上海大生農業金融科技股份有限公司

Shanghai Dasheng Agriculture Finance Technology Co., Ltd.

(a joint stock company incorporated in the People's Republic of China with limited liability)

(Stock code: 1103)

PRELIMINARY ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31 DECEMBER 2018

HIGHLIGHTS

1. The revenue of the Group decreased by approximately 86.07% from approximately RMB14,445,544,000 to approximately RMB2,011,870,000 as compared to last year.

2. Loss attributable to the owners of the Company increased by approximately 30.7% from approximately RMB1,520,116,000 to approximately RMB1,986,782,000 as compared to last year.

The board of directors (the "Board") of Shanghai Dasheng Agriculture Finance Technology Co., Ltd. (the "Company") announces the audited consolidated results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2018 together with the comparative figures for 2017, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2018

	Notes	**2018** ***RMB'000***	2017 *RMB'000* (Restated)
Continuing operations			
Revenue	*3*	**2,011,870**	14,445,544
Cost of sales		**(1,828,094)**	(13,837,640)
Gross profit		**183,776**	607,904
Other income	*4a*	**56,820**	58,372
Other gains and losses	*4b*	**(34,919)**	8,248
Distribution costs		**(60,118)**	(26,889)
Administrative and other expenses		**(216,489)**	(174,271)
Gain on bargain purchase	*14*	**532,069**	–
Impairment losses, net of reversal		**(2,279,627)**	(2,079,618)
Share of (loss) profit of associates		**(1,914)**	4,774
Loss on disposal of subsidiaries		**(18,080)**	–
Finance costs	*5*	**(151,249)**	(59,282)
Loss before tax		**(1,989,731)**	(1,660,762)
Income tax expense	*7*	**(15,362)**	(130,536)
Loss for the year from continuing operations	*6*	**(2,005,093)**	(1,791,298)
Discontinued operations			
(Loss) profit for the year from discontinued operations, net of income tax	*8*	**(161,286)**	117,244
Loss for the year		**(2,166,379)**	(1,674,054)
Other comprehensive (expense) income			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**(4,125)**	3,320
Fair value loss on available-for-sale financial assets		**–**	(3,265)
		(4,125)	55
Items that will not be reclassified to profit or loss:			
Fair value gain on equity instruments at fair value through other comprehensive income		**1,992**	–
Other comprehensive (expense) income for the year, net of income tax		**(2,133)**	55
Total comprehensive expense for the year		**(2,168,512)**	(1,673,999)

	Notes	2018 RMB'000	2017 RMB'000 (Restated)
Loss for the year attributable to owners of the Company			
– from continuing operations		**(1,915,535)**	(1,502,169)
– from discontinued operations		**(71,247)**	(17,947)
		(1,986,782)	(1,520,116)
(Loss) profit for the year attributable to non-controlling interests			
– from continuing operations		**(89,558)**	(289,131)
– from discontinued operations		**(90,039)**	135,193
		(179,597)	(153,938)
		(2,166,379)	(1,674,054)
Total comprehensive expense for the year attributable to:			
– Owners of the Company		**(1,988,881)**	(1,519,423)
– Non-controlling interests		**(179,631)**	(154,576)
		(2,168,512)	(1,673,999)
Loss per share	9		(Restated)
From continuing and discontinued operations			
– Basic and diluted (RMB)		**(0.209)**	(0.179)
From continuing operations			
– Basic and diluted (RMB)		**(0.202)**	(0.177)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2018

	Notes	2018 *RMB'000*	2017 *RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**881,174**	129,084
Prepaid lease payments		**97,179**	8,728
Investment properties		–	594,362
Goodwill		–	74,363
Intangible assets		**13,105**	367,606
Interests in associates		**41,300**	90,315
Interests in a joint venture		–	1,601
Equity instruments at fair value through other comprehensive income		**10,776**	–
Available-for-sale financial assets		–	20,785
Trade and other receivables	*11*	**88,003**	965,543
Deferred tax assets		**376**	49,020
		1,131,913	2,301,407
CURRENT ASSETS			
Inventories		**282,604**	118,444
Prepaid lease payments		**2,657**	–
Trade and other receivables	*11*	**1,271,708**	4,624,325
Amounts due from customers for contract work		–	30,070
Restricted bank deposits		**211,351**	766,068
Bank balances and cash		**58,394**	563,296
		1,826,714	6,102,203
Assets classified as held for sale	*8*	**4,177,807**	–
		6,004,521	6,102,203

	Notes	2018 RMB'000	2017 RMB'000
CURRENT LIABILITIES			
Trade and other payables	*12*	**1,258,597**	2,737,519
Amounts due to customers for contract work		**–**	60,473
Contract liabilities		**238,216**	–
Borrowings		**2,125,947**	2,423,199
Tax liabilities		**85,718**	139,856
TOTAL CURRENT LIABILITIES		**3,708,478**	5,361,047
Liabilities associated with assets classified as held for sale	*8*	**2,617,142**	–
		6,325,620	5,361,047
NET CURRENT (LIABILITIES) ASSETS		**(321,099)**	741,156
TOTAL ASSETS LESS CURRENT LIABILITIES		**810,814**	3,042,563
NON-CURRENT LIABILITIES			
Other payables – non-current	*12*	**6,346**	5,315
Borrowings		**447,745**	500,000
Deferred tax liabilities		**60,304**	134,166
TOTAL NON-CURRENT LIABILITIES		**514,395**	639,481
NET ASSETS		**296,419**	2,403,082
CAPITAL AND RESERVES			
Share capital	*13*	**955,108**	863,308
Reserves		**(755,858)**	1,179,214
Equity attributable to owners of the Company		**199,250**	2,042,522
Non-controlling interests		**97,169**	360,560
TOTAL EQUITY		**296,419**	2,403,082

NOTES:

1. BASIS OF PREPARATION

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with all applicable HKFRSs (as defined below), Hong Kong Accounting Standards ("HKASs") and interpretations (hereinafter collectively referred to as the "HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

(b) Going concern basis

For the year ended 31 December 2018, the Group reported loss attributable to the owners of the Company of approximately RMB1,986,782,000 and had significant net cash used in operating activities. As at 31 December 2018, the Group's current liabilities exceed its current assets of approximately RMB321,099,000 and total borrowings amounted to approximately RMB2,573,692,000, of which approximately RMB2,125,947,000 were classified as current liabilities, while its cash and cash equivalents amounted to approximately RMB58,394,000 only.

(i) The Group has been negotiating with a number of banks and other financial institutions for renewal and extension of bank and other borrowings. Specifically, the Group is in negotiations with the lenders to extend the repayment dates of the overdue borrowings and interests thereon.

(ii) The Company has intended to sell the equity interest in Nantong Road and Bridge Engineering Co., Ltd* (南通路橋工程有限公司) ("Nantong Road and Bridge"). The Company is currently seeking methods to dispose of its equity interest of Nantong Road and Bridge.

The Directors are of the opinion that the Group would be able to have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due for a period of not less than the next twelve months from 31 December 2018 after taking into consideration the following measures:

Accordingly, the Directors are of the opinion that it is appropriate to prepare these consolidated financial statements for the year ended 31 December 2018 on a going concern basis. The consolidated financial statements do not include any adjustments that would result from the failure of the Group to obtain sufficient future funding. Should the Group be unable to continue to operate as a going concern, adjustments would have to be made to reduce the carrying amounts of the assets of the Group to their recoverable amounts, to provide for further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities, respectively.

* *For illustrative purpose only*

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

New and Amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following amendments to HKFRSs issued by HKICPA for the first time in the current year:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC)-Interpretation ("Int") 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014-2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

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

2.1 HKFRS 15 Revenue from Contracts with Customers

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

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

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

- Road and bridge construction
- Sales of petrochemical and agricultural products
- Agricultural big-data services
- Agrochemical products supply chain services
- Cold chain logistics services

Information about the Group's performance obligations and the accounting policies resulting from application of HKFRS 15 are disclosed in the consolidated financial statements.

Summary of effects arising from initial application of HKFRS 15

There is no material impact of transition to HKFRS 15 on accumulated losses at 1 January 2018.

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 January 2018. Line items that were not affected by the changes have not been included.

	Notes	Carrying amount previously reported at 31 December 2017	Reclassification	Carrying amount under HKFRS 15 at 1 January 2018*
		RMB'000	*RMB'000*	*RMB'000*
Current assets				
Contract assets	*(a)*	–	30,070	30,070
Amounts due from customers for contract work	*(a)*	30,070	(30,070)	–
Current liabilities				
Trade and other payables	*(b)*	2,737,519	(72,538)	2,664,981
Contract liabilities		–	133,011	133,011
Amounts due to customers for contract work	*(a)*	60,473	(60,473)	–

The following tables summarise the impacts of applying HKFRS 15 on the Group's consolidated statement of financial position as at 31 December 2018 for each of the line items affected. Line items that were not affected by the changes have not been included.

Impact on the consolidated statement of financial position

	As reported	Adjustments	Amounts without application of HKFRS 15
	RMB'000	*RMB'000*	*RMB'000*
Current liabilities			
Trade and other payables	1,258,597	238,216	1,496,813
Contract liabilities	238,216	(238,216)	–

(a) In relation to construction contracts previously accounted under HKAS 11, the Group continues to apply input method in estimating the performance obligations satisfied up to date of initial application of HKFRS 15. Amount of approximately RMB30,070,000 and approximately RMB60,473,000 represent due from/to customers for contract work were reclassified to contract assets and contract liabilities respectively.

(b) As at 1 January 2018, advances from customers of approximately RMB72,538,000 previously included in trade and other payables were reclassified to contract liabilities.

* The amounts in this column are before the adjustments from application of HKFRS 9.

2.2 HKFRS 9 Financial Instruments

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

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the classification and measurement requirements (including impairment under ECL model) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognised in the opening accumulated losses and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 *Financial Instruments: Recognition and Measurement*.

Accounting policies resulting from application of HKFRS 9 are disclosed in the consolidated financial statement.

Summary of effects arising from initial application of HKFRS 9

The table below illustrates the classification and measurement of financial assets and financial liabilities and other items subject to ECL under HKFRS 9 and HKAS 39 at the date of initial application, 1 January 2018.

	Note	Available-for-sale ("AFS") financial assets	Held-to-maturity financial assets	Equity instruments at Fair Value Through Other Comprehensive Income ("FVTOCI")	Financial assets at amortised cost (previously classified as loans and receivables)	Contract assets	Financial liabilities at amortised cost	AFS/ FVTOCI reserve	Accumulated loss	Non-controlling interests
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Closing balance at 31 December 2017 – HKAS 39		20,785	30,826	–	6,790,281	–	5,592,956	3,015	(770,875)	360,560
Effect arising from initial application of HKFRS 15		–	–	–	–	30,070	(72,538)	–	–	–
Effect arising from initial application of HKFRS 9:										
Reclassification										
From available-for-sale	*(a)*	(20,785)	–	20,785	–	–	–	–	–	–
From held-to-maturity	*(b)*	–	(30,826)	–	30,826	–	–	–	–	–
Remeasurement										
Impairment under ECL model	*(c)*	–	–	–	(664,858)	–	–	–	(547,196)	(117,662)
Opening balance at 1 January 2018		–	–	20,785	6,156,249	30,070	5,520,418	3,015	(1,318,071)	242,898

(a) AFS financial assets

From AFS equity investments to FVTOCI

The Group elected to present in OCI for the fair value changes of all its equity investments previously classified as AFS financial assets. These investments are not held for trading and not expected to be sold in the foreseeable future. At the date of initial application of HKFRS 9, approximately RMB20,785,000 were reclassified from AFS financial assets to financial assets at FVTOCI, of which RMB15,800,000 related to unquoted equity investments previously measured at cost less impairment under HKAS 39. No fair value change relating to those unquoted equity investments previously carried at cost less impairment was adjusted to equity instruments at FVTOCI and FVTOCI reserve as at 1 January 2018. The fair value gain of approximately RMB3,015,000 relating to those investments previously carried at fair value continued to accumulated in FVTOCI reserve.

(b) Held-to-maturity financial assets

Unlisted bond previously classified as held-to-maturity financial assets are reclassified and measured at amortised cost upon application of HKFRS 9. The Group intends to hold the assets to maturity to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding. There was no difference between the previous carrying amount and the revised carrying amount at 1 January 2018.

(c) Impairment under ECL model

The Group applies the HKFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all contract assets, trade receivables and lease receivables. Contract assets, trade receivables and lease receivables which have significant increase in credit risk since initial recognition have been assessed individually, except the remaining balances as grouped based on past due analysis. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group has therefore estimated the expected loss rates for the trade receivables and the contract assets on the same basis.

ECL for other financial assets at amortised cost, including pledged bank deposits, bank balances, factoring loan receivables and other receivables, are assessed on 12-month ECL (the "12m ECL") basis as there had been no significant increase in credit risk since initial recognition, except for certain other receivables which are assessed and measured on lifetime ECL basis as those credit risk had increased significantly since initial recognition.

As at 1 January 2018, additional credit loss allowance of approximately RMB547,196,000 and approximately RMB117,662,000 have been recognised against accumulated losses and non-controlling interest respectively. The additional loss allowance is charged against the respective asset.

All loss allowances, including trade receivables, finance lease receivables, factoring loan receivables and other receivables, as at 31 December 2017 reconciled to the opening loss allowances as at 1 January 2018 are as follows:

	Trade receivables	Finance lease receivables	Factoring loan receivables	Other receivables	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2017 – HKAS 39	929,595	158,808	1,130,162	53,376	2,271,941
Amounts remeasured through opening accumulated losses	(231,376)	(93,688)	1,035,368	(45,446)	664,858
Opening balance at 1 January 2018	698,219	65,120	2,165,530	7,930	2,936,799

2.3 *Impacts on opening consolidated statement of financial position arising from the application of all new standards*

As a result of the changes in the Group's accounting policy above, the opening consolidated statement of financial position had been restated. The following table show the adjustments recognised for each of the line items affected. Line item that were not affected by the changes have not been included.

	31 December 2017	HKFRS 15	HKFRS 9	1 January 2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(Audited)			(Restated)
NON-CURRENT ASSETS				
Available-for-sale financial assets	20,785	–	(20,785)	–
Equity instruments at FVTOCI	–	–	20,785	20,785
Trade and other receivables	965,543	–	26,452	991,995
CURRENT ASSETS				
Trade and other receivables	4,624,325	–	(691,310)	3,933,015
Contract assets	–	30,070	–	30,070
Amounts due from customers for contract work	30,070	(30,070)	–	–
CURRENT LIABILITIES				
Trade and other payables	2,737,519	(72,538)	–	2,664,981
Contract liabilities	–	133,011	–	133,011
Amounts due to customers for contract work	60,473	(60,473)	–	–
CAPITAL AND RESERVES				
Reserves	1,179,214	–	(547,196)	632,018
Non-controlling interests	360,560	–	(117,662)	242,898

New and amendments to HKFRSs in issue but not yet effective

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

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

1 Effective for annual periods beginning on or after 1 January 2019.

2 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.

3 Effective for annual periods beginning on or after 1 January 2020.

4 Effective for annual periods beginning on or after 1 January 2021.

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

Except for the new and amendments to HKFRSs and interpretations mentioned in the consolidated financial statements, the Directors of the Company (the "Directors") anticipate that the application of all other new and amendments to HKFRSs and interpretations will have no material impact on the consolidated financial statements in the foreseeable future.

3. OPERATING SEGMENTS

Information reported to the board of directors of the Company (the "Board"), being the chief operating decision maker ("CODM"), for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided. No operating segments identified by the CODM have been aggregated in arriving at the reportable segments of the Group.

During the year ended 31 December 2018, "Agrochemical products supply chain services" became a new operating activity of the Group and it is separately assessed by the CODM. Therefore, it is reported as a new reportable and operating segment.

The Group now has four reportable segments. The segments are managed separately as each business offers different products and services and requires different business strategies. The following summary describes the operations in each of the Group's reportable segments:

- Sale of petrochemical and agricultural products (including chemical fertilizers, fuel oil, mixed aromatics, white sugar, food products and frozen products)
- Financial leasing and commercial factoring
- Agricultural big-data services – provision of software related services, collection and transportation and other services, including installation and technical support of payment platform systems
- Agrochemical products supply chain services – production and sale of pesticides and chemical products

Operating segments regarding the road and bridge construction and cold chain logistics services were discontinued during the year ended 31 December 2018. The segment information reported below does not include any amounts for these discontinued operations, which are described in more details in the consolidated financial statements.

The following is an analysis of the Group's revenue and results from continuing operations and an analysis of the Group's assets and liabilities by reportable and operating segments:

For the year ended 31 December 2018

Continuing operations

	Agricultural and petrochemical products supply chain services *RMB'000*	**Financial leasing and commercial factoring** *RMB'000*	**Agricultural big-data services** *RMB'000*	**Agrochemical products supply chain services** *RMB'000*	**Assets Held for Sale** *RMB'000*	**Total** *RMB'000*
Reportable segment revenue from extended customer	**1,118,952**	**51,078**	**14,974**	**826,866**	**–**	**2,011,870**
Reportable segment (loss) profit	**(1,740,788)**	**(317,950)**	**(229,211)**	**282,856**	**–**	**(2,005,093)**
Reportable segment assets	**700,823**	**407,585**	**254,232**	**1,595,987**	**4,177,807**	**7,136,434**
Reportable segment liabilities	**(1,709,100)**	**(940,000)**	**(250,970)**	**(1,322,803)**	**(2,617,142)**	**(6,840,015)**

For the year ended 31 December 2017

Continuing operations

	Road bridge construction *RMB'000*	Cold chain logistic services *RMB'000*	Agricultural and petrochemical products supply chain services *RMB'000*	Financial leasing and commercial factoring *RMB'000*	Agricultural big-data services *RMB'000*	Total *RMB'000*
Reportable segment revenue from external customers	–	–	14,046,017	377,913	21,614	14,445,544
Reportable segment loss	–	–	(591,983)	(1,094,426)	(104,889)	(1,791,298)
Reportable segment assets	3,104,010	758,237	1,471,416	2,517,325	552,622	8,403,610
Reportable segment liabilities	(1,976,814)	(81,026)	(2,114,536)	(1,533,041)	(295,111)	(6,000,528)

4a. OTHER INCOME

	2018	2017
	RMB'000	*RMB'000*
		(Restated)
Continuing operations		
Gross rental income from investment properties	**2,117**	1,822
Supply of utilities	**15,968**	–
Sales of scrap and other materials	**8,209**	–
Rental income from machineries and sub-lease property	**1,190**	2,798
Interest income	**6,851**	34,980
Government grants	**16,271**	10,949
Referral fees	**624**	2,421
Others	**5,590**	5,402
	56,820	58,372

4b. OTHER GAINS OR LOSSES

	2018	2017
	RMB'000	*RMB'000*
		(Restated)
(Loss) gain on disposals of property, plant and equipment, net	**(6,956)**	5
Gain on disposals of associates	**–**	8,243
Written off of trade and other receivables	**(42,182)**	–
Gain on disposals of prepaid lease payments	**2,412**	–
Gain on disposals of investment properties	**11,807**	–
	(34,919)	8,248

5. FINANCE COSTS

	2018	2017
	RMB'000	*RMB'000*
		(Restated)
Continuing operations		
Interest expense on borrowings	**149,474**	41,565
Interest expense on discounted commercial notes	**–**	1,456
Others	**1,775**	16,261
Total finance costs	**151,249**	59,282

6. LOSS FOR THE YEAR

Loss for the year from continuing operations is arrived at after charging:

	2018	2017
	RMB'000	*RMB'000*
		(Restated)
Continuing operations		
Auditor's remuneration	**5,107**	1,542
Cost of inventories recognised as expenses	**1,781,668**	13,739,478
Amortisation of intangible assets	**915**	134
Amortisation of prepaid land leases	**1,922**	–
Depreciation of property, plant and equipment	**66,525**	5,100
Depreciation of investment properties	**227**	908
Research and development costs recognised as expense	**45,209**	–
Operating lease rental expenses in respect of:		
– Land and buildings	**7,104**	12,537

7. INCOME TAX EXPENSES

	2018	2017
	RMB'000	*RMB'000*
		(Restated)
Continuing operations		
Current income tax:		
PRC enterprise income tax ("EIT")	**458**	102,634
Under (over)-provision in prior years, net		
EIT	**12,306**	(7,601)
	12,764	95,033
Deferred tax	**2,598**	35,503
	15,362	130,536

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both years.

One of the Company's subsidiaries has obtained the qualification of High and New Technology Enterprise from the relevant PRC government authorities and subject to a preferential tax rate of 15%.

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 gazette on the following day. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of the qualifying group entities 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%.

The Directors considered the amount involved upon implementation of the two-tiered profits tax rates regime as insignificant to the consolidated financial statements. Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

8. DISCONTINUED OPERATIONS AND DISPOSAL GROUP HELD FOR SALE

The profit (loss) for the year from discontinued operations is set out below:

		2018	2017
	Notes	***RMB'000***	*RMB'000*
Profit (loss) for the year from:			
Construction of roads and bridges operation	*(a)*	**29,934**	105,882
Cold chain logistics services operation	*(b)*	**(191,220)**	11,362
		(161,286)	117,244

Assets classified as held for sale is set out below:

	Notes	2018 RMB'000	2017 RMB'000
Assets classified as held for sale related to:			
Construction of roads and bridges operation	*(a)*	**3,613,278**	–
Cold chain logistics services operation	*(b)*	**527,400**	–
Interest in an associate	*(c)*	**33,000**	–
Prepaid lease payments		**4,129**	–
		4,177,807	–

Liabilities associated with assets classified as held for sale is set out below:

	Notes	2018 RMB'000	2017 RMB'000
Liabilities associated with assets classified as held for sale related to:			
Construction of roads and bridges operation	*(a)*	**2,458,369**	–
Cold chain logistics services operation	*(b)*	**158,773**	–
		2,617,142	–

Notes:

(a) Construction of roads and bridges operation

On 21 May 2018, 4 July 2018, 5 September 2018, 7 November 2018, 12 December 2018 and 14 January 2019, the Group entered into an investment framework agreement (the "IF Agreement") and five subsequent supplemental agreements to the IF Agreement with an independent third party in relation to the possible disposal of certain equity interest of Nantong Road and Bridge, a 91.3% owned subsidiary of the Company, which carried out the Group's construction of roads and bridges operation in the PRC.

Per the announcement of the Company dated 20 February 2019, the validity period of the IF Agreement and the exclusivity period have expired and the parties to the Agreements have not entered into any formal agreement. Given the lapse of time since the entering into of the IF Agreement, the Company decided not to extend the exclusivity period arrangement in relation to the possible disposal after comprehensive consideration. The Company will continue to seek alternative methods to dispose of its equity interest in Nantong Road and Bridge.

The assets and liabilities attributable to this business, which are expected to be sold within twelve months, have been classified as a disposal group held for sale and are presented separately in the consolidated statement of financial position (see below). The net proceeds of disposal are expected to exceed the net carrying amount of the relevant assets and liabilities and accordingly, no impairment loss has been recognised.

The profit for the year from the discontinued construction of roads and bridges operation is set out below. The comparative figures in the consolidated statement of profit or loss and other comprehensive income have been restated to re-present the construction of roads and bridges operation as a discontinued operation.

	2018	2017
	RMB'000	*RMB'000*
Revenue	**2,007,963**	1,768,836
Cost of sales	**(1,900,981)**	(1,496,784)
Other income and gains	**10,444**	4,390
Distribution costs	**–**	–
Administrative and other expenses	**(25,041)**	(25,016)
Reversal of impairment loss on trade and other receivables, net of impairment	**11,441**	–
Impairment loss on intangible assets	**(22,000)**	–
Impairment loss on trade and other receivable	**–**	(97,441)
Share of (loss) profit of a joint venture	**(2,121)**	501
Finance costs	**(31,353)**	(11,000)
Profit before tax	**48,352**	143,486
Income tax expense	**(18,418)**	(37,604)
Profit for the year	**29,934**	105,882
Profit for the year from discontinued construction of roads and bridges operation includes the following:		
Gain on disposal of property, plant and equipment, net	**16**	304
Auditor's remuneration	**19**	923

During the year ended 31 December 2018, the construction of roads and bridges operation contributed RMB162,428,000 (2017: RMB233,524,000) to the Group's net operating cash flows, paid RMB255,887,000 (2017: RMB279,000,000) in respect of investing activities and contributed RMB88,968,000 (2017: RMB218,491,000) in respect of financing activities.

The major classes of assets and liabilities of the construction of roads and bridges operation as at 31 December 2018, which have been presented separately in the consolidated statement of financial position, are as follows:

	2018
	RMB'000
Property, plant and equipment	**79,745**
Prepaid lease payments	**8,531**
Investment properties	**20,425**
Goodwill	**16,930**
Intangible assets	**131,528**
Interests in a joint venture	**122,589**
Financial assets at fair value through profit or loss	**32,000**
Equity instruments at FVTOCI	**5,000**
Trade and other receivables	**2,688,261**
Deferred tax assets	**54,679**
Inventories	**76,136**
Contract assets	**96,637**
Restricted bank deposits	**107,374**
Bank balances and cash	**173,443**
Assets classified as held for sale	**3,613,278**
Trade and other payables	**1,532,388**
Contract liabilities	**87,819**
Borrowings	**770,608**
Tax liabilities	**28,880**
Deferred tax liabilities	**38,674**
Liabilities associated with assets classified as held for sale	**2,458,369**

(b) Cold chain logistics services operation

On 19 June 2018, Nanjing Dasheng Cold Chain Logistics Co., Limited* (南京大生冷鏈物流股份有限公司) ("Nanjing Dasheng"), a non-wholly owned subsidiary of the Company, issued and filed a statement of claim (the "Nanjing Dasheng Statement of Claim"), against Shanghai Dasheng Agro-chemical Co., Ltd* (上海大生農化有限公司) ("Shanghai Agro-chemical"), a wholly-owned subsidiary of the Company, under the Nanjing Intermediate People's Court of Jiangsu Province* (江蘇省南京市中級人民法院) ("Nanjing Court") for a breach of working capital loan agreement due to default in repayment of loan in a principal amount of RMB209,405,219 and all related interests (the "Nanjing Dasheng Loan") (the "Nanjing Dasheng Legal Proceedings").

* *For illustrative purpose only*

Pursuant to a civil mediation order issued by the Nanjing Court and settlement agreements subsequently entered into among Nanjing Dasheng, the Company and Shanghai Agro-chemical on 16 August 2018 and 30 August 2018 (collectively, the "Civil Mediation Agreements"), Shanghai Agro-chemical was required to repay Nanjing Dasheng approximately RMB210,500,000 in aggregate by two installments prior to 15 September 2018 and 31 December 2018, respectively.

As Shanghai Agro-chemical failed to settle the first installment prior to 15 September 2018, pursuant to the Civil Mediation Agreements, Nanjing Dasheng was entitled to apply to the Nanjing Court for immediate enforcement of claims and was entitled the priority of compensation claims against proceeds from auction or realisation of the Company's interest in the shares of Nanjing Bao Ze Equity Investment Fund Co., Limited* (南京寶澤股權投資基金股份有限公司) ("Bao Ze") pledged under the Nanjing Dasheng Loan for debt repayment (the "Bao Ze Pledged Shares").

As the Company failed to realise the Bao Ze Pledged Shares by selling to a third-party prior to 15 November 2018, according to the arrangements approved by the Nanjing Court, the Nanjing Court would initiate an auction procedure to dispose of the Bao Ze Pledged Shares to settle the outstanding debt under the Nanjing Dasheng Loan accordingly. The Company has been informed by the Nanjing Court that an auction announcement has been published on the network platform of Alibaba Judicial Auction* (sf.taobao.com) (the "Ali Auction") by the Nanjing Court on 15 November 2018 to put the Bao Ze Pledged Shares on auction during the period from 20 December 2018 to 21 December 2018 (the "Auction Period") through the network platform of Ali Auction.

On 21 December 2018, the Company noticed from the network platform of Ali Auction that the auction during the Auction Period in relation to the Bao Ze Pledged Shares was not successful. On 27 December 2018, a second auction announcement has been published on Ali Auction by the Nanjing Court putting the Bao Ze Pledged Shares on auction (the "Second Auction") during the period from 17 January 2019 to 18 January 2019 through the network platform of Ali Auction.

The Second Auction of the Bao Ze Pledged Shares, during the period from 17 January 2019 to 18 January 2019 through the network platform of Ali Auction, have been successfully closed. On 19 February 2019, the Company received an execution ruling dated 21 January 2019 from the Nanjing Court in relation to the successful auction of the Bao Ze Pledged Shares (the "Auction Execution Ruling"). According to the Auction Execution Ruling, Nanjing Dasheng, being the successful bidder, is eligible to initiate the transfer of the Company's interest in the Bao Ze Pledged Shares on the date of receipt of the Auction Execution Ruling. Upon the completion of the transfer of the Bao Ze Pledged Shares, Bao Ze and its subsidiaries, which carried out the Group's cold chain logistics services operation in the PRC, will no longer be a subsidiary of the Company.

The assets and liabilities attributable to this business, which are expected to be sold within twelve months, have been classified as a disposal group held for sale and are presented separately in the consolidated statement of financial position (see below).

* *For illustrative purpose only*

The loss for the year from the discontinued cold chain logistics services operation is set out below. The comparative figures in the consolidated statement of profit or loss and other comprehensive income have been restated to re-present the cold chain logistics services operation as a discontinued operation.

	2018	2017
	RMB'000	*RMB'000*
Revenue	**69,685**	58,511
Cost of sales	**(42,393)**	(28,664)
Other income and gains	**5,555**	2,169
Distribution costs	**(1,053)**	(331)
Administrative and other expenses	**(31,040)**	(21,793)
Reversal of impairment loss on trade and other receivables	**1,010**	–
Impairment loss on trade and other receivables	**–**	(1,595)
Finance costs	**(6,686)**	(1,586)
(Loss) profit of the discontinued operation	**(4,922)**	6,711
Impairment loss on a disposal group classified as held for sale	**(188,877)**	–
(Loss) profit before tax	**(193,799)**	6,711
Income tax credit	**2,579**	4,651
(Loss) profit for the year	**(191,220)**	11,362
(Loss) profit for the year from discontinued cold chain logistics services operations includes the following:		
Gain on disposal of property, plant and equipment, net	**367**	–
Auditor's remuneration	**27**	–

During the year, the cold chain logistics services operation occupied approximately RMB59,470,000 (2017: RMB8,596,000) in respect of the Group's net operating cash flows, contributed approximately RMB2,226,000 (2017: RMB10,281,000) in respect of investing activities and contributed approximately RMB53,400,000 (2017: Nil) in respect of financing activities.

The major classes of assets and liabilities of the cold chain logistics services operation as at 31 December 2018, which have been presented separately in the consolidated statement of financial position, are as follows:

	2018
	RMB'000
Property, plant and equipment	**39,299**
Investment properties	**435,845**
Intangible assets	**7,098**
Trade and other receivables	**42,660**
Bank balances and cash	**2,498**
Assets classified as held for sale	**527,400**
Trade and other payables	**59,815**
Contract liabilities	**4,333**
Borrowings	**53,400**
Deferred tax liabilities	**41,225**
Liabilities related to assets classified as held for sale	**158,773**

(c) On 24 December 2018, Hong Kong Dasheng Agriculture Holding Company Limited ("HK Dasheng Agriculture"), a wholly owned subsidiary of the Company, entered into a disposal agreement (the "Disposal Agreement I") with the purchaser (the "Purchaser I"), whereby the Purchaser I has conditionally agreed to purchase and HK Dasheng Agriculture has conditionally agreed to disposal of 44% equity interests of Guowei Ruiying (Weifang) Financial Leasing Co., Limited* (國維瑞盈(濰坊)融資租賃有限公司) ("Guowei Ruiying") at a consideration of RMB33,000,000 (the "Disposal I"). The Disposal I is expected to be sold within twelve months after the reporting date, has been classified as an asset classified as held for sale and is presented separately in the consolidated statement of financial position. The net proceeds of disposal is lower than the net carrying amount of the assets and accordingly, impairment loss on interests in associates of approximately RMB12,100,000 has been recognised which was included in "Impairment losses, net of reversal" on the face of the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2018.

The transaction was completed on 19 January 2019.

* *For illustrative purpose only*

9. LOSS PER SHARE

For continuing and discontinued operations

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

Loss figures are calculated as follows:

	2018	2017
	RMB'000	*RMB'000*
Loss for the year attributable to owners of the Company for the purpose of basic and diluted loss per share	**(1,986,782)**	(1,520,116)

Number of shares

	2018	2017
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**9,505,808,579**	8,476,915,428

For continuing operations

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

Loss figures are calculated as follows:

	2018	2017
	RMB'000	*RMB'000*
		(Restated)
Loss for the year attributable to owners of the Company	**(1,986,782)**	(1,520,116)
Less:		
Loss for the year from discontinued operations	**(71,247)**	(17,947)
Loss for the purpose of basic and diluted earnings per share from continuing operations	**(1,915,535)**	(1,502,169)

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

For discontinued operations

Basic and diluted loss per share for the discontinued operations is RMB0.007 cents per share (2017: RMB0.002 cents per share), based on the loss for the year from the discontinued operations of RMB71,247,000 (2017: loss for the year RMB17,947,000) and the denominators detailed above for both basic and diluted earnings per share.

No diluted loss per share for both 2018 and 2017 were presented as there were no potential ordinary shares in issue for both 2018 and 2017.

10. DIVIDENDS

No dividend was paid or proposed for ordinary shareholders of the Company during the year ended 31 December 2018, nor has any dividend been proposed since the end of the reporting period (2017: RMBNil).

11. TRADE AND OTHER RECEIVABLES

	Notes	**2018** ***RMB'000***	2017 *RMB'000*
Trade receivables		**1,011,114**	3,172,272
Commercial notes receivable		**1,252**	3,170
Retention sum for construction contracts		**–**	494,614
Finance lease receivables	*(a)*	**182,375**	301,574
Factoring loan receivables		**2,688,903**	3,461,798
Total trade and notes receivables	*(b)*	**3,883,644**	7,433,428
Prepayments and deposits		**46,063**	198,665
Other receivables		**2,303,203**	168,466
Amounts due from associates		**–**	250
Held-to-maturity financial assets		**–**	61,000
		6,232,910	7,861,809
Less: Allowance for credit losses		**(4,873,199)**	(2,271,941)
		1,359,711	5,589,868
Classified as:			
Non-current assets		**88,003**	965,543
Current assets		**1,271,708**	4,624,325
		1,359,711	5,589,868

(a) Finance lease receivables

The gross finance lease receivables as at 31 December 2018 and 2017 are as follows:

	2018			2017		
	Minimum lease payments *RMB'000*	**Unearned finance lease income** *RMB'000*	**Present value** *RMB'000*	Minimum lease payments *RMB'000*	Unearned finance lease income *RMB'000*	Present value *RMB'000*
Within one year *(note (i))*	**49,716**	**(4,997)**	**44,719**	206,799	(17,141)	189,658
More than one year but not more than five years	**149,844**	**(12,188)**	**137,656**	122,885	(10,969)	111,916
	199,560	**(17,185)**	**182,375**	329,684	(28,110)	301,574

Note (i): Included in finance lease receivables was an amount of RMB28,924,000 (2017: RMB85,684,000) loaned to related companies, the beneficial owners of which are Mr. Lan Huasheng, who is the Director, and Mr. Lu Tingfu, who is the supervisor of the Company.

(b) Trade and notes receivables

As at 31 December 2018 and 1 January 2018, trade and note receivables from contracts with customers amounted to RMB3,883,644,000 and RMB7,433,428,000 respectively.

The ageing analysis of trade and notes receivables for road and bridge construction and sale of petrochemical and agricultural products, agricultural big-data services, cold chain logistics services and sale of agrochemical products are prepared based on invoice dates. For the finance lease and commercial factoring business, the aging analysis is based on the lease and loan commencement dates set out in the relevant contracts. The detailed aging analysis that are before impairment loss are as follows:

	2018	2017
	RMB'000	*RMB'000*
Road and bridge construction:		
Less than 6 months	**–**	1,410,888
6 months to less than 1 year	**–**	278,114
1 year to less than 2 years	**–**	463,355
2 years to less than 3 years	**–**	260,286
3 years and over	**–**	38,681
	–	2,451,324
Sales of petrochemical and agricultural products:		
Less than 30 days	**4,354**	755,862
31 to 60 days	**–**	46,185
61 to 90 days	**–**	112,581
91 days to less than 1 year	**150,671**	219,942
1 year to less than 2 years	**674,672**	–
2 years to less than 3 years	**10,467**	10,467
3 years and over	**18,790**	43,831
	858,954	1,188,868
Finance lease and commercial factoring:		
Less than 6 months	**23,719**	3,634,749
6 months to less than 1 year	**1,280,730**	75,840
1 year to less than 2 years	**1,557,170**	52,784
Over 2 years	**9,659**	–
	2,871,278	3,763,373

	2018	2017
	RMB'000	*RMB'000*
Agricultural big-data services:		
Less than 6 months	**20**	7,161
6 months to less than 1 year	**7,475**	244
	7,495	7,405
Cold chain logistics services:		
Less than 30 days	–	5,536
31 to 60 days	–	12,584
61 to 90 days	–	1,642
91 days to less than 1 year	–	2,696
	–	22,458
Agrochemical products supply chain services:		
Less than 6 months	**40,578**	–
6 months to less than 1 year	**104,317**	
1 year to less than 2 years	**706**	–
2 years to less than 3 years	**306**	–
3 years and over	**10**	–
	145,917	–
	3,883,644	7,433,428

12. TRADE AND OTHER PAYABLES

	2018	2017
	RMB'000	*RMB'000*
Trade payables	**179,822**	1,450,166
Notes payable	**40,000**	670,805
	219,822	2,120,971
Amount due to an associate *(note)*	**–**	259
Amount due to related companies *(note)*	**138,537**	28,385
Deposits received	**–**	72,558
Other payables and accruals	**906,584**	520,661
	1,264,943	2,742,834
Less: non-current portion	**(6,346)**	(5,315)
Current portion	**1,258,597**	2,737,519

Note: The amounts are interest-free, unsecured and repayable on demand.

Included in trade and other payables are trade creditors with the following ageing analysis as of the end of reporting period based on invoice date:

	2018	2017
	RMB'000	*RMB'000*
Road and bridge construction:		
Less than 6 months	**–**	598,416
6 months to less than 1 year	**–**	124,143
1 year to less than 2 years	**–**	214,117
2 years to less than 3 years	**–**	61,832
3 years and over	**–**	19,064
	–	1,017,572
Agricultural and petrochemical products supply chain services:		
Less than 6 months	**196**	729,152
6 months to less than 1 year	**29,318**	343,941
1 year to less than 2 years	**878**	7
2 years to less than 3 years	**–**	9
3 years and over	**199**	189
	30,591	1,073,298
Finance lease and commercial factoring business:		
6 months to less than 1 year	**–**	20,000
Provision of agricultural big-data services:		
Less than 6 months	**2,590**	3,693
1 year to less than 2 years	**747**	–
	3,337	3,693

	2018	2017
	RMB'000	*RMB'000*
Cold chain logistics services:		
Less than 6 months	–	1,042
6 months to less than 1 year	–	2
1 year to less than 2 years	–	1,416
2 years to less than 3 years	–	51
3 years and over	–	3,897
	–	6,408
Agrochemical products supply chain services:		
Less than 6 months	**172,867**	–
6 months to less than 1 year	**4,799**	–
1 year to less than 2 years	**7,665**	–
2 years to less than 3 years	**63**	–
3 years and over	**500**	–
	185,894	–
	219,822	2,120,971

13. SHARE CAPITAL

Authorised and issued share capital

	Number of shares	Amount
		RMB'000
Ordinary shares of RMB0.1 each		
Authorised, issued and fully paid:		
At 1 January 2017	7,633,079,812	763,308
Subscription of shares *(note i)*	1,000,000,000	100,000
At 31 December 2017	8,633,079,812	863,308
Placing of shares *(note ii)*	918,000,000	91,800
At 31 December 2018	**9,551,079,812**	**955,108**

Notes:

(i) On 27 February 2017, Shenzhen Dasheng Agricultural Group Co., Ltd.* (深圳市大生農業集團有限公司) ("Shenzhen Dasheng") and Zhenjiang Runde Equity Investment Fund Ltd.* (鎮江潤得股權投資基金有限公司) have completed the subscription of 450,000,000 new H shares and 550,000,000 new domestic shares respectively. Immediately after completion of the subscription, the registered capital of the Company became approximately RMB863,308,000 which was divided into 3,349,000,000 domestic shares and 5,284,079,812 H shares, each share having a par value of RMB0.10. The gross proceeds and net proceeds from the subscription were RMB570,800,000 and RMB569,000,000, respectively, which would be used in the development of the agricultural finance business, agricultural supply chain service, agricultural trading related business and repayment of the existing indebtedness of the Group.

(ii) On 27 October 2016, the Company entered into a placing agreement with a placing agent (the "Placing Agent"), pursuant to which the Company conditionally agreed to place through the Placing Agent, on a best efforts basis, up to 1,500,000,000 H Shares at not less than HK$0.65 per H Share in up to two tranches. An aggregate of 918,000,000 H Shares (the "Placing Shares") have been successfully placed through the Placing Agent at the placing price of HK$0.65 per Placing Share to Hua Shang Pearl Agriculture Investment Fund and the completion of which took place on 19 January 2018. Immediately after completion of the subscription, the registered capital of the Company became approximately RMB955,108,000 which was divided into 3,349,000,000 domestic shares and 6,202,079,812 H shares, each share having a par value of RMB0.10. The gross proceeds and net proceeds from the subscription were RMB488,158,000 (equivalent to HK$596,700,000) and RMB474,087,000 (equivalent to HK$579,500,000), respectively, which would be used in the development of the agricultural trading related business and repayment of the existing indebtedness of the Group.

14. ACQUISITION OF SUBSIDIARIES

For the year ended 31 December 2018

On 9 March 2018, the Company and Anhui Dasheng Niannianfu Bio-technology Company Limited* (安徽大生年年富生物科技有限公司) (the "Vendor"), which is wholly owned by Shenzhen Dasheng, entered into a sale and purchase agreement (the "Agreement"), pursuant to which the Company had conditionally agreed to acquire and the Vendor has conditionally agreed to sell the entire equity interest in Anhui Huaxing at a consideration of approximately RMB5,577,000 (the "Acquisition").

Pursuant to the Agreement, the Vendor guaranteed that the net profit (the "Actual Net Profit") of Anhui Huaxing for a period of five years from the date of the Agreement (the "Guaranteed Period") shall be not less than RMB80,000,000 (the "Guaranteed Net Profit") per year, such that the Actual Net Profit in total for the Guaranteed Period shall be not less than RMB400,000,000, failing of which the Vendor shall pay the shortfall in cash.

* *For illustrative purpose only*

The Acquisition has been accounted for using the purchase method. Anhui Huaxing is engaged in development of bio-engineering products and sale of chemical products, pesticides, chemical fertilisers, packaged seeds and agricultural machinery.

The board of Directors had carefully considered that the fair value of the contingent consideration arrangement is minimal by reference to the appraisal report prepared by an independent professional valuer.

Consideration transferred

	RMB'000
Cash	5,557

Acquisition-related costs amounting to approximately RMB527,000 have been excluded from the consideration transferred and have been recognised as an expense in the current year, within the administrative and other expenses line item in the consolidated statement of profit or loss and other comprehensive income.

Assets acquired and liabilities recognised at the date of Acquisition are as follows:

	RMB'000
Property, plant and equipment	839,346
Intangible assets	6,864
Assets held for sale	41,703
Prepaid lease payments	101,758
Inventories	249,371
Trade and other receivables	279,130
Bank balances and cash	5,937
Trade and other payables	(648,478)
Contract liabilities	(54,984)
Borrowings	(268,700)
Tax liabilities	(1,862)
Deferred income	(10,444)
Deferred tax liabilities	(1,995)
NET ASSETS	537,646

The fair value of the trade and other receivables amounted to approximately RMB279,130,000. The gross contractual amounts to those trade and other receivables acquired to approximately RMB284,041,000 at the date of acquisition. The best estimated at acquisition date of the contractual cash flows not expected to be collected to approximately RMB4,911,000.

Gain on bargain purchase arising on acquisition:

	RMB'000
Consideration transferred	5,577
Less: net assets acquired	(537,646)
Gain on bargain purchases	(532,069)

Net cash inflow on acquisition of Anhui Huaxing

	RMB'000
Cash and cash equivalent balances acquired *(note)*	5,937

Note: The consideration has not been paid during the year ended 31 December 2018.

EXTRACT OF THE INDEPENDENT AUDITOR'S REPORT

The following is an extract of the independent auditor's report of the Group's consolidated financial statements for the year ended 31 December 2018 which has included a disclaimer of option.

Basis of disclaimer of opinion

1) Limitation of scope on prior year's scope limitation affecting comparative figures

The consolidated financial statements of the Group for the year ended 31 December 2017 were audited by another auditor (the "Predecessor Auditor") who expressed a disclaimer opinion (the "2017 report") on those consolidated financial statements on 31 July 2018 due to the scope limitations (the "Scope Limitation").

During the year ended 31 December 2017, the Group recognised impairment loss of approximately RMB816,502,000, RMB29,091,000, RMB1,259,879,000 and RMB30,174,000 against its trade receivables, finance lease receivables, factoring loan receivables and held-to-maturity financial assets, respectively, and the related deferred tax assets recognised in aggregate of RMB19,327,000. However, the Predecessor Auditor had been unable to obtain sufficient appropriate audit evidence to satisfy themselves as to the accuracy of the impairment loss recognised during the year ended 31 December 2017. As such, any adjustments found to be necessary to the figures as described above would have consequential impact on the consolidated net assets of the Group as at 31 December 2017 and the Group's loss for the year ended 31 December 2017 and the related note disclosures.

As explained in the consolidated financial statements, upon adoption of HKFRS 9 on 1 January 2018, such impairment loss provided for the trade receivables, finance lease receivables, factoring loan receivables and held-to-maturity financial assets were re-measured under expected credit losses ("ECL") model based on a valuation performed by an independent valuer not connected to the Group. Therefore, the Scope Limitation did not have any impact on consolidated financial position of the Group as at 31 December 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended. As a result, the comparative information disclosed for the corresponding period may not be comparable to that of the current year.

2) Limitation of scope on assets classified as assets held for sale

As described in the consolidated financial statements, the Company has been informed by the Nanjing Intermediate People's Court of Jiangsu Province* (江蘇省南京市中級人民法院) (the "Nanjing Court") that an auction announcement has been published on the network platform of Alibaba Judicial Auction* (sf.taobao.com) (the "Ali Auction") by the Nanjing Court on 15 November 2018 (the "First Auction") and, on 27 December 2018 (the "Second Auction") to put the Company's interest in the shares of Bao Ze on auction, which has not yet been completed as at 31 December 2018.

Accordingly, the financial results of Bao Ze and its subsidiaries (the "Bao Ze Group"), which represented the loss for the year from the cold chain logistics services operation, of approximately RMB191,220,000 had been reclassified as loss for the year from discontinued operation for the year ended 31 December 2018, and as of that date, all the assets of approximately RMB527,400,000 and liabilities of approximately RMB158,773,000 of the Bao Ze Group have been reclassified as assets classified as held for sale and liabilities associated with assets classified as held for sale of approximately RMB527,400,000 and RMB158,773,000, respectively.

We have not been provided with sufficient appropriate audit evidence of the Bao Ze Group for the year ended 31 December 2018, and accordingly we were unable to perform any audit procedures necessary to obtain reasonable assurance regarding the completeness, accuracy, existence, valuation, ownership, classification and presentation and disclosures of the balances and transactions undertaken by the Bao Ze Group. There were no other satisfactory audit procedures that we could adopt to satisfy ourselves whether the Bao Ze Group in its entirety as at 31 December 2018 was measured at the lower of its net assets value and fair value less costs of disposal in accordance with HKFRS 5. Any adjustment to the carrying amounts may have a consequential significant effect on the net assets and the performance of the Group for the relevant financial periods.

* *For illustrative purpose only*

3) Limitation of scope on loss on disposal of a subsidiary

As described in the consolidated financial statements, on 21 November 2018 (the "Disposal Date"), the Group completed the disposal of the 70% equity interest in a non-wholly owned subsidiary, Hong Kong Dasheng Agriculture & Food Limited ("HK Dasheng A&F"), to an independent third party at the consideration of HK$1,000,000.

The books and records of HK Dasheng A&F were kept and maintained by the new owner of HK Dasheng A&F, which were not made available to the Group's management subsequent to the Disposal Date. Under the circumstances as explained above, we were not able to carry out procedures which we considered necessary on the books and records of HK Dasheng A&F, to satisfy ourselves as to the existence, ownership, completeness, accuracy, valuation and classification of its assets of approximately RMB78,677,000 and liabilities of approximately RMB62,136,000 as at the Disposal Date and of its loss of approximately RMB995,000 for the year up to the Disposal Date. Consequently, we were unable to satisfy ourselves as to whether the loss on disposal of approximately RMB11,668,000 arising thereon was fairly stated. Any adjustments found to be necessary to the above amounts would affect the amounts recorded in the consolidated statement of profit or loss and other comprehensive income in respect of HK Dasheng A&F, with a corresponding effect on the loss on disposal of a subsidiary, and the related disclosure thereof in the consolidated financial statements.

4) Limitation of scope on interest in an associates

As described in the consolidated financial statements, the Group has equity accounted for its interest in Shanghai Yi He Xu Sheng Financial Leasing Co., Ltd* (上海伊禾旭生融資租賃有限公司) ("Shanghai Yi He"), the associate of the Group. As at 31 December 2018, the cost of investment in Shanghai Yi He and share of post-acquisition loss were approximately RMB30,000,000 and RMB1,459,000 respectively, and the Group's share of loss of Shanghai Yi He for the year ended 31 December 2018 was approximately RMB15,000. However, during the course of our audit, we have not been provided with sufficient information and explanations from the management of Shanghai Yi He that we considered necessary in order to enable us to satisfy ourselves as to whether the Group's share of results of Shanghai Yi He for the year and thus the carrying amount of the interest in Shanghai Yi He included in the Group's consolidated statement of financial position as at 31 December 2018 are fairly stated and whether the summarised financial information of Shanghai Yi He as shown in the consolidated financial statements are properly disclosed. There were no other satisfactory audit procedures that we could adopt to obtain sufficient appropriate audit evidence in this regard.

* *For illustrative purpose only*

Any adjustment to the amount of the above interest in Shanghai Yi He found to be necessary would affect the Company's net assets as at 31 December 2018 and the Group's loss for the year then ended and related disclosures to the consolidated financial statements.

5) *Multiple uncertainties relating to going concern*

As described in the consolidated financial statements, the Group reported loss attributable to the owners of the Company of approximately RMB1,986,782,000 and had net current liabilities of approximately RMB321,099,000 for the year ended 31 December 2018. As at 31 December 2018, the Group's total borrowings amounted to approximately RMB2,573,692,000, of which approximately RMB2,125,947,000 were classified as current liabilities, while its restricted bank deposits and bank balances and cash amounted to approximately RMB211,351,000 and RMB58,394,000, respectively only. These conditions indicate the existence of material uncertainties which may cast significant doubt about the Group's ability to continue as a going concern and therefore it may be unable to realise its assets and discharge its liabilities in the normal course of business.

These conditions indicate the existence of material uncertainties which may cast significant doubt on the Group's ability to continue as a going concern and therefore it may be unable to realise its assets and discharge its liabilities in the normal course of business. As explained in the consolidated financial statements, the consolidated financial statements have been prepared by the directors of the Company (the "Directors") on a going concern basis, the validity of which is dependent on the Group's ability to obtain sufficient future funding. Due to the uncertainty of the Group's ability to maintain adequate future cash flows, we were unable to ascertain whether the assumptions made by the Directors in preparing the consolidated financial statements on a going concern basis are proper and appropriate.

Should the going concern assumption be inappropriate, adjustments would be necessary to reclassify all non-current assets and liabilities as current assets and liabilities respectively, write down the value of assets to their recoverable amounts and to provide for further liabilities which may arise. The consolidated financial statements have not incorporated any of these adjustments. However, the uncertainty surrounding the Group's future cash flows raises significant doubt about the Group's ability to continue as a going concern. We consider that appropriate disclosures have been made in the consolidated financial statements concerning this situation, but we are unable to obtain adequate evidence concerning the Group's ability to meet any financial obligations as and when they fall due and we consider that this material uncertainty relating to going concern basis and their cumulative effect on the consolidated financial statements is so extreme that we have disclaimed our opinion.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL AND BUSINESS REVIEW

Since March 2018, the Group has been adversely affected by external contingent events, which have impacted its existing major business segments. In view of this, the Group prudently reviewed the operating conditions of its existing businesses, largely adjusted its operating strategies and the layout of all business segments, reduced the problematic segments and shifted the focus of core business segment to the agricultural industrial chain production sector. Adhering to such strategy, on 20 March 2018, the Group announced the acquisition of the entire equity interests in Anhui Huaxing Chemical Industry Company Limited* (安徽華星化工有限公司) ("Anhui Huaxing"). In order to provide investors with a clearer explanation on the Company's current business operation strategies, the Group will add a new business segment, namely "agrochemical products supply chain services business", to its existing business segments.

In order to concentrate existing resources on the Group's core businesses and enhance the overall liquidity of the Group, on 21 May 2018, the Company entered into an Investment Framework Agreement (the "IF Agreement") with Black Peony (Group) Co., Ltd.* (黑牡丹(集團)股份有限公司) ("Black Peony"), pursuant to which the Company intended to sell part of the equity interests in Nantong Road and Bridge Engineering Co., Ltd.* (南通路橋工程有限公司) ("Nantong Road and Bridge"), in which the Company holds 91.3020% equity interests, to Black Peony. As at 20 February 2019, the validity period of the IF agreement and the exclusivity period under the IF Agreement have expired and the parties to the agreements have not entered into any formal agreement. Given the lapse of time since the entering into of the IF Agreement, after thorough consideration, the Board announced that the Company had decided not to extend the exclusivity period arrangement in relation to the said disposal. The Company will continue to seek alternative methods to dispose of its equity interest in Nantong Road and Bridge.

On 19 June 2018, Nanjing Dasheng Cold Chain Logistics Co., Limited ("Nanjing Dasheng"), a non-wholly owned subsidiary of the Company, issued and filed a statement of claim, against Shanghai Dasheng Agro-chemical Co., Ltd.* (上海大生農化有限公司) ("Shanghai Agro-chemical"), a wholly owned subsidiary of the Company, under Nanjing Intermediate People's Court of Jiangsu Province* (江蘇省南京市中級人民法院) for a breach of working capital loan agreement due to default in repayment of loan in a principal amount of RMB209,405,219 and all related interests. On 19 February 2019, the Company received an execution ruling dated 21 January 2019 in relation to the successful auction of the shares of the Nanjing Dasheng Loan for debt repayment (the "Bao Ze Pledged Shares") (the "Auction Execution Ruling"). According to the Auction Execution Ruling, the successful bidder was eligible to initiate the transfer of the Company's interest in the Bao Ze Pledged Shares on the date of receipt of the Auction Execution Ruling. Upon the completion of the transfer of the Bao Ze Pledged Shares, Nanjing Bao Ze Equity Investment Fund Co., Limited* (南京寶澤股權投資基金股份有限公司) ("Bao Ze") would no longer be a subsidiary of the Company. Cold chain service business segment therefore was discontinued during the year ended 31 December 2018.

* *For illustrative purpose only*

During the period under review, the Group recorded revenue of approximately RMB2,011,870,000, representing a decrease of 86.07% as compared to last year. During the period under review, the Group recorded a gross profit of approximately RMB183,776,000, representing a decrease of 69.77% as compared to last year.

BUSINESS OPERATIONS

The existing businesses of the Group comprise four business sectors, namely "agrochemical products supply chain services business", "agricultural big data services business", "financial leasing and commercial factoring business" and "agricultural and petrochemical products supply chain service business". The business sectors, namely "road and bridge construction business" and "cold chain logistics business" were deemed to be discontinued operations of the Group.

AGROCHEMICAL PRODUCT SUPPLY CHAIN SERVICES BUSINESS

Through the acquisition of Anhui Huaxing in March 2018, the Group currently holds 100% of Anhui Huaxing in aggregate. Anhui Huaxing is principally engaged in the production of pesticide and chemical products, which comprises three main series, namely insecticides, herbicides and germicides, with over 40 original drugs and over 100 extract varieties. It is the largest production base and export base for monosultap and bisultap in the PRC, and a globally major producer and supplier of herbicides, bisphosphane and glyphosate. The Group will further expand the production scale of Anhui Huaxing, enhance its core technologies and services so as to improve its results and establish Anhui Huaxing as a first-class enterprise engaging in agricultural means of production in both PRC and around the world.

For the year ended 31 December 2018, revenue of the Group's agrochemical product supply chain services business was approximately RMB826,865,000 representing approximately 41.1% of the total revenue of the Group; gross profit was approximately RMB122,237,000.

AGRICULTURAL BIG DATA SERVICE BUSINESS

For the year ended 31 December 2018, turnover of the Group's agricultural big data service business was approximately RMB14,976,000 (31 December 2017: approximately RMB21,614,000), representing approximately 0.74% of the total turnover of the Group. Gross profit was approximately RMB12,043,000 (31 December 2017: approximately RMB18,185,000), representing a year-on-year decrease of approximately 33.78%; and gross margin decreased from approximately 84.14% last year to approximately 80.42% during the reporting period.

FINANCIAL LEASING AND COMMERCIAL FACTORING BUSINESS

For the year ended 31 December 2018, turnover of the Group's financial leasing and commercial factoring business was approximately RMB51,077,000 (2017: approximately RMB377,913,000), accounting for approximately 2.54% of the total turnover of the Group. Gross profit was approximately RMB13,955,000 (2017: approximately RMB290,102,000), representing a year-on-year decrease of approximately 95.19%, and gross margin decreased from approximately 76.76% last year to approximately 27.32% during the reporting period.

AGRICULTURAL AND PETROCHEMICAL PRODUCT SUPPLY CHAIN SERVICE BUSINESS

For the year ended 31 December 2018, turnover of the Group's agricultural and petrochemical product supply chain service business was approximately RMB1,118,952,000 (2017: approximately RMB14,046,017,000), accounting for approximately 55.62% of the total turnover of the Group. Gross profit was approximately RMB35,542,000 (2017: approximately RMB299,617,000), representing a year-on-year decrease of approximately 88.14%, and gross margin increased from approximately 2.13% last year to approximately 3.18% during the reporting period.

ROAD AND BRIDGE CONSTRUCTION BUSINESS

Nantong Road and Bridge is the second largest road and bridge engineering enterprise in Jiangsu Province, and the largest road and bridge enterprise in Nantong City. In addition to construction contract tier-one qualification for national highways and municipal utility contract tier-one qualification, the Group has also obtained a number of professional contract qualifications, including specialised construction contract tier-one qualification for road foundations, road surfaces and bridges (路基、路面、橋樑工程專業承包壹級), construction testing and examination integrated class B qualification for highways (公路工程試驗檢測綜合乙級) and specialised maintenance work contract tier-two qualification for highways (公路養護工程專業承包貳級).

For the year ended 31 December 2018, turnover of the Group's road and bridge construction business was approximately RMB2,007,963,000 (2017: approximately RMB1,768,836,000). Gross profit was approximately RMB106,982,000 (2017: approximately RMB272,052,000), representing a year-on-year decreased of approximately 60.68%, and gross profit margin decreased from approximately 15.38% last year to approximately 5.33% during the reporting period.

COLD CHAIN SERVICE BUSINESS

For the year ended 31 December 2018, turnover of the Group's cold chain service business was approximately RMB69,685,000 (2017: approximately RMB58,511,000). Gross profit was approximately RMB27,292,000 (2017: approximately RMB29,847,000), representing a year-on-year decreased of approximately 8.56%, and gross profit margin decreased from approximately 51.01% last year to approximately 39.16% during the reporting period.

OTHER INCOME AND EXPENSES

For the year ended 31 December 2018, the Group's other income and expenses were approximately RMB56,820,000 (2017: approximately RMB58,372,000), deceased by approximately 2.66%.

OTHER GAINS AND LOSSES

For the year ended 31 December 2018, the Group's other gains and losses were approximately RMB(34,919,000) (2017: approximately RMB8,248,000), decreased by approximately 523.36%.

DISTRIBUTION COSTS

For the year ended 31 December 2018, the Group's distribution costs were approximately RMB60,118,000 (2017: approximately RMB26,889,000).

ADMINISTRATIVE EXPENSES

For the year ended 31 December 2018, the Group's administrative expenses were approximately RMB216,489,000 (2017: approximately RMB174,273,000).

FINANCE COSTS

For the year ended 31 December 2018, the Group's finance costs were approximately RMB151,249,000 (2017: approximately RMB59,282,000).

LOSS ATTRIBUTABLE TO OWNERS OF THE COMPANY

For the year ended 31 December 2018, the Group recorded the loss attributable to owners of the Company for the year was approximately RMB1,986,782,000 (2017: approximately RMB1,520,116,000), representing an increase of approximately 30.70% as compared with the corresponding period of last year. The basic and diluted loss per share attributable to owners of the Company during the period from continuing and discontinued operations were approximately RMB0.209 (2017: approximately RMB0.179), representing a decrease of approximately 16.76% as compared with the corresponding period of last year.

CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES

Capital Structure

As at 31 December 2018, the Group had total assets less current liabilities of approximately RMB810,814,000 (2017: approximately RMB3,042,563,000), including non-current assets of approximately RMB1,131,913,000 (2017: approximately RMB2,301,407,000) and net current liabilities of approximately RMB321,099,000 (2017: net current assets of approximately RMB741,156,000).

As at 31 December 2018, the Group's equity attributable to owners of the Company was approximately RMB199,250,000, representing a decrease of approximately 90.24% as compared to RMB2,042,522,000 in 2017.

Current Assets and Financial Resources

Liquidity and Financial Resources (for continued operations)

As at 31 December 2018, the Group had restricted bank deposits and other bank balances and cash of approximately RMB269,745,000 (31 December 2017: approximately RMB1,329,364,000) in total.

As at 31 December 2018 and 31 December 2017, the Group had long-term borrowings of RMB447,745,000 and RMB500,000,000 respectively, and short-term borrowings of RMB2,125,947,000 and RMB2,423,199,000 respectively.

As at 31 December 2018 and 31 December 2017, debt asset ratios were approximately 95.8% and 71.4%, respectively. Debt asset ratio was calculated as the percentage of total liabilities divided by total assets.

Foreign Exchange Risk

The Group's trade receivables were denominated in Renminbi while domestic and foreign purchases were either denominated in Renminbi or United States Dollars. As such, the Group does not have significant foreign currency exchange exposures for the time being. The management of the Group considers that no hedging or other relevant strategy is necessary currently, but it will closely monitor the fluctuation of the exchange rates of the relevant foreign currencies against Renminbi.

Pledge of assets (for continued operations)

As at 31 December 2018, the Group's payments for leasehold land held for own use under operating leases with a net book value of approximately RMB59,124,000 (31 December 2017: RMB7,865,000) were pledged as security for the Group's bank borrowings. As at 31 December 2018, property, plant and equipment with a net book value of approximately RMB460,692,000 (31 December 2017: RMB509,778,000) were pledged as security for the Group's borrowings. As at 31 December 2017, the net accounts receivable of approximately RMB745,293,000 (31 December 2017: RMB224,487,000) were pledged as security for the Group's borrowings. As at 31 December 2018, the Group had restricted bank deposits of approximately RMB20,493,000 (31 December 2017: RMB536,682,000) as collateral for the bank borrowings and the issuance of commercial notes, performance bonds and bid bonds to customers.

Employee Information

As at 31 December 2018, the Group had 1,828 employees. During the period under review, total employee remuneration (including directors' remuneration) amounted to approximately RMB142,047,000 (2017: RMB123,825,000). Employees' remuneration is determined by reference to industry practice as well as the performance, qualification and working experience of individual employee. Remuneration packages comprised basic salary, discretionary bonus, state-managed retirement benefit schemes for employees in the PRC and mandatory provident fund schemes for employees in Hong Kong.

AUDIT QUALIFICATIONS FOR THE YEAR ENDED 31 DECEMBER 2017

As disclosed in annual report of the Company for the year ended 31 December 2017 (the "2017 Annual Report"), the Company's former auditors, BDO Limited ("BDO"), issued a disclaimer of opinion (the "Audit Qualifications") on the Company's consolidated financial statements for the year ended 31 December 2017 (the "2017 Financial Statements") due to the potential interaction of the multiple uncertainties relating to going concern and their possible cumulative effect on the consolidated financial statements, as well as the insufficiency in appropriate audit evidence provided to them to form a basis for an audit opinion as described in the paragraph headed "Basis of Disclaimer of Opinion" of the independent auditor's report contained in the 2017 Annual Report. The Board would like to provide further information in relation to the following Audit Qualifications:

Management's view on the Audit Qualifications

Multiple uncertainties relating to going concern (the "Going Concern Qualification")

Since the publication of the Company's preliminary annual results for the year ended 31 December 2017 on 20 March 2018, the management of the Company (the "Management") has been using its best endeavours to compile documents to support the uncertainties in the assumptions. However, due to the deteriorating status of the CEFC Events and the Shenzhen Dasheng Events, the Management understood and agreed with the Going Concern Qualification as at the date of the publication of the revised results announcement for the year ended 31 December 2017.

The Management prepared the revised 2017 Financial Statements on a going concern basis, the validity of which depends on the outcome of the plans and measures the Company has undertaken to improve the Group's liquidity and financial position which are subject to multiple uncertainties, including (i) the successful negotiations with the lenders for the renewal of or extensions for repayments of the Group's borrowings, including those with overdue principals and interests thereon; and (ii) the successful implementation of the Company's disposal plan of Nantong Road and Bridge (the "Disposal").

The Group's total borrowings as at 31 December 2018 amounted to approximately RMB2.6 billion, of which approximately RMB1.7 billion was not due. The Group has been negotiating with a number of banks and other financial institutions for renewal and extension of bank and other borrowings. Specifically, the Group is in negotiations with the lenders to extend the repayment dates of the overdue borrowings and interests thereon.

Status of legal proceedings

The change in the Group's total borrowings was due to the settlement of the outstanding repayment of the Group under Tianjin Galaxy Legal Proceedings by Hong Kong Dasheng Investment Holdings Company Limited (香港大生投資控股有限公司), a substantial shareholder of the Company. For further details, please refer to the Company's announcements dated 18 July 2018 and 27 August 2018.

Further, the Bao Ze Pledged Shares have been successfully sold in an auction ordered by the court on 21 January 2019 under the Nanjing Dasheng Legal Proceedings. For further details, please refer to the Company's announcements dated 18 July 2018, 16 October 2018, 16 November 2018, 19 December 2018, 21 December 2018, 27 December 2018, 11 February 2019 and 19 February 2019.

Recently, Shanghai Agro-chemical Shares have been put under an enforcement action of claims filed by CEFC under the CEFC Legal Proceedings. The Shanghai Agro-chemical Shares may be put under auction or realisation ordered by the court to settle the outstanding repayment to CEFC. For further details, please refer to the Company's announcements dated 29 June 2018, 18 July 2018, 1 March 2019 and 8 March 2019.

As at the date of this announcement, the Legal Proceedings, the Zhiying Legal Proceedings, the PD Legal Proceedings and the Second CEFC Legal Proceedings are still ongoing. For further details, please refer to the Company's announcements dated 28 May 2018, 11 June 2018, 29 June 2018, 4 September 2018, 14 September 2018, 1 November 2018, 3 December 2018 and 14 December 2018.

Status of the Disposal

The Company entered into an investment framework agreement on 21 May 2018 and five supplemental agreements (collectively, the "Investment Framework Agreements") with Black Peony (Group) Co., Ltd.* (黑牡丹(集團)股份有限公司), as the possible purchaser and Nantong Road and Bridge, in relation to the Disposal. As disclosed in the 2017 Annual Report, the Management expected that the Disposal will be completed in December 2018 and the net proceeds received therefrom will improve the Group's liquidity.

* *For illustrative purpose only*

However, the validity period of the Investment Framework Agreement and the Exclusivity Period have expired on 20 February 2019 and the parties to the Agreements have neither extended the Exclusivity Period arrangement nor entered into any Formal Agreement in relation to the Disposal. Given the lapse of time since the entering into of the Investment Framework Agreement, the Board announces that the Company has decided not to extend it. The Company is currently seeking alternative methods to dispose of its equity interest in Nantong Road & Bridge.

Impairments of trade and other receivables (the "Impairment Qualification")

The Management understood and agreed with the basis of the Impairment Qualification put forward by BDO as at the date of the publication of the revised results announcement for the year ended 31 December 2017. The Management had used its best endeavours to provide all necessary information to BDO for preparing the 2017 revised annual results. However, as (i) details of the debt restructuring plan of the China CEFC Group was not publicly available information; (ii) the Management was not able to reach any agreement on the repayment plans with the Group's customers affected by the CEFC Events and the Shenzhen Dasheng Events; and (iii) certain customers were not reachable as at the date of the publication of the revised results announcement for the year ended 31 December 2017, BDO was not provided with sufficient audit evidence to the satisfaction of the BDO for preparing the 2017 revised annual results in the limited time available to the Management.

The Management has since been using its best endeavors to gather further information regarding the CEFC Events and the Shenzhen Events and has been negotiating with certain debtors to enter into repayment/settlement agreements. The Impairment Qualification has been removed for the year ended 31 December 2018.

Audit Committee's view on the Audit Qualifications

The Audit Committee has critically reviewed the Management's position on the major judgement areas and concurred with the positions of the Management to the Audit Qualifications and the basis thereof.

Nevertheless, the Audit Committee believes that the root cause for the repeated Audit Qualifications is the CEFC Events and the Shenzhen Dasheng Events which resulted in the continued deteriorating operational situation and financial condition of the Group. Over the months, the Audit Committee has maintained close communication with the management on the Audit Qualifications.

Action plan of the Group to address the Audit Qualifications

The Company is taking actions to address the Audit Qualifications with the aim to removing all the Audit Qualifications as soon as possible.

Going Concern Qualification

Action plan for Going Concern Qualification

Apart from renewal of the existing loans, the Company also plans to repay the outstanding debts mainly (i) through net proceeds from the disposal of Nantong Road & Bridge if such disposal can be materialised, and (ii) with the support from Shenzhen Dasheng by sale of its assets and offset of debts owed by the Company to Shenzhen Dasheng.

The Company will, by then, assess and adopt the above action plans, subject to the circumstances and financial conditions of the Company.

THE BOARD AND THE AUDIT COMMITTEE'S VIEW AND THE PLAN TO ADDRESS THE DISCLAIMER OF OPINION

As set out above, Asian Alliance (HK) CPA Limited has issued a disclaimer of opinion on four aspects, namely (1) limitation of scope on prior's year's scope limitation affecting comparative figures; (2) limitation of scope on assets classified as asset held for sale; (3) limitation of scope on loss on disposal of a subsidiary; and (4) limitation of scope on interest in associates.

Regarding the four limitations of scope, the Board and the audit committee of the Company (the "Audit Committee") considers that they are merely an one-off incident and will not appear in the year 2019.

With respect to the multiple uncertainties relating to the Group's ability to continue as a going concern, the Group has been striving and has taken various measures to attain profitable and positive cash flows operations.

The Board including the Audit Committee is of the view that the Group would be able to generate sufficient funds to meet its future working capital needs. The Company could continue to operate as a going concern in the foreseeable future, and that the relevant disclaimer opinion may not appear in the coming year.

SIGNIFICANT EVENTS DURING AND AFTER THE REPORTING PERIOD

(a) On 23 March 2018, the Company and Anhui Dasheng Niannianfu Bio-technology Company Limited* (the "Vendor") entered into a sale and purchase agreement, pursuant to which the Company conditionally agreed to acquire and the Vendor conditionally agreed to sell the entire equity interest in Anhui Huaxing, for a cash consideration of approximately RMB5,577,000. The transaction constitutes a connected transaction under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). Pursuant to the said sale and purchase agreement, the Vendor guarantees that the net profit (the "Actual Net Profit") of Anhui Huaxing for a period of five years from the date of the sale and purchase agreement (the "Guaranteed Period") shall be not less than RMB80,000,000 (the "Guaranteed Net Profit") per year, such that the Actual Net Profit in total for the Guaranteed Period shall be not less than RMB400,000,000, failing of which the Vendor shall pay the shortfall in cash.

(b) On 21 May 2018, the Company entered into an IF Agreement with an independent third party (the "Purchaser") and Nantong Road and Bridge, pursuant to which the Company has intended to sell and the Purchaser has intended to purchase part of the equity interest in Nantong Road and Bridge (the "Disposal"). Based on preliminary estimation by management of the Company, the total equity value of the entire equity interest in Nantong Road and Bridge was expected to be not more than RMB1.3 billion. On 4 July 2018, 5 September 2018, 7 November 2018, 12 December 2018 and 14 January 2019, the Company, the Purchaser and Nantong Road and Bridge entered into five supplemental agreements to the IF Agreement, to extend the exclusivity period and the validity period of the IF Agreement. The validity period of the IF Agreement and the exclusivity period expired on 20 February 2019. Given the lapse of time since the entering into of the IF Agreement, the Company had decided not to extend the exclusivity period arrangement.

(c) On 19 June 2018, Nanjing Dasheng issued and filed a statement of claim (the "Nanjing Dasheng Statement of Claim"), against Shanghai Agro-chemical, under Nanjing Intermediate People's Court of Jiangsu Province* (江蘇省南京市中級人民法院) (the "Nanjing Court") for a breach of working capital loan agreement due to default in repayment of loan in a principal amount of approximately RMB209,405,000 and all related interests (the "Nanjing Dasheng Loan"). The Company, being the guarantor to the Nanjing Dasheng Loan, was also named as defendant in the Nanjing Dasheng Statement of Claim. Pursuant to a civil mediation order issued by the Nanjing Court and settlement agreements subsequently entered into among Nanjing Dasheng, the Company and Shanghai Agro-chemical on 16 August 2018 and 30 August 2018, respectively (collectively, the "Civil Mediation Agreements"), Shanghai Agro-chemical was required to repay Nanjing Dasheng of approximately RMB210,500,000 in aggregate by two installments prior to 15 September 2018 and 31 December 2018, respectively.

* *For illustrative purpose only*

As Shanghai Agro-chemical failed to settle the first installment prior to 15 September 2018, pursuant to the Civil Mediation Agreements, Nanjing Dasheng was entitled to apply to the Nanjing Court for immediate enforcement of claims and was entitled the priority of compensation claims against proceeds from auction or realisation of the Company's interest in the shares of Bao Ze Pledged Shares.

On 21 December 2018, the Company noticed from the network platform of Ali Auction that the Auction during the Bao Ze Pledged Shares was not successful. The Company noticed that a second auction announcement has been published on Ali Auction by the Nanjing Court on 27 December 2018 putting the Bao Ze Pledged Shares on auction (the "Second Auction") during the period from 17 January 2019 to 18 January 2019 through the network platform of Ali Auction. On 19 February 2019, the Company received the Auction Execution Ruling. According to the Auction Execution Ruling, the successful bidder is eligible to initiate the transfer of the Company's interest in the Bao Ze Pledged Shares on the date of receipt of the Auction Execution Ruling. Upon the completion of the transfer of the Bao Ze Pledged Shares, Bao Ze will no longer be a subsidiary of the Company.

PROSPECT

The significant events that has happened in the world economy during 2018 will continue to affect the macroeconomic trends at the policy, regulatory and structural levels for a period of time in the future. In 2019, the world economy will face an increasing number of uncertain and unstable factors, and its weak growth trend is expected to continue.

On 19 February 2019, the CPC Central Committee and the State Council issued the "Several Opinions on Prioritizing the Development of Agriculture and Rural Areas to Address the Issues Relating to Agriculture, Rural Areas and Rural People" (關於堅持農業農村優先發展做好"三農"工作的若干意見), being the 16th consecutive year that the PRC government released the "No 1 document" (一號文件) to show its concerns over the problem of "Agriculture, Rural Areas and Rural People" in the PRC. Years 2019 and 2020 will be the crucial periods for the formation of a prosperous society. The demand for high-quality agricultural and agrochemical products in the PRC market is expected to reach new heights.

The Group will adapt to the situation, closely follow national policies, resolutely push for the restructuring and adjustment of its existing businesses, and increase investments in and expand its core businesses, with an aim to transform itself into a leader in the agricultural industrial chain service sector and to seek new momentum for its future profit growth.

CORPORATE GOVERNANCE

The Board is of the view that throughout the year ended 31 December 2018, the Company has complied with the code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Listing Rules.

Pursuant to Rule 13.46(2) of the Listing Rules, the Company was required to send annual report including the financial statements of the Group for the year ended 31 December 2017 and a copy of the auditors' report thereon to its shareholders not less than 21 days before the date of its annual general meeting (the "AGM") and in any event not more than four months after the end of the financial year to which they relate, being 30 April 2018. Also, pursuant to the articles of association of the Company and Rule 13.46(2)(b) of the Listing Rules, the Company should convene the AGM and lay its financial statements at the AGM before 30 June 2018. The publication of the Company's 2017 Annual Report and the convening of the AGM was delayed to 24 August 2018 and 12 October 2018, respectively due to certain adjustment. For the reasons set out above, the despatch of the 2017 Annual Report and the convening of the AGM were delayed, which constituted non-compliance with Rule 13.46(2) of the Listing Rules.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding directors' securities transactions. Following a specific enquiry, all the Directors and supervisors confirmed that they have complied with the required standard as set out in the Model Code throughout the year ended 31 December 2018.

AUDIT COMMITTEE

The Audit Committee was formed in 2005 and the terms of reference of Audit Committee are aligned with the CG Code. The primary duties of Audit Committee are to review and monitor the financial reporting process and internal controls system of the Group as well as overseeing the relationship with the Company's external auditor. The Audit Committee currently comprises three independent non-executive Directors, namely, Mr. Chung Cheuk Ming, Mr. Yang Gaoyu and Mr. Zhou Jianhao. The chairman of the Audit Committee is Mr. Chung Cheuk Ming.

The Audit Committee, together with the Management, has reviewed the Group's consolidated results for the year ended 31 December 2018 in conjunction with the Company's external auditor. Based on this review and discussions, the Audit Committee was satisfied that the preparation of the results is in compliance with the applicable accounting standards and requirements.

PURCHASE, SALES OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2018.

DIVIDEND

No interim dividend was declared for the six months ended 30 June 2018 (six months ended 30 June 2017: Nil).

The Board does not recommend the payment of any final dividend for the year ended 31 December 2018 (2017: Nil).

AGM AND CLOSURE OF REGISTER OF MEMBERS

The AGM will be held on Thursday, 20 June 2019. A notice convening the AGM is expected to be published and dispatched to the shareholders of the Company in due course in accordance with the requirements of the Listing Rules.

For the purpose of determining shareholders' entitlements to attend and vote at the AGM, the registration in the register of members of the Company will be closed from Tuesday, 21 May 2019 to Thursday, 20 June 2019, both days inclusive. During such period, no transfer of shares will be effected. In order to establish the right to attend and vote at the AGM, all transfer documents accompanied by the relevant H share certificates must be lodged with the Company's H share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on Monday, 20 May 2019. Shareholders whose names appear on the register of members of the Company on Tuesday, 21 May 2019 will be entitled to attend and vote at the AGM.

PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT

The 2018 Annual Report of the Company containing all the information required by the Listing Rules will be dispatched to the shareholders of the Company and made available on the websites of Hong Kong Exchanges and Clearing Limited (http://www.hkexnews.hk) and of the Company (http://www.dsgd-sh.co/) in due course.

APPRECIATION

On behalf of the Board, I wish to express my sincere gratitude to the Board members, the Management and the staff of the Group for their dedication and contribution during the past year, and to the shareholders and business partners for their continuous support for the Group.

By Order of the Board
Shanghai Dasheng Agriculture Finance Technology Co., Ltd.
Lan Huasheng
Chairman

Shanghai, PRC, 29 March 2019

As at the date of this announcement, the Board comprises two executive Directors: Mr. Lan Huasheng and Mr. Wang Liguo; and three independent non-executive Directors: Mr. Chung Cheuk Ming, Mr. Yang Gaoyu and Mr. Zhou Jianhao.

* *For identification purpose only*