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# 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)**

## **SUPPLEMENTAL ANNOUNCEMENT TO ANNUAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2018**

Reference is made to the annual report for the year ended 31 December 2018 (the “**2018 Annual Report**”) of Shanghai Dasheng Agriculture Finance Technology Co., Ltd. (the “**Company**”, together with its subsidiaries, the “**Group**”) published on 29 April 2019. Unless the context otherwise requires, capitalized terms used herein shall have the same meanings as those defined in the 2018 Annual Report.

### **AUDIT QUALIFICATIONS**

As disclosed in 2018 Annual Report, the Auditors issued a disclaimer of opinion (the “**Audit Qualifications**”) on the Company’s consolidated financial statements for the year ended 31 December 2018 due to the (i) limitation of scope on prior year’s scope limitation affecting comparative figures; (ii) limitation of scope on assets classified as assets held for sale; (iii) limitation of scope on loss on disposal of a subsidiary; (iv) limitation of scope on interest in an associate; and (v) potential implication of the multiple uncertainties relating to going concern and their possible cumulative effect on the consolidated financial statements, as described in the paragraph headed “Basis of Disclaimer of Opinion” of the independent auditor’s report contained in the 2018 Annual Report. The Board would like to provide further information in relation to certain Audit Qualifications as stated below:

### **Limitation of scope on assets classified as assets held for sale**

As the auction of the Bao Ze Pledged Shares had completed on 21 January 2019, the Management is of the view that the limitation of scope on assets classified as asset held for sale is a one-off incident and will not have carryforward effect for the year ending 31 December 2019.

The Management has been using its best endeavours to discuss and liaise and arrange with Bao Ze Group for a long period of time since January 2019 in relation to the provision of relevant information and supporting documents for the Auditors to perform the necessary audit procedures. The Company was informed by Bao Ze Group that time was required to go through internal approval process to provide the Auditors with certain audit documentation requested for. However, Bao Ze Group did not manage to provide such audit documentation to the Auditors and the Company prior to the publication of the annual results announcement for the year ended 31 December 2018, which led to the disclaimer of opinion on limitation of scope on assets classified as assets held for sale.

### **Limitation of scope on loss on disposal of a subsidiary**

As the disposal of HK Dasheng A&F was completed on 21 November 2018, the Management is of the view that the limitation of scope on loss on disposal of a subsidiary is a one-off incident and will not have carryforward effect for the year ending 31 December 2019.

After the completion of the disposal of HK Dasheng A&F, it was no longer a subsidiary of the Company and hence, the Company was not in possession of relevant financial information requested by the Auditors. The management of HK Dasheng A&F failed to provide all integral financial information of HK Dasheng A&F requested by the Auditors in relation to the year ended 31 December 2017 and the period subsequent to 21 November 2018. As a common practice and being a separate corporate legal entity, the original invoices, ledgers and vouchers are kept with HK Dasheng A&F and had never been in the Company's possession. The Company had only been obtaining the management accounts and certain underlying documents for preparation of its consolidated accounts, and the operational and financial documents such as the invoices, ledgers and vouchers have always been kept with HK Dasheng A&F, the copies (if any) of which formed part of the internal underlying documents for the audit work done by auditors and will not normally be shared with other parties. Due to the change in the Company's auditors, the Auditors were not in possession of HK Dasheng A&F's audit documentation for the year ended 31 December 2017. The Auditors were unable to request for HK Dasheng A&F's audit documentation for the year ended 31 December 2017 from the management of HK Dasheng A&F nor the Predecessor Auditor, and accordingly, led to the disclaimer of opinion on such limitation of scope on loss on disposal of a subsidiary.

### **Limitation of scope on interest in an associate**

The limitation of scope on interest in an associate was a standalone incident. To the Directors' best knowledge and belief, such limitation of scope was a result of Shanghai Yi He's shareholders' dispute. Since the business target of Shanghai Yi He deviated from the shareholders' initial intention regarding the development of factoring business as a result of the CEFC Events and the Shenzhen Dasheng Events, this led to mistrust between shareholders and their refusal to co-operate with the Auditors' audit procedures.

Since the occurrence and development of the CEFC Events and the Shenzhen Dasheng Events are out of the Company's control, the Management is uncertain whether this disclaimer will be removed in the consolidated financial statements of the Group for the year ending 31 December 2019.

### **ACTION PLAN OF THE GROUP TO ADDRESS THE AUDIT QUALIFICATIONS**

The Company has proposed action plans to the Auditors and is taking actions to address the following Audit Qualifications with the aim to removing all the Audit Qualifications as soon as possible.

### **Limitation of scope on prior year's scope limitation affecting comparative figures**

The Management has discussed with the Auditors and confirmed that the qualified opinion on consolidated statement of profit or loss for the year ended 31 December 2018 will have carryforward effect for the year ending 31 December 2019 as a result of the comparability of the 2019 figures and the corresponding 2018 figures.

As such, on the assumption that the Auditors express a disclaimer of opinion on the 2019 figures of the Group, the audit qualification which arose as a result of the 2018 comparative figures will have carryforward impact on the Company's annual results for the year ending 31 December 2020 as the 2018 figures will form the basis for the corresponding figures presented in the consolidated financial statements for the year ending 31 December 2019.

### **Limitation of scope on assets classified as assets held for sale**

If sufficient financial information cannot be provided to the Auditors in relation to the financial results of Bao Ze Group for the period from 1 January 2019 to 21 January 2019 (being the date of disposal), the financial position as at 1 January 2019 and 21 January 2019 and the gain/loss on disposal of Bao Ze Group, the qualification will have carryforward effect in the year ending 31 December 2019.

The limitation of scope on assets classified as assets held for sale may also have potential impact on the opening balance on the consolidated financial statements for the year ending 31 December 2019 as the Company's interest in the Bao Ze Pledged Shares had been put on auction by the Nanjing Court on 27 December 2018, which had not yet been completed as at 31 December 2018. The auction was completed on 21 January 2019. As such, any adjustment to the carrying amounts may affect the opening balances of the assets classified as held for sale and liabilities associated with assets classified as held for sale as at 1 January 2019.

The Company will continue to liaise with the management of Bao Ze Group to provide the financial information per the Auditors' request. If the management of Bao Ze Group fails to provide such information prior to the publication of the Company's annual results for the year ending 31 December 2019, the qualification would not be removed for the year ending 31 December 2019.

#### **Limitation of scope on loss on disposal of a subsidiary**

As discussed with the Auditors, the limitation of scope on loss on disposal of a subsidiary is a one-off incident. As the disposal had been completed during the year ended 31 December 2018, it will only affect the comparative figures but not the opening balance on the consolidated financial statements for the year ending 31 December 2019.

#### **Limitation of scope on interest in an associate**

Hong Kong Dasheng Agriculture Finance Holding Co., Ltd.\* (香港大生農業金融控股有限公司), a subsidiary of the Company and a shareholder of Shanghai Yi He, has been liaising with the other two shareholders of Shanghai Yi He in relation to the deregistration of Shanghai Yi He, as Shanghai Yi He has no tax liability and no assets.

The Management expects to arrange filing of corporate documents with the relevant PRC regulatory authorities to deregister Shanghai Yi He before the end of December 2019, and arrange with the other two shareholders of Shanghai Yi He to complete the requisite audit procedures for the year ending 31 December 2019.

Even if Shanghai Yi He is deregistered in 2019, Shanghai Yi He's results between 1 January 2019 and the date of deregistration will still be included in the Group's annual results for the year ending 31 December 2019. On the assumption that (i) Shanghai Yi He is deregistered in 2019; and (ii) Shanghai Yi He still provides insufficient information for audit purposes, such qualification will remain in the Group's results for the year ending 31 December 2019 but will be removed in the Group's results for the year ending 31 December 2020 (apart from the qualification under prior year's scope limitation affecting comparative figures). Due to the circumstances above, the Company will use its best endeavours to liaise and arrange with the other two shareholders of Shanghai Yi He to complete the requisite audit procedures for the year ending 31 December 2019, so as to remove such qualification in the Group's results for the year ending 31 December 2020.

The limitation of scope on interest in an associate may also have potential impact on the opening balance on the consolidated financial statements for the year ending 31 December 2019 in relation to the Company's interest in Shanghai Yi He, as the Auditors have not been provided with sufficient appropriate audit evidence of Shanghai Yi He for the year ended 31 December 2018. Any adjustment to the carrying amounts may affect the opening balances of interest in Shanghai Yi He as at 1 January 2019.

### **Multiple uncertainties in relation to going concern**

As at the date of this announcement, the outstanding material debts from the Group's road bridge construction business and the agricultural and petrochemical products supply chain services business of the Group remain stable and have not been called for repayment yet. However, the Company is of the view that, there is no further room for negotiation with the debtors on the probable settlement of the outstanding material debts (including extension/renewal/refinancing/cash repayment/debt conversion to equity etc.) from the remaining business operations of the Group. The Company shall explore other ways to handle the outstanding debts. The Company's action plans to settle its total borrowings of approximately RMB2.6 billion as at 31 December 2018 are as follows:

- as disclosed in the Company's announcement dated 30 May 2019, the Company's equity interest in Nantong Road and Bridge was ordered to be sealed up, distrained, auctioned or sold (the "**Nantong Auction**"). As at the date of this announcement, the Company has not received any notice regarding the arrangement of the Nantong Auction and the reserve price of the Company's equity interest in Nantong Road and Bridge is uncertain. The net proceeds from the Nantong Auction will be utilised to repay certain outstanding debts owed to the debtors. The actual repayment amount will depend on the amount of the auction price and net proceeds from the successful auction;
- the Company will continue negotiating with Shenzhen Dasheng, the substantial shareholder of the Company, to gain financial support from it and offset debts owed by the Company to other third parties of which Shenzhen Dasheng is the guarantor to such debt. Nevertheless, Shenzhen Dasheng's willingness and ability to provide such support remains uncertain and is out of the Company's control;
- the Company is proactive in exploring possible debt restructuring opportunities, including disposal of loss-making subsidiaries; devising probable new repayment plans with debtors, reaching out for new investors etc. As disclosed in the Company's announcement dated 4 March 2019, the Company entered into an intent cooperation framework agreement dated 4 March 2019 pursuant to which a potential investor intended to invest in the Company (the "**Potential Investment**"). As at the date of this announcement, the Potential Investment is still pending and the Company has no other concrete investment plans; and

- the Group commenced agrochemical products supply chain services in 2018 through the acquisition of Anhui Huaxing and its subsidiary (“**Anhui Huaxing Group**”) and strives to develop and enhance this continuing operations segment. Mr. Yan Zebin from Anhui Huaxing Group has been appointed as a new executive Director in June 2019. The Company is of the view that an additional member to the Board would enhance the efficiency of decision making of the Board and bring in new ideas or options for the Company to overcome the current difficulties.

The Company will keep its shareholders and investors informed of developments in relation to the Group’s business operation and financial position, investment plans, the legal proceedings and other matters by way of further announcement(s) and in the Company’s interim results announcement and interim report for the six months ended 30 June 2019 as and when appropriate.

**Shareholders of the Company and potential investors are advised to exercise caution when dealing in securities of the Company.**

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

Shanghai, PRC, 6 August 2019

*As at the date of this announcement, the Board comprises three executive directors: Mr. Lan Huasheng, Mr. Wang Liguo and Mr. Yan Zebin; one non-executive director: Mr. Lu Tingfu; and three independent non-executive directors: Mr. Chung Cheuk Ming, Mr. Yang Gaoyu and Mr. Zhou Jianhao.*

*\*For identification purpose only*