES

The five highest paid individuals in the Group for both years did not include Director and Chief Executive Officer whose emoluments are reflected in the analysis presented in note 12. The emoluments of the 5 individuals (2022: five individuals) are set out below:

	2023 RMB'000	2022 RMB'000
Salaries, allowances and benefits in kind	1,778	1,994
Discretionary bonuses and performance incentive payments	67	–
Contribution to defined contribution plans	62	50
	1,907	2,044

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

	2023 No. of employees	2022 No. of employees
Nil to HK\$1,000,000 (equivalent to Nil to RMB921,000) (2022: equivalent to Nil to RMB893,000)	5	5

During the years ended 30 June 2023 and 2022, 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.

14. DIVIDENDS

The Directors do not recommend the payment of any dividend for the years ended 30 June 2023 and 30 June 2022.

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For the year ended 30 June 2023

15. LOSS PER SHARE

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

	2023 RMB'000	2022 RMB'000
<i>Loss for the year</i>		
Loss for the year attributable to the owners of the Company for the purpose of basic loss per share	(26,989)	(39,807)

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

	2023 (thousands of shares)	2022
<i>Number of shares</i>		
Weighted average number of ordinary shares for the purpose of basic loss per share	2,282,083	2,282,083

No diluted earnings per share for both 2023 and 2022 were presented as there were no potential ordinary shares in issue for both 2023 and 2022.

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16. 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 2021	240,139	305,384	3,208	4,000	–	552,731
Additions	–	–	–	199	2,959	3,158
Disposals	(51,730)	(35,809)	(1,179)	(3,044)	–	(91,762)
Written-off	–	(165)	–	–	–	(165)
Exchange realignment	–	–	31	12	–	43
At 30 June 2022	188,409	269,410	2,060	1,167	2,959	464,005
Additions	–	3,044	–	–	–	3,044
Transfers from (to)						
construction in progress	–	2,789	170	–	(2,959)	–
Disposals	–	(120)	–	–	–	(120)
Written-off	–	–	(1,017)	(437)	–	(1,454)
Exchange realignment	–	–	47	19	–	66
At 30 June 2023	188,409	275,123	1,260	749	–	465,541
Accumulated depreciation and impairment						
At 1 July 2021	174,175	247,455	2,974	3,780	–	428,384
Provided for the year	5,009	13,017	141	19	–	18,186
Reversal of impairment losses	(1,500)	–	–	–	–	(1,500)
Eliminated on disposals	(34,065)	(34,797)	(1,159)	(2,885)	–	(72,906)
Elimination on written-off	–	(101)	–	–	–	(101)
Exchange realignment	–	–	29	12	–	41
At 30 June 2022	143,619	225,574	1,985	926	–	372,104
Provided for the year	3,927	12,414	74	19	–	16,434
Eliminated on disposals	–	(114)	–	–	–	(114)
Elimination on written-off	–	–	(847)	(437)	–	(1,284)
Exchange realignment	–	–	47	20	–	67
At 30 June 2023	147,546	237,874	1,260	527	–	387,207
Carrying amounts						
At 30 June 2023	40,863	37,249	–	222	–	78,334
At 30 June 2022	44,790	43,836	75	241	2,959	91,901

Notes to the Consolidated Financial Statements

For the year ended 30 June 2023

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

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

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

All of the Group's buildings are located in the PRC and situated on lands which are held under medium-term lease.

At 30 June 2023, the Group has not obtained the building ownership certificate for buildings with carrying value of approximately RMB2,196,000 (2022: RMB2,500,000) 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 2023, the carrying value of the Group's property, plant and equipment of approximately RMB51,853,000 (2022: RMB31,775,000) was pledged as security for the Group's borrowings and details of which are set out in note 23.

On 18 January 2022, Summi Fuijan entered into a certain sale and purchase agreements with several purchasers, the key purchasers are 泉州市榮信達科技服務有限公司, an independent third party and 瀋陽金沙城置業有限公司, a company is controlled and beneficially owned by certain directors of the Group and pursuant to which, Summi Fuijan disposed certain property, plant and equipment and right-of-use assets to the purchasers at the consideration of approximately RMB39,050,000 and the Group recognised a gain on disposal of property, plant and equipment and right-of-use assets of approximately RMB18,355,000 which was credited to profit or loss for the year ended 30 June 2022.

Impairment assessment

In determining the recoverable amounts of the relevant property, discussion of impairment assessment processes and result had been held between management and the independent professional valuer to establish the appropriate impairment assessment techniques and inputs to the model as at the reporting date. The fair value measurement hierarchy of such impairment assessment of the properties requires certain significant unobservable inputs which is within Level 3 of the fair value hierarchy.

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.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2023

16. PROPERTY, PLANT AND EQUIPMENT (Continued)

Impairment assessment (Continued)

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

Particulars	Valuation techniques	Significant unobservable input(s)	Relationship of unobservable inputs to the assessment
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 RMB800 to RMB1,400 per square meter ("sqm"). (2022: RMB1,008 to RMB1,680 per sqm).	An increase in the transaction prices would result in an increase in recoverable amount measurement of the buildings, and vice versa.
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 RMB1,200 to RMB1,600 per sqm (2022: RMB1,467 to RMB1,794 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 RMB1,100 to RMB2,300 per sqm (2022: RMB1,385 to RMB2,596 per sqm).	

Based on the above valuation, in view of the recoverable amounts of the property, plant and equipment are higher than their carrying amounts and thus, no impairment losses were recognised for the years ended 30 June 2023 (2022: a reversal of impairment loss of RMB1,500,000).

Particulars regarding the impairment assessment are set out in note 18.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2023

17. LEASES

(i) Right-of-use assets

	Leasehold lands RMB'000	Leased properties RMB'000	Total RMB'000
Carrying amounts			
At 30 June 2023	18,497	655	19,152
Carrying amounts			
At 30 June 2022	19,008	486	19,494
		2023 RMB	2022 RMB
Depreciation		885	689
Total cash outflow for leases		399	196
Additions to right-of-use assets		514	440
Disposal of right-of-use assets		-	(1,868)

For both years, the Group leases various properties for its operations. Lease contracts are entered into for fixed term of one to three years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

At 30 June 2023, the carrying value of the Group's right-of-use assets of approximately RMB11,975,000 (2022: RMB6,762,000) were pledged as security for the banking facilities granted to the Group as set out in note 23.

The Group regularly entered into short-term leases for staff quarters and warehouse. As at 30 June 2023 and 30 June 2022, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expense disclosed above.

Impairment assessment

In determining the recoverable amounts of the relevant leasehold lands, discussion of impairment assessment processes and result had been held between management and the independent professional valuer to establish the appropriate impairment assessment techniques and inputs to the model as at the reporting date. The fair value measurement hierarchy of such impairment assessment of the leasehold lands requires certain significant unobservable inputs which is within Level 3 of the fair value hierarchy.

The recoverable amounts of certain leasehold lands 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 properties.

Notes to the Consolidated Financial Statements

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17. LEASES (Continued)

(i) Right-of-use assets (Continued)

Impairment assessment (Continued)

When value-in-use calculations are undertaken in determining the recoverable amount of the leasehold lands, management shall 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.

Below is a summary of the value technique used and the key inputs to the valuation of the Group's leasehold lands that are comparable transactions nearby the Group's leasehold lands for the impairment assessment at the end of the reporting period:

Particulars	Valuation techniques	Significant unobservable input(s)	Relationship of unobservable inputs to the assessment
Two leasehold lands located in Chongqing	Market comparison approach	Market unit rate, taking into account the recent comparable transactions for similar land adjusted for nature, location and conditions of the land, which ranged from RMB120 to RMB150 per sqm (2022: RMB99 to RMB120 per sqm).	An increase in the transaction prices would result in an increase in recoverable amount measurement of the leasehold lands, and vice versa.
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 RMB50 to RMB90 per sqm (2022: RMB49 to RMB85 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 RMB180 to RMB210 per sqm (2022: RMB133 to RMB369 per sqm).	
One leasehold land located in Hunan HuaiHua Chenzhou	Value-in-use calculation	– Discount rate of 16% (2022: 16%). – The cash flows beyond five years period are extrapolated using a steady annual growth rate of 3% (2022: 3%) at end of each year.	A decrease in discount rate would result in an increase in recoverable amount measurement of the leasehold lands, and vice versa.

Notes to the Consolidated Financial Statements

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17. LEASES (Continued)

(i) Right-of-use assets (Continued)

Impairment assessment (Continued)

Based on the above valuation, in view of the recoverable amounts of the right-of-use assets are higher than their carrying amounts and thus, no impairment losses were recognised for the year ended 30 June 2023 and 2022.

Particulars regarding the impairment assessment are set out in note 18.

(ii) Lease liabilities

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

	2023 RMB'000	2022 RMB'000
Amount analysed as:		
– Non-current	898	116
– Current	436	979
	1,334	1,095

Amount payables under lease liabilities:

	2023 RMB'000	2022 RMB'000
Within one year	436	979
Within a period of more than two years but not more than five years	415	116
More than five years	483	–
	1,334	1,095
Less: Amount due for settlement with 12 months shown under current liabilities	(436)	(979)
Amount due for settlement after 12 months shown under non-current liabilities	898	116

As at 30 June 2023, lease obligations that are denominated in Hong Kong dollars are RMB914,000 (2022: RMB116,000).

During the year ended 30 June 2023, the Group entered into a new lease in respect of leasehold properties and recognised lease liabilities of RMB514,000 (2022: RMB440,000).

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18. IMPAIRMENT ASSESSMENTS

Impairment of property, plant and equipment and right-of-use assets

The Group assesses whether there are any indicators of impairment for property, plant and equipment and right-of-use assets in accordance with the accounting policies in note 4. An impairment exists when the carrying value of an asset or cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal (i.e. market value) or its value in use. The calculation of the fair value less cost of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. If there is no binding sale agreement or active market for that asset (or asset group), management will make reference to the best information available to reflect the amount that an entity could obtain at end of the reporting period.

When the recoverable amounts of the assets for impairment assessment were determined based on the market approach which uses prices and other relevant information generated by market comparable transactions involving comparable assets, adjusted for differences in the nature of the assets. These valuations 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.

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.

As at 30 June 2023, the Directors conducted an impairment assessment of the Group's property, plant and equipment and rights-of-use assets mainly with reference to a professional valuation performed by Pretium Advisory Services Limited ("Pretium"), an independent professional valuer not connected with the Group based on market approach and value in use calculation by comparing the carrying amounts and the recoverable amounts of the property, plant and equipment and rights-of-use assets.

Based on the assessment, no impairment loss was recognised in respect of the Group's property, plant and equipment for the year ended 30 June 2023 and impairment loss of RMB1,500,000 was reversed in respect of the Group's property, plant and equipment for the year ended 30 June 2022.

No impairment loss was recognised in respect of the Group's right-of-use assets during the year ended 30 June 2023 (2022: nil).

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19. INVENTORIES

	2023 RMB'000	2022 RMB'000
FCOJ	11,735	14,212
Summi fresh orange juice	4,233	7,653
Consumables and packing materials	1,583	984
Others	2,323	153
	19,874	23,002
Less: Impairments	(13,255)	(16,989)
	6,619	6,013

20. TRADE AND OTHER RECEIVABLES

	Notes	2023 RMB'000	2022 RMB'000
Trade receivables	(a)	1,018	4,351
Less: Impairments		–	–
		1,018	4,351
Other receivables	(b)	–	–
Others:			
– Security deposit		3,127	5,607
– Tender deposit		6,325	8,325
– Deposit related to claim from a former employee (note 28)		927	853
– Rental deposits		139	202
– Other deposits		776	944
– Prepayments		160	803
		11,454	16,734
Less: Impairments		–	–
		11,454	16,734
Total trade and other receivables		12,472	21,085

Notes to the Consolidated Financial Statements

For the year ended 30 June 2023

20. TRADE AND OTHER RECEIVABLES (Continued)

Notes:

(a) Trade receivables

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 consider that the Group's credit risk is minimised and ECL allowance is considered insignificant. The Group generally grant credit period on sales ranging from 30 days to 120 days to its customers.

As at 1 July 2021, the trade receivable amounted to RMB2,587,000.

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

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

	2023 RMB'000	2022 RMB'000
0 to 30 days	371	1,540
31 to 60 days	58	1,919
61 to 90 days	300	148
Over 90 days	289	744
	1,018	4,351

For the year ended 30 June 2023 and 2022, the management of the Group has assessed the ECL of all trade receivables as insignificant and therefore it did not result in an impairment allowance for the both years.

(b) Other receivables

As described in note 2(b) to the consolidated financial statements of the Company for the year ended 30 June 2022 (the "2022 Financial Statements"), the Company had a Warrant Consideration Receivables* of approximately RMB18,963,000 relating to the Incident*. However, Mr. Wu indicted to the Company to take up such amount with effect from the Warrant Shares Subscription Date*.

On 27 April 2023, the Company, Mr. Wu, Ms. Hu and two independent third parties (the "Two Individuals") entered into the deed of settlement agreement and pursuant to which Ms. Hu agreed to transfer the 120,784,960 shares in the Company (i.e. Individuals Warrant Shares*) to the Two Individuals and the Two Individuals agreed to take up the Warrant Consideration Receivables. In September 2023, the Two Individuals settled the Warrant Consideration Receivables with Mr. Wu.

* As defined in the 2022 Financial Statements.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2023

20. TRADE AND OTHER RECEIVABLES (Continued)

Notes: (Continued)

(c) Security deposit

As explained in note 23(a), the Company is required to maintain a security deposit of RMB3,127,000 (2022: RMB5,607,000) with the Agent in accordance with the Loan Restructuring Agreement and the Deed (as defined in note 23(a)). Pursuant to the Deed, the security deposit will be released to the Company over three years from the effective date of the Loan Restructuring Agreement. During the year, security deposit of approximately RMB2,480,000 (2022: RMB2,621,000) was offset with the Syndication Loan.

As at 30 June 2022 and 2023, in view of the respective Syndication Loan was classified as current liabilities of the Company and thus, the security deposit was also classified as current assets of the Company thereon.

(d) Tender deposit

On 16 November 2020, the Company, 江蘇瑞爾地產集團有限公司 (Jiangsu Ruier Real Estate Group Co., Ltd., "Jiangsu Ruier") and Liaozhong District Government ("District Government") entered into a letter of investment intent (the "LOI"), pursuant to which, the Company and Jiangsu Ruier will participate in the bidding of the land use right of No. 6, Pudong New Town, Liaozhong District, Shenyang City, the PRC and the Lianhuahu Park (the "Target Land") from Liaozhong District Government through public tendering. A subsidiary of the Company, Shanghai Rui Er Summi Enterprise Management Co. Limited, which the Group held 51% equity interest and Jiangsu Ruier held the remaining 49% equity interest, was incorporated on 3 December 2020 for the development and investment of the Ruier Summi commercial complex and boutique residential projects (the "Project") in the Target Land. The expected total investment of the Project is approximately RMB2.5 billion. The LOI is not legally binding, subject to and depending on, among others, the possibility of winning the bid and obtaining the state-owned land use certificate and construction permit in the process of public tendering. The relevant investment shall be subject to the formal agreement after the conclusion of public tendering.

Jiangsu Ruier is a company incorporated in the PRC with limited liability which is held by Mr. Wu and Mr. Wu Liantao, who is the executive director of the Group, beneficially own 98.2% and 1.3% equity interest in Jiangsu Ruier, respectively. Jiangsu Ruier is a connected person of the Group under the Listing Rules.

According to the LOI, a tender deposit of HK\$10,000,000 (equivalent to RMB8,325,000) was paid in order to participate in the bidding of the Target Land. The deposit will be converted into part of the land transfer fee upon acquisition of the Target Land. However, if the Group fails in the public tendering, the tender deposit will be refunded in full to the Group without interest.

On 15 September 2022, the Company, Jiangsu Ruier and District Government entered into a supplementary agreement, pursuant to which the LOI was terminated, with effective date on 3 August 2022.

During the year ended 30 June 2023, RMB2,000,000 of tender deposit was refunded and the Directors consider that the remaining balance will be refunded in coming year.

(e) Impairment assessments

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.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2023

21. CASH AND CASH EQUIVALENTS

	2023 RMB'000	2022 RMB'000
Cash and cash equivalents	5,030	5,420

Bank balances carry interest at market rates which range from 0.001% to 0.4% (2022: 0.001% to 0.3%) per annum. 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.

As at 30 June 2023, the bank and cash balances of the Group denominated in RMB amounted to approximately RMB1,191,000 (2022: RMB1,888,000) kept in banks located in the PRC. Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

22. TRADE AND OTHER PAYABLES

	Notes	2023 RMB'000	2022 RMB'000
Trade payables	(a)	378	2,541
Payables for acquisition of property, plant and equipment		294	1,917
Accrued sales commission		–	3,507
Other tax payables		2,310	10,238
Accrued staff costs		1,607	2,201
Interest payables		16,570	17,481
Amounts due to a director and related companies	(b)	44,226	55,322
Other payables and accruals		8,090	7,640
		73,475	100,847

Notes to the Consolidated Financial Statements

For the year ended 30 June 2023

22. TRADE AND OTHER PAYABLES (Continued)

Notes:

(a) Trade payables

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

	2023 RMB'000	2022 RMB'000
0 – 90 days	137	600
Over 365 days	241	1,941
	378	2,541

The Group had financial risk management policies in place to ensure all payables are settled within the credit timeframe. The credit period on purchase of goods is ranging from 90 to 150 days (2022: 90 to 150 days).

(b) Amounts due to a director and related companies

The amounts represent the amounts due to Mr. Wu, the Executive Director of the Company and related companies that are owned by Mr. Wu, which are unsecured, interest-free and repayable on demand. Out of which, approximately of RMB15,712,000 (2022: RMB11,553,000) was amount due from such related companies which are in trade nature.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2023

23. BORROWINGS

	Notes	2023 RMB'000	2022 RMB'000
Bank borrowings			
– Syndication Loan	(a)	97,926	96,150
– PRC bank loans		49,279	42,850
Other borrowings			
– Individuals	(b)	59,383	23,850
– A director of a subsidiary	(c)	–	20,414
		206,588	183,264
The carrying amounts of borrowings that contain a repayment on demand clause (shown under current liabilities) but repayable on:			
Within one year or on demand		183,621	160,205
Within a period of more than one year but not exceeding two years		20,000	20,414
Within a period of more than two years but not exceeding five years		2,967	2,645
		206,588	183,264
Less: Amounts due within one year shown under current liabilities		(183,621)	(160,205)
Amounts shown under non-current liabilities		22,967	23,059
Analysed as:			
Secured		164,705	153,599
Unsecured		41,833	29,665
		206,588	183,264
Analysed as:			
Fixed-rate borrowings		108,662	87,115
Variable-rate borrowings		97,926	96,149
		206,588	183,264
Borrowings held by			
PRC companies		105,779	84,469
Non-PRC companies		100,809	98,795
		206,588	183,264

Notes to the Consolidated Financial Statements

For the year ended 30 June 2023

23. BORROWINGS (Continued)

Notes:

(a) Bank borrowings – Syndication Loan

During the year ended 30 June 2020, certain of the Group's borrowings with an aggregate amount of approximately RMB132,821,000 were overdue and/or in breaching of the clauses of the respective loan agreements (the "Original Loan Agreements") with respective lenders (the "Syndication Loan Banks").

On 23 October 2020, the Company and Syndication Loan Banks, principal of which under the Original Loan Agreements amounted to approximately RMB113,317,000, entered into a loan restructuring agreement (the "Loan Restructuring Agreement"), pursuant to which, the Syndication Loan Banks agreed to restructure their respective bank loan principal as an extended syndication loan with a tenor of 5 years (the "Syndication Loan"). Further to the terms and conditions to the Original Loan Agreements, the Syndication Loan Banks agreed not to commence or continue with any legal proceedings against the Company in relation to the breaching of clauses of the Original Loan Agreements (the "Loan Restructuring").

Pursuant to the Loan Restructuring Agreement, the Company, the Syndication Loan Banks and a security agent (the "Agent") entered into a master facility deed (the "Deed") and pursuant to the Deed, the Company agreed to maintain a security deposit in which the security deposit will be released to the Company over three years from the effective date (see note 20(c)).

Pursuant to the clauses of the Loan Restructuring Agreement, the lenders are eligible to request the Group to repay the Syndication Loan immediately if the Group is unable to meet certain financial conditions as set out in the Loan Restructuring Agreement.

In view of the Syndicated Loan contains a repayment on demand clause and thus, the respective loan was classified as current liabilities as at 30 June 2023 and 30 June 2022.

(b) Other borrowings – individuals

The other borrowings for individual are interest-bearing at the range of 0% to 15% and in which RMB20,000,000 (2022: RMB20,000,000) was secured by assets of the Group and the balance is non-secured. The loans would be due on or before December 2028.

(c) Other borrowings – a director of a subsidiary

As at 30 June 2022, the loans were interest-free and repayable on demand in which RMB18,491,000 was secured by assets of the Group and the balance was non-secured. During the year, the loans were fully settled.

(d) Others

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

	2023 RMB'000	2022 RMB'000
US\$	97,926	96,150

Notes to the Consolidated Financial Statements

For the year ended 30 June 2023

23. BORROWINGS (Continued)

Notes: (Continued)

(d) Others (Continued)

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

	2023	2022
Fixed-rate bank borrowings	3.85% – 5.55%	3.85% – 4.55%
Variable-rate bank borrowings	2.89% – 8.55%	2.89% – 8.25%
Fixed-rate other borrowings	0.00% – 15.00%	0.00% – 15.00%

24. CORPORATE BONDS

	2023 RMB'000	2022 RMB'000
Carrying amounts of corporate bonds (including interest payables) repayable based on scheduled repayment dates set out in the agreements:		
Within one year	114,785	81,423
After two years but within five years	22,971	35,279
	137,756	116,702
Analysed as:		
– Current liabilities	114,785	81,423
– Non-current liabilities	22,971	35,279
	137,756	116,702

Notes to the Consolidated Financial Statements

For the year ended 30 June 2023

24. CORPORATE BONDS (Continued)

Details of the corporate bonds are as follows:

	Par value HK\$'000	Issue date	Maturity date	Duration	Issue amount HK\$'000
(i) Corporate bonds issued to third parties (note (i) below)					
Bond I*	4,000	11 August 2016	11 February 2024	7.5 years	4,000
	2,000	18 August 2016	18 February 2024	7.5 years	2,000
	1,000	26 August 2016	26 February 2024	7.5 years	1,000
	2,000	12 August 2016	12 February 2024	7.5 years	2,000
	3,000	6 October 2016	6 April 2024	7.5 years	3,000
	2,000	29 November 2016	29 May 2024	7.5 years	2,000
	2,000	29 November 2016	29 May 2024	7.5 years	2,000
	2,000	29 November 2016	29 May 2024	7.5 years	2,000
	<u>18,000</u>				<u>18,000</u>
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
	<u>14,000</u>				<u>14,000</u>
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
	<u>4,000</u>				<u>4,000</u>
Bond V**	10,000	11 January 2018	10 January 2026	8 years	10,000
Bond VI***	2,000	20 August 2018	19 February 2026	7.5 years	2,000
Sub-total	<u>48,000</u>				<u>48,000</u>
(ii) Corporate bonds issued to Controlling Shareholder (the "Bond VII") (note (ii) below)					
Bond VII#	106,000	28 February 2023	27 February 2024	1 year	106,000
Total	<u>154,000</u>				<u>154,000</u>

Notes to the Consolidated Financial Statements

For the year ended 30 June 2023

24. CORPORATE BONDS (Continued)

- * Bond I and Bond II were issued during the year ended 30 June 2017. Bond II was fully redeemed during the year ended 30 June 2022.
- ** Bond III, Bond IV and Bond V were issued during the year ended 30 June 2018.
- *** Bond VI was issued during the year ended 30 June 2019.
- # Bond VII was issued during the year ended 30 June 2020.
- ⊗ Bond IV was fully redeemed during the year.

Notes:

(i) Corporate bonds issued to third parties

The Company issued corporate bonds to independent third parties for the purpose of general working capital with an aggregate nominal value of HK\$42,556,000 (equivalent to approximately RMB39,462,000) (2022: HK\$45,708,000 (equivalent to approximately RMB38,986,000)). They were issued at a fixed interest rate of 4.5% to 6.50% per annum and are payable annually from the date of issuance and maturity date. The principal will be repaid on maturity. The effective interest rate is 7.15% (2022: 7.15%) per annum. The aggregate carrying values of the corporate bonds were RMB137,756,000 (2022: RMB116,702,000).

Pursuant to the clauses of the corporate bonds agreements with the lenders, the lenders are eligible to request the Group to repay the corporate bonds immediately if the Group is unable to meet certain financial conditions as set out in the corporate bonds agreements.

The Directors of the Company consider that, as 30 June 2023 and 30 June 2022, the Group complies with the relevant clauses of the agreements with the corporate bonds lenders and did not have any defaults on the corporate bonds to third parties.

(ii) Corporate bonds issued to Controlling Shareholder

On 31 July 2019, the Company entered into (i) a subscription agreement (the "Subscription Agreement") with the Controlling Shareholder; and (ii) a warrant subscription agreement (the "Warrant Subscription Agreement") with certain individuals (the "Individuals") in relation to the subscription of the bonds, the Convertible Bonds and the Warrants of the Company.

Pursuant to the Subscription Agreement, the Company conditionally agreed to issue, and the Controlling Shareholder conditionally agreed to subscribe for, (i) the bonds (i.e. the "Bond VI") at the principal amount of HK\$106 million; (ii) the convertible bonds (the "Convertible Bonds"), at the principal amount of HK\$74 million; and (iii) 148,715,040 warrants (the "Rui Er Warrants") at the warrant subscription price of HK\$0.04 per Rui Er Warrant. In addition, pursuant to the Warrant Subscription Agreement, the Company conditionally agreed to issue, and the Individuals conditionally agreed to subscribe for 120,784,960 warrants (the "Individuals Warrants"), together with the Rui Er Warrants, (the "Warrants") at the warrant subscription price of HK\$0.04 per Individuals Warrants.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2023

24. CORPORATE BONDS (Continued)

Notes: (Continued)

- (ii) Corporate bonds issued to Controlling Shareholder (Continued)
The principal terms of the Bond VII are as follows:

Principal amount:	HK\$106 million
Maturity date:	On the third anniversary of the bond issue date (the "Bonds Issue Date") of 28 February 2020 (the "Bonds Maturity Date")
Interest rate:	2.28% per annum on outstanding amounts payable quarterly in arrears
Transferability:	The bonds are not transferable.
Redemption:	(a) On Bonds Maturity Date

Upon redemption on the Bonds Maturity Date, the Company shall redeem the Bond VII at the redemption amount of 100% of the principal amount of the then outstanding bonds plus the relevant accrued and unpaid interest.

(b) On default

Upon the occurrence of an event of default, the Controlling Shareholder may at any time from the Bonds Issue Date and prior to the Bonds Maturity Date, by giving not less than 10 business days prior notice to the Company, request the Company to redeem the whole or part only of the bonds at the redemption amount which is 100% of the principal amount of the bonds being redeemed plus the relevant interest accrued and unpaid.

(c) Early redemption at the option of the Company

The Company may, at any time from the Bonds Issue Date and prior to the Bonds Maturity Date, by giving not less than 10 business days prior notice to the Controlling Shareholder, redeem the whole or part only of the bonds at 100% of the principal amount of the bonds being redeemed together with payment of interests accrued up to the date of such early redemption. No early redemption may be requested by the Controlling Shareholder.

Details of the Subscription Agreement and Warrant Subscription Agreement are described in the Company's announcements dated 31 July 2019 and 1 November 2019 and the Company's circular dated 10 December 2019.

The Directors consider that the early redemption option is regarded as embedded derivatives not closely related to the host contract. With reference to a valuation performed by International Valuation Limited ("IVL"), the Directors consider that the fair value of the early redemption option is insignificant on issue date of the bonds. Accordingly, the fair value of the early redemption option was not accounted for in the consolidated financial statements for the year ended 30 June 2020.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2023

24. CORPORATE BONDS (Continued)

Notes: (Continued)

(ii) Corporate bonds issued to Controlling Shareholder (Continued)

The principal amount of the Bond VII was HK\$106,000,000 (equivalent to RMB96,630,000) and was carrying interest at the rate of 2.28% per annum payable quarterly in arrears. With reference to the valuation performed by IVL, the fair value of the Bond VII at the date of issue was HK\$58,830,000 (equivalent to RMB53,630,000) and the effective interest rate was 22.8% per annum.

Based on the valuation performed by IVL, the fair value of the Bond VI on the issue date was valued using Synthetic method (level 3 fair value measurements) and the key inputs and assumptions used are as follows:

Maturity date:	28 February 2023
Discount factor:	25.4%
Spread:	24.44%
Coupon rate:	2.28%

The difference between the principal amount of the Bond VII of RMB96,630,000 and fair value of the Bond VII of RMB53,630,000 was RMB43,000,000, which was credited to the capital reserve of the Group for the year ended 30 June 2020.

On 30 June 2020, the Company and the Controlling Shareholder entered into an agreement (the "Bonds Interest Waiver Agreement") and pursuant to which, the Controlling Shareholder agreed to waive all the interest of the Bond VII to be paid by the Company. Due to the Bonds Interest Waiver Agreement, with reference to the computation performed by IVL, the carrying value of the Bond VII has been reduced from approximately of HK\$62,848,000 (equivalent to approximately of RMB57,249,000) to approximately of HK\$58,338,000 (equivalent to approximately of RMB53,181,000) on 30 June 2020, i.e. the "Date of Corporate Bonds Waiver" and thus, the difference of RMB4,068,000 recognised in profit or loss during the year ended 30 June 2020.

During the year ended 30 June 2020, pursuant to the Bonds Interest Waiver Agreement, interest expenses of HK\$594,000 (equivalent to approximately of RMB536,000) was waived by the Controlling Shareholder which was credited to the capital reserve of the Group for the year ended 30 June 2020.

In September 2023, the Company and Mr. Wu entered in a corporate bonds supplementary agreement and pursuant to which the maturity date of the Bond VII was extended to 27 February 2024.

The movements of the corporate bonds issued to the Controlling Shareholder for the years ended 30 June 2023 and 2022 are as follows:

	Bond VII RMB'000
Balance as at 1 July 2021	60,128
Effective interest expenses	15,259
Exchange difference	2,329
Balance as at 30 June 2022 and 1 July 2022	77,716
Effective interest expenses	13,284
Exchange difference	7,293
Balance as at 30 June 2023	98,294

Notes to the Consolidated Financial Statements

For the year ended 30 June 2023

25. 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 2021, 30 June 2022, 1 July 2022 and 30 June 2023	3,000,000,000	30,000	26,376
Issued and fully paid			
As at 1 July 2021, 30 June 2022, 1 July 2022 and 30 June 2023	2,282,082,652	22,821	19,341

There were no movements of the share capital of the Company for the years ended 30 June 2022 and 2023.

As described in the Company's announcement dated 10 July 2023 and circular dated 31 August 2023, the Company entered into a subscription agreement (the "Subscription Agreement") on 10 July 2023 with Rui Er (the "Subscriber"), pursuant to which the Subscriber has conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue 1,123,500,000 ordinary shares (the "Subscription Shares") at the subscription price (the "Subscription Price") of HK\$0.067 per Subscription Share to the Subscriber (the "Subscription").

The Subscription Shares represent approximately 49.23% of the existing issued shares at the date of this announcement and approximately 32.99% of the enlarged issued shares of 3,405,582,652 ordinary shares immediately following completion of the subscription (the "Completion"), assuming that there will be no change in the total number of issued shares (other than the issue of the Subscription Shares) between the date of 10 July 2023 and Completion.

The Subscription Price of HK\$0.067 per Subscription Share represents:

- a discount of approximately 9.46% to the closing price of HK\$0.074 per ordinary shares as quoted on the Stock Exchange on 10 July 2023 (the "Last Trading Day");
- a discount of approximately 9.46% to the average closing price of approximately HK\$0.074 per ordinary shares as quoted on the Stock Exchange for the last five (5) trading days up to and including the Last Trading Day;
- a discount of approximately 9.70% to the average closing price of approximately HK\$0.0742 per ordinary shares as quoted on the Stock Exchange for the last ten (10) trading days up to and including the Last Trading Day;

Notes to the Consolidated Financial Statements

For the year ended 30 June 2023

25. SHARE CAPITAL OF THE COMPANY *(Continued)*

The Subscription Price was determined after arm's length negotiation between the Company and the Subscriber after taking into account the prevailing market price of the shares, the trading volume of the shares, the existing capital market conditions and the funding needs. The Directors (other than the Independent Non-executive Directors who will give their opinion after considering the advice from the Independent Financial Adviser), are of the view that the terms of the Subscription Agreement (including the Subscription Price) are fair and reasonable, on normal commercial terms, and in the interests of the Company and the shareholders as a whole.

The aggregate gross proceeds of the Subscription was approximately HK\$75,274,500 (equivalent to approximately RMB69,802,000) and the aggregate net proceeds of the Subscription, after the deduction of related fees and expenses, was approximately HK\$74,710,000 (equivalent to approximately RMB69,279,000). The Company intends to apply the net proceeds from the Subscription (a) as to 90% repayment of debts of the Group; and (b) as to 10% for the Group's general working capital.

Further, the Company proposed to increase the authorised share capital of the Company from HK\$30,000,000 divided into 3,000,000,000 ordinary shares of HK\$0.01 each to HK\$50,000,000 divided into 5,000,000,000 ordinary shares of HK\$0.01 each by the creation of an additional 2,000,000,000 ordinary shares (the "Increase of Authorised Share Capital").

The Subscription and Increase of Authorised Share Capital were approved by the shareholders of the Company under the ordinary resolutions of the Company at an extraordinary general meeting of the Company held on 19 September 2023. The new shares rank *pari passu* with other shares in issue in all respects.

Details of the above are set out in the Company's announcements dated 10 July 2023, 24 July 2023 and 19 September 2023 and circular dated 31 August 2023.

26. 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 major items of the Group's capital reserve at 30 June 2023 and 2022 are as follows:

- The excess of paid-in capital of Summi Fujian Food Co. Limited of RMB3,585,000.
- The capital reserve of Sunshine Vocal Limited in connection with the waiver of an equity shareholder's loan and related interest of RMB36,396,000 in prior years.
- The deemed contribution from the Controlling Shareholder of RMB43,536,000 and RMB374,000 with respect of the corporate bonds and convertible bonds during the year ended 30 June 2020.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2023

26. RESERVES (Continued)

(c) 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.

(d) 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.

27. 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 31% 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.

For the year ended 30 June 2023 and 2022, the Group had no forfeited contribution available to reduce its contributions payable in future years.

The total expense recognised in profit or loss of approximately RMB660,000 (2022: RMB832,000) represents contributions payable to these plans by the Group at rates specified in the rules of the plans.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2023

28. 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 RMB2,337,000) (2022: RMB2,297,000) and the Group has already paid a deposit of RMB927,000 (2022: RMB828,000) to the Hong Kong government and made a full provision for such claim in prior years (see note 20).

As at the end of the reporting period and up to the date of approval of these financial statements, apart from expressly stated elsewhere in these consolidated financial statements, the Group is a party to a number of civil litigations cases, as either a plaintiff or defendant. In the opinion of the Directors, these cases are either premature and/or the Group has a very high likelihood of success in its action and, therefore will not have any adverse impact on the Group's results and financial position. In the opinion of the Directors, adequate provision has been made in these consolidated financial statements.

29. 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.

30. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2023 RMB'000	2022 RMB'000
Financial assets		
Financial assets at amortised cost	17,342	25,702
Financial liabilities		
Financial liabilities at amortised cost	419,153	401,908

Notes to the Consolidated Financial Statements

For the year ended 30 June 2023

30. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, cash and cash equivalents, trade and other payables, borrowings, corporate bonds and lease liabilities. 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

(i) *Currency risk*

The functional currencies of certain subsidiaries are HK\$, MYR or RMB.

The companies of the Group mainly operated in their local jurisdiction with most of the transactions settled in their functional currencies of the operations and did not have significant exposure to risk resulting from changes in foreign currency exchange rates. However, certain bank loans, derivative financial instrument, bank balances and pledged bank deposits of the Group are denominated in currencies other than the functional currency of the respective subsidiaries which expose the Group to currency risk. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	Assets		Liabilities	
	2023 RMB'000	2022 RMB'000	2023 RMB'000	2022 RMB'000
US\$	189	455	97,926	96,150
MYR	61	1,942	–	2,934
	250	2,397	97,926	99,084

Notes to the Consolidated Financial Statements

For the year ended 30 June 2023

30. FINANCIAL INSTRUMENTS (Continued)

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

Market risk (Continued)

(i) Currency risk (Continued)

Sensitivity analysis

The following table details the Group's sensitivity to increase and decrease in RMB against the relevant foreign currencies. The increase or decrease in the foreign exchange rates in US\$ and MYR are the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates.

	Increase (decrease) in foreign exchange rate %	Effect on profit or loss after taxation RMB'000
As at 30 June 2023		
US\$	1 (1)	816 (816)
MYR	1 (1)	—* —*
As at 30 June 2022		
US\$	1 (1)	799 (799)
MYR	1 (1)	8 (8)

* Less than RMB1,000

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.

(ii) Interest risk

The Group is exposed to fair value interest rate risk in relation to 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.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2023

30. FINANCIAL INSTRUMENTS *(Continued)*

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

Market risk *(Continued)*

(ii) 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 (2022: 100 basis points) in interest rates, with all other variables held constant, would decrease/increase (2022: decrease/increase) the Group's profit after tax and retained profits by approximately RMB776,000 (2022: RMB758,000) 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 (2022: 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 2023.

In the opinion of the management, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposures at the end of the reporting period does not reflect the exposure during the year.

Credit risk

As at 30 June 2023 and 2022, 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 nil and 48% respectively (2022: 25% and 69%) of the total trade receivable as at 30 June 2023.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2023

30. FINANCIAL INSTRUMENTS *(Continued)*

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

Credit risk *(Continued)*

The Group has concentration of credit risk as 35% (2022: 40%) and 87% (2022: 83%) of the total trade receivables was due from the Group's largest customer and the five largest customers respectively.

The credit risk on the Group's liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

Expected credit loss

As part of the Group's credit risk management, the Group applied internal credit rating for its customers. Certain of the Group's trade receivables are grouped under a provision matrix based on shared credit risk characteristics by reference to past default experience and current past due exposure of the debtor.

The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort. Such forward-looking information is used by the management of the Group to assess both the current as well as the forecast direction of conditions at the reporting date. The grouping is regularly reviewed by the management of the Group to ensure relevant information about specific debtors is updated.

Liquidity risk

Despite uncertainties mentioned in note 2, the Directors have reviewed the Group's cash flow projections prepared by the management of the Company. The cash flow projections cover a period of not less than twelve months from 30 June 2023. They are of the opinion that, taking into account such 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 2023. 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.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2023

30. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and polices (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 2023						
Trade and other payables	73,475	–	–	–	73,475	73,475
Borrowings	193,375	23,880	3,082	–	220,337	206,588
Lease liabilities	171	589	217	1,393	2,370	1,334
Corporate bonds	98,294	31,511	12,180	–	141,985	137,756
	365,315	55,980	15,479	1,393	438,167	419,153
At 30 June 2022						
Trade and other payables	100,847	–	–	–	100,847	100,847
Borrowings	166,094	20,414	3,073	–	189,581	183,264
Lease liabilities	1,683	423	–	–	2,106	1,095
Corporate bonds	85,569	37,818	23,379	–	146,766	116,702
	354,193	58,655	26,452	–	439,300	401,908

Fair value measurement

The management considers that the carrying amounts of the financial assets and financial liabilities of the Group recorded at amortised cost in the consolidated financial statements at the end of each year approximate to their fair values. Such fair values have been determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2023

31. 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.

	At beginning of the year RMB'000	Financing cash flows RMB'000	Non-cash changes				At end of the year RMB'000
			Finance costs incurred RMB'000	New lease entered RMB'000	Foreign exchange movements RMB'000	Others RMB'000	
Interest payables (note 22)	17,481	(9,882)	12,830	–	108	(3,967)	16,570
Amounts due to a director and related companies (note 22)	55,322	(11,206)	–	–	110	–	44,226
Lease liabilities (note 17)	1,095	(399)	57	514	67	–	1,334
Borrowings (note 23)	183,264	17,585	–	–	8,219	(2,480)	206,588
Corporate bonds (note 24)	116,702	(4,413)	16,168	–	9,299	–	137,756
	373,864	(8,315)	29,055	514	17,803	(6,447)	406,474
Interest payables (note 22)	17,209	(9,955)	10,542	–	(315)	–	17,481
Amounts due to a director and related companies (note 22)	12,733	42,589	–	–	–	–	55,322
Lease liabilities (note 17)	820	(196)	61	440	(30)	–	1,095
Borrowings (note 23)	259,458	(80,044)	–	–	3,850	–	183,264
Corporate bonds (note 24)	99,697	(2,480)	15,996	–	3,489	–	116,702
	389,917	(50,086)	26,599	440	6,994	–	373,864

Notes to the Consolidated Financial Statements

For the year ended 30 June 2023

32. RELATED PARTY TRANSACTIONS AND BALANCES

(i) Transactions with related parties

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

	2023 RMB'000	2022 RMB'000
Sales of goods to related companies held by directors (note (a) below)	8,948	11,553
Gain on disposal of property, plant and equipment to a related company held by director (note (b) below)	–	118
Imputed interest payable to Controlling shareholder on corporate bonds	13,284	15,259

Notes:

(a) Mr. Wu Shaohao, a director of the Company is a director of this related company.

(b) Mr. Wu Shaohao and Wu Liantao, directors of the Company, are 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 2023 and 2022.

(iii) Compensation of key management personnel:

	2023 RMB'000	2022 RMB'000
Wages, salaries and other benefits	2,194	1,795
Discretionary bonuses and performance incentive payments	67	–
Contribution to defined contribution plans	62	39
	2,323	1,834

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

Notes to the Consolidated Financial Statements

For the year ended 30 June 2023

32. RELATED PARTY TRANSACTIONS AND BALANCES *(Continued)*

(iv) Guarantee for bank borrowings

As at 30 June 2023, Mr. Wu and a related company which held by Mr. Wu, provide a guarantee (equivalent to the outstanding loan amount and interests) to secure the loans borrowed by the Company with a carrying amount of RMB97,926,000 (2022: RMB96,150,000) (note 23).

33. PLEDGE OF ASSETS

At the end of the reporting period, the Group had pledged the following assets to the lenders to secure the credit facilities granted to the Group:

	2023 RMB'000	2022 RMB'000
Property, plant and equipment	51,853	31,775
Right-of-use assets	11,975	6,762
	63,828	38,537

Save as the pledged assets disclosed above, the issued shares of certain subsidiaries of the Company (note 35) of the Company were also pledged to secure borrowings of the Group as at 30 June 2023.

34. COMMITMENTS

Other than those disclosed elsewhere in these consolidated financial statements, the Group did not have any significant capital commitments at the end of the reporting period.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2023

35. 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		Principal activities
				2023	2022	
				%	%	
Directly held by the Company						
Sunshine Vocal Limited (note (a) below)	Ordinary shares	The BVI	US\$100,000	100	100	Investment holding
Rich Anges Limited (note (a) below)	Ordinary shares	The BVI	US\$1	100	100	Investment holding
Rui Er Summi Hong Kong (note (a) below)	Ordinary shares	Hong Kong	HK\$10,000	100	100	Inactive
Indirectly held by the Company						
Potel Limited (note (a) below)	Ordinary shares	Hong Kong	HK\$1	100	100	Investment holding
Manwell (China) Limited (note (a) below)	Ordinary shares	Hong Kong	HK\$1	100	100	Investment holding
Global One Management Limited	Ordinary shares	The BVI	US\$1	100	100	Investment holding
Summi (HK) Asia Limited (note (a) below)	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 (notes (a) and (c) below)	Contributed capital	The PRC	RMB80 million	100	100	Manufacturing and selling of FCOJ in the PRC
三明森美食品有限公司 Sanming Summi Food Co. Limited (notes (a) and (c) below)	Contributed capital	The PRC	RMB10 million	100	100	Manufacturing and selling of FCOJ in the PRC
重慶天邦食品有限公司 Chongqing Tianbang Food Co. Limited (notes (a) and (b) below)	Contributed capital	The PRC	HK\$80 Million	100	100	Manufacturing and selling of FCOJ in the PRC
懷化歐勁果業有限公司 Huaihua Oujin Fruit Co., Ltd (notes (a) and (b) below)	Contributed capital	The PRC	RMB30 million	100	100	Manufacturing and selling of FCOJ in the PRC

Notes to the Consolidated Financial Statements

For the year ended 30 June 2023

35. 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
				2023 %	2022 %	
重慶尚果農業科技有限公司 Chongqing Shangguo Fruit Technology Co, Ltd. (notes (a) and (b) below)	Contributed capital	The PRC	RMB35 million	100	100	Manufacturing and selling of Summi fresh orange juice in the PRC
廈門晨毅商貿有限公司 Xiamen Chenyi Trading Co., Ltd. (note (c) below)	Contributed capital	The PRC	RMB5 million	–	100	Sale of Summi fresh orange juice in the PRC
Rui Er Summi BVI Ltd (note (a) below)	Ordinary shares	The BVI	US\$50,000	100	100	Investment holding
Summi (Malaysia) Trading Sdn. Bhd.	Registered capital	Malaysia	Malaysia Ringgit 10,000 (note (d) below)	100	100	Sale of food and beverage products in Malaysia
郴州森美橙園投資發展有限公司 Chenzhou Summi Orange Plantation Investment Development Co., Ltd (notes (a) and note (b) below)	Contributed capital	The PRC		100	100	Manufacturing and selling of Summi fresh orange juice in the PRC
瀋陽森美地產開發有限責任公司 Shenyang Summi Real Estate Development Co. Limited ("Shenyang Summi Real Estate") (note (b) below)	Registered capital	The PRC	RMB10 million	51	51	Investment holding
上海瑞爾森美企業管理有限公司 Shanghai Rui Er Summi Enterprise Management Co. Limited ("Shanghai Rui Er") (note (b) below)	Registered capital	The PRC	(note (e) below)	100	100	Investment holding
上海橙譯酒業有限責任公司 (前稱上海瑞森美爾貿易有限公司) Shanghai Orange Translation Wine Co., Ltd. (the former name known as: Shanghai Ruisenmeier Trading Co., Ltd.) ("Shanghai Orange") (note (b) below)	Registered capital	The PRC	(note (f) below)	100	100	Investment holding

Notes to the Consolidated Financial Statements

For the year ended 30 June 2023

35. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (Continued)

General information of subsidiaries (Continued)

Notes:

- a. The issued shares of these subsidiaries of the Company were pledged to secured borrowings of the Group as at 30 June 2023 and 2022.
- b. Companies incorporated as private limited liability companies in the PRC.
- c. The entity was deregistration on 5 July 2022.
- d. Pursuant to the Article of the company, the Company agreed to contribute capital funds of HK\$200,000,000 to the company. Till to the date of this report, the Company have not yet been contributed the capital funds to the company.
- e. Pursuant to the Article of the company, the Company agreed to contribute capital funds of RMB10,000,000 to the company. Till to the date of this report, the Company have not yet been contributed the capital funds to the company.
- f. The entity was incorporated on 18 May 2021 and acquired by the Group on 1 September 2021 through share transfer. Pursuant to the Article of the company, the Company agreed to contribute capital funds of RMB1,000,000 to the company. Till to the date of this report, the Company have not yet been contributed the capital funds to the company.

Details of non-wholly-owned subsidiary that have material non-controlling interests

The table below shows details of non-wholly-owned subsidiaries of the Group that have material non-controlling interests:

Name of subsidiary	Place of incorporation and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests		Loss allocated to non-controlling interests		Accumulated non-controlling interests	
		2023	2022	2023	2022	2023	2022
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Shenyang Summi Real Estate	The PRC	51%	51%	(9)	(9)	(176)	(167)

Notes to the Consolidated Financial Statements

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36. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	2023 RMB'000	2022 RMB'000
Non-current assets		
Interest in subsidiaries	–*	–*
Property, plant and equipment	6	12
	6	12
Current assets		
Other receivables	4,232	9,571
Cash and cash equivalents	2,539	2,441
	6,771	12,012
Current liabilities		
Other payables	7,199	6,255
Borrowings	100,893	98,879
Amounts due to subsidiaries	146,184	117,859
Corporate bonds	114,785	81,423
	369,061	304,416
Net current liabilities	(362,290)	(292,404)
Total assets less current liabilities	(362,284)	(292,392)
Non-current liability		
Corporate bonds	22,971	35,279
Net liabilities	(385,255)	(327,671)
Capital and reserves		
Share capital	19,341	19,341
Reserves	(404,596)	(347,012)
Deficiency of shareholders' equity	(385,255)	(327,671)

* Less than RMB1,000.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2023

36. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

(Continued)

The movements of the Company's reserves during the years ended 30 June 2023 and 2022 are as follows:

	Share premium RMB'000	Capital reserve RMB'000	Exchange reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
As at 1 July 2021	557,185	34,078	45,581	(951,588)	(314,744)
Loss for the year	–	–	–	(22,487)	(22,487)
Other comprehensive expense for the year					
– Exchange differences arising on translation of foreign operations	–	–	(9,781)	–	(9,781)
Total comprehensive expense for the year	–	–	(9,781)	(22,487)	(32,268)
As at 30 June 2022	557,185	34,078	35,800	(974,075)	(347,012)
Loss for the year	–	–	–	(27,927)	(27,927)
Other comprehensive expense for the year					
– Exchange differences arising on translation of foreign operations	–	–	(29,657)	–	(29,657)
Total comprehensive expense for the year	557,185	34,078	(29,657)	(27,927)	(57,584)
As at 30 June 2023	557,185	34,078	6,143	(1,002,002)	(404,596)

37. EVENTS AFTER THE REPORTING PERIOD

Save as disclosed elsewhere in these consolidated financial statements, the Company did not have any significant events subsequent to 30 June 2023.

Five Years Financial Summary

For the year ended 30 June 2023

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 2023 RMB'000	Year ended 30 June 2022 RMB'000	Year ended 30 June 2021 RMB'000	Year ended 30 June 2020 RMB'000	Year ended 30 June 2019 RMB'000
Revenue	21,366	30,172	111,168	50,993	57,101
(Loss) profit for the year	(26,998)	(39,816)	(48,518)	315,416	(2,383,670)

Assets and liabilities

	2023 RMB'000	2022 RMB'000	2021 RMB'000	2020 RMB'000	2019 RMB'000
Total assets	121,607	143,913	177,284	190,346	234,563
Total liabilities	419,153	401,908	414,027	521,253	895,417