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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)**

## **ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2020**

The board of directors (the “**Board**”) of Shanghai Dasheng Agriculture Finance Technology Co., Ltd. (上海大生農業金融科技股份有限公司) (the “**Company**”, together with its subsidiaries, the “**Group**”) is pleased to announce the audited consolidated annual results of the Group for the year ended 31 December 2020 together with the comparative figures for the year ended 31 December 2019 as follows:

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2020

	Notes	2020 RMB'000	2019 RMB'000 (Restated)
<b>Continuing operations</b>			
Revenue	3		
– Contracts with customer		1,426,861	1,416,705
– Interest under effective interest method		6,952	12,111
Total revenue		1,433,813	1,428,816
Cost of sales		(1,109,884)	(1,161,394)
Gross profit		323,929	267,422
Other income	4a	28,552	32,133
Other gains or losses	4b	29,615	(1,102)
Distribution costs		(54,561)	(54,931)
Administrative and other expenses		(223,283)	(209,400)
Impairment losses, net of reversal		(773,598)	67,986
Share of loss of associates		(995)	(4,034)
Gain (loss) on disposal of subsidiaries, net	14	11,402	(10,708)
Finance costs	5	(238,906)	(342,254)
Loss before tax		(897,845)	(254,888)
Income tax expense	6	(6,135)	(6,544)
Loss for the year from continuing operations	8	(903,980)	(261,432)
<b>Discontinued operations</b>			
Loss for the year from discontinued operations, net of income tax	7	(11,472)	(592,385)
Loss for the year		(915,452)	(853,817)
<b>Other comprehensive (expense) income</b>			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		(1,339)	1,276
<i>Items that will not be reclassified to profit or loss:</i>			
Fair value loss on equity instruments at fair value through other comprehensive income		(308)	(637)
Other comprehensive (expense) income for the year, net of income tax		(1,647)	639
<b>Total comprehensive expense for the year</b>		<b>(917,099)</b>	<b>(853,178)</b>

	<i>Notes</i>	2020 <b>RMB'000</b>	2019 <b>RMB'000</b> (Restated)
<b>Loss for the year attributable to owners of the Company</b>			
– from continuing operations		(770,397)	(215,395)
– from discontinued operations		(9,178)	(556,092)
		<u>(779,575)</u>	<u>(771,487)</u>
<b>Loss for the year attributable to non-controlling interests</b>			
– from continuing operations		(133,583)	(46,037)
– from discontinued operations		(2,294)	(36,293)
		<u>(135,877)</u>	<u>(82,330)</u>
		<u>(915,452)</u>	<u>(853,817)</u>
<b>Total comprehensive expense for the year attributable to:</b>			
– Owners of the Company		(781,160)	(770,729)
– Non-controlling interests		(135,939)	(82,449)
		<u>(917,099)</u>	<u>(853,178)</u>
<b>Loss per share</b>			
<i>10</i>			
From continuing and discontinued operations			
– Basic and diluted (RMB)		<u>(0.082)</u>	<u>(0.081)</u>
From continuing operations			
– Basic and diluted (RMB)		<u>(0.081)</u>	<u>(0.023)</u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2020

	<i>Notes</i>	<b>2020</b> <b>RMB'000</b>	2019 RMB'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		<b>905,368</b>	887,087
Right-of-use assets		<b>90,876</b>	96,100
Intangible assets		<b>5,913</b>	14,524
Interests in associates		<b>38,318</b>	24,493
Equity instruments at fair value through other comprehensive income (“FVTOCI”)		–	10,140
Trade and other receivables – non-current portion	<i>11</i>	–	66,552
Deferred tax assets		–	376
		<b>1,040,475</b>	1,099,272
<b>CURRENT ASSETS</b>			
Inventories		<b>319,223</b>	268,224
Trade and other receivables	<i>11</i>	<b>392,725</b>	1,121,465
Restricted bank deposits		<b>10,641</b>	151,277
Cash and cash equivalents		<b>55,262</b>	65,222
		<b>777,851</b>	1,606,188
Assets classified as held for sale	<i>7</i>	<b>127,366</b>	3,259,843
		<b>905,217</b>	4,866,031

	<i>Notes</i>	<b>2020</b> <b>RMB'000</b>	2019 RMB'000
<b>CURRENT LIABILITIES</b>			
Trade and other payables	12	1,265,428	1,253,747
Lease liabilities		–	945
Contract liabilities		303,574	282,203
Borrowings		1,281,700	2,112,786
Tax liabilities		57,057	85,598
		<u>2,907,759</u>	<u>3,735,279</u>
Liabilities associated with assets classified as held for sale	7	91,318	2,755,913
		<u>2,999,077</u>	<u>6,491,192</u>
<b>NET CURRENT LIABILITIES</b>		<u>(2,093,860)</u>	<u>(1,625,161)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>(1,053,385)</u>	<u>(525,889)</u>
<b>NON-CURRENT LIABILITIES</b>			
Other payables – non-current portion	12	3,961	4,950
Borrowings		–	139,061
Deferred tax liabilities		3,128	3,063
		<u>7,089</u>	<u>147,074</u>
<b>NET LIABILITIES</b>		<u>(1,060,474)</u>	<u>(672,963)</u>
<b>CAPITAL AND RESERVES</b>			
Share capital	13	955,108	955,108
Reserves		(2,031,189)	(1,067,525)
Equity attributable to owners of the Company		<u>(1,076,081)</u>	<u>(112,417)</u>
Non-controlling interests		15,607	(560,546)
<b>TOTAL DEFICIT</b>		<u>(1,060,474)</u>	<u>(672,963)</u>

NOTES:

1. BASIS OF PREPARATION

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“**HKFRSs**”), 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 2020, the Group reported loss attributable to the owners of the Company of approximately RMB779,575,000 and, as of that date, the Group’s current liabilities exceed its current assets of approximately RMB2,093,860,000 and net liabilities of approximately RMB1,060,474,000. As at 31 December 2020, the Group’s total borrowings amounted to approximately RMB1,281,700,000 and all were classified as current liabilities, while its restricted bank deposits and cash and cash equivalents amounted to approximately RMB10,641,000 and RMB55,262,000, respectively.

- (i) Certain outstanding debts owed to the debtors under the Zhiying Legal Proceedings (as defined below) will be settled directly by the relevant court to the extent possible with net proceeds from the auction of the Company’s 80% equity interests in Shanghai Runtong Industrial and Investment Co., Limited\* (上海潤通實業投資有限公司) (the “**Shanghai Runtong Shares**”), which had been put on auction during the period from 27 February 2021 to 2 March 2021 with a reserve price of RMB28,840,000. On 2 March 2021, the Company noticed from the network platform of Gongpai Auction that the said auction was not successful. As at the date of this announcement, the Shanghai Runtong Shares have not yet been auctioned. The Group expects that such settlement(s) will be completed within the year ending 31 December 2021;
- (ii) The Group commenced agrochemical products supply chain services in 2018 through Anhui Huaxing Chemical Industry Company Limited\* (安徽華星化工有限公司) (“**Anhui Huaxing**”) and its subsidiaries (collectively, the “**Anhui Huaxing Group**”) and strives to develop and enhance this continuing operations segment. For the year ended 31 December 2020, the turnover of the agrochemical products supply chain services amounted to approximately RMB1,426.9 million, representing 99% of the Group’s total revenue. Anhui Huaxing Group contributed to the overall positive operating cash flow of the Group for the year ended 31 December 2020. The Company is of the view that Anhui Huaxing Group would further improve the Group’s liquidity going forward; and

- (iii) The Company is proactive in exploring possible debt restructuring opportunities, including disposal of loss-making subsidiaries, devising probable new repayment plans with creditors and reaching out for new investors. 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 the potential investor intended to invest in the Company. As at the date of this announcement, the potential investment is still pending and the Company has no other concrete investment plans.

The directors of the Company (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 2020 after taking into consideration the above measures.

Accordingly, the Directors are of the opinion that it is appropriate to prepare these consolidated financial statements for the year ended 31 December 2020 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.

## **2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS**

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

In the current year, the Group has applied the Amendments to References to the Conceptual Framework in HKFRS Standards and the following amendments to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2020 for the preparation of the consolidated financial statements:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

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.

## 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 17	Insurance Contracts and the related Amendments <sup>1</sup>
Amendments to HKFRS 3	Reference to the Conceptual Framework <sup>2</sup>
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2 <sup>4</sup>
Amendment to HKFRS 16	Covid-19-Related Rent Concessions <sup>5</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>3</sup>
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 4 (2020) <sup>1</sup>
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use <sup>2</sup>
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract <sup>2</sup>
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020 <sup>2</sup>
Hong Kong Accounting Guideline 5 (Revised)	Merger Accounting for Common Control Combinations <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2023.

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2022.

<sup>3</sup> Effective for annual periods beginning on or after a date to be determined.

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2021.

<sup>5</sup> Effective for annual periods beginning on or after 1 June 2020.

Except for the new and amendments to HKFRSs and interpretations mentioned in the consolidated financial statements, 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. SEGMENT INFORMATION

Information reported to 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.

The Group now has three 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:

- Agricultural and petrochemical products supply chain services (including chemical fertilizers, fuel oil, mixed aromatics, white sugar, food products and frozen products)
- Financial leasing and commercial factoring services
- Agrochemical products supply chain services – production and sale of pesticides and chemical products



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

**For the year ended 31 December 2020**

**Continuing operations**

	Agricultural and petrochemical products supply chain services <i>RMB'000</i>	Financial leasing and commercial factoring services <i>RMB'000</i>	Agrochemical products supply chain services <i>RMB'000</i>	Total <i>RMB'000</i>
Reportable segment revenue from external customers	–	6,952	1,426,861	1,433,813
Reportable segment (loss) profit	(539,518)	(382,268)	17,806	(903,980)
Reportable segment assets	200,737	30	1,617,559	1,818,326
Reportable segment liabilities	(1,915,120)	(20,606)	(979,122)	(2,914,848)

**For the year ended 31 December 2019**

**Continuing operations**

	Agricultural and petrochemical products supply chain services <i>RMB'000</i>	Financial leasing and commercial factoring services <i>RMB'000</i>	Agricultural big-data services <i>RMB'000</i>	Agrochemical products supply chain services <i>RMB'000</i>	Total <i>RMB'000</i>
Reportable segment revenue from external customers	5,962	12,111	–	1,410,743	1,428,816
Reportable segment (loss) profit	(230,538)	(84,259)	–	53,365	(261,432)
Reportable segment assets	579,149	382,420	201,349	1,542,542	2,705,460
Reportable segment liabilities	(2,004,783)	(754,709)	(143,259)	(979,602)	(3,882,353)

**4a. OTHER INCOME**

	<b>2020</b> <i>RMB'000</i>	2019 <i>RMB'000</i> (Restated)
<b>Continuing operations</b>		
Rental income ( <i>Note a</i> )	<b>1,035</b>	785
Supply of utilities	<b>13,006</b>	15,937
Sales of scrap and other materials	<b>1,070</b>	2,637
Interest income	<b>1,829</b>	910
Government grants ( <i>Note b</i> )	<b>5,751</b>	6,185
Others	<b>5,861</b>	5,679
	<u><b>28,552</b></u>	<u>32,133</u>

*Notes:*

(a) Leases

	<b>2020</b> <i>RMB'000</i>	2019 <i>RMB'000</i>
<b>For operating leases:</b>		
Lease payments that are fixed or depend on an index or a rate	<u><b>1,035</b></u>	<u>785</u>

(b) The government grants are mainly incentives provided by the Anhui local government and the amount received each year is determined by the Anhui local government. There were no unfulfilled conditions or other contingencies attached to these grants.

**4b. OTHER GAINS OR LOSSES**

	<b>2020</b> <i>RMB'000</i>	2019 <i>RMB'000</i> (Restated)
<b>Continuing operations</b>		
Gain on settlement of other payables	<b>35,000</b>	–
Loss on disposals of property, plant and equipment	<b>(5,364)</b>	(4,689)
Written-off of trade and other receivables	–	(275)
Loss on disposal of assets classified as held for sale	<b>(252)</b>	–
Gain on disposals of right-of-use assets	<b>231</b>	3,862
	<u><b>29,615</b></u>	<u>(1,102)</u>

**5. FINANCE COSTS**

	<b>2020</b> <i>RMB'000</i>	2019 <i>RMB'000</i> (Restated)
<b>Continuing operations</b>		
Interest expense on borrowings	<b>238,877</b>	341,855
Interest expense on lease liabilities	<b>29</b>	108
Others	–	291
	<u><b>238,906</b></u>	<u>342,254</u>

## 6. INCOME TAX EXPENSE

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i> (Restated)
<b>Continuing operations</b>		
Current income tax:		
Enterprise income tax (“EIT”)	5,177	7,253
Under-provision in prior years, net EIT	<u>861</u>	<u>84</u>
	<u>6,038</u>	<u>7,337</u>
Deferred tax	<u>97</u>	<u>(793)</u>
	<u><b>6,135</b></u>	<u><b>6,544</b></u>

Under the Law of the People’s Republic of China on Enterprise Income Tax (the “EIT Law”) and the Implementation Regulation of the EIT Law, the tax rate of the subsidiaries in the People’s Republic of China (the “PRC”) 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% for both years.

On 21 March 2018, the Hong Kong Legislative Council passed the Inland Revenue (Amendment) (No.7) Bill 2017 (the “Bill”) which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of the qualifying group 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.

## 7. DISCONTINUED OPERATIONS AND DISPOSAL GROUP/ASSETS HELD FOR SALE

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

	<i>Notes</i>	<b>2020</b> <b>RMB'000</b>	2019 <i>RMB'000</i>
(Loss) profit for the year from:			
Agricultural big-data services operation	<i>(a)</i>	<b>(11,472)</b>	47,723
Construction of roads and bridges operation	<i>(b)</i>	<u>–</u>	<u>(640,108)</u>
		<b><u>(11,472)</u></b>	<b><u>(592,385)</u></b>

Assets classified as held for sale is set out below:

	<i>Notes</i>	<b>2020</b> <b>RMB'000</b>	2019 <i>RMB'000</i>
Assets classified as held for sale related to:			
Agricultural big-data services operation	<i>(a)</i>	<b>127,366</b>	–
Construction of roads and bridges operation	<i>(b)</i>	<u>–</u>	<u>3,255,714</u>
Right-of-use assets	<i>(c)</i>	<u>–</u>	<u>4,129</u>
		<b><u>127,366</u></b>	<b><u>3,259,843</u></b>

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

	<i>Notes</i>	<b>2020</b> <b>RMB'000</b>	2019 <i>RMB'000</i>
Liabilities associated with assets classified as held for sale related to:			
Agricultural big-data services operation	<i>(a)</i>	<b>91,318</b>	–
Construction of roads and bridges operation	<i>(b)</i>	<u>–</u>	<u>2,755,913</u>
		<b><u>91,318</u></b>	<b><u>2,755,913</u></b>

Notes:

**(a) Discontinued agricultural big-data services operation**

On 26 May 2020, the Company received an execution ruling dated 15 May 2020 issued by the Shanghai No. 2 Intermediate People's Court\* (上海市第二中級人民法院) (the “**Shanghai Second Court**”) in relation to the Zhiying Legal Proceedings. Pursuant to such execution ruling, the Company shall repay the plaintiffs (i) the consideration of RMB129,166,715 and all related overdue interests; (ii) their legal fee of RMB500,000; and (iii) their property preservation liability insurance premium of RMB119,000. The Company shall also pay enforcement fees in the amount of RMB197,185.72.

In case where the Company fails to fulfil its repayment obligations, the plaintiffs may enter into an agreement with Shanghai Kaiyi Corporate Management Consultancy Co., Ltd.\* (上海諧易企業管理諮詢有限公司) (“**Shanghai Kaiyi**”), a direct wholly-owned subsidiary of the Company, pursuant to the civil mediation order issued by the Shanghai Second Court, where the plaintiffs may be compensated through the value conversion of the Shanghai Runtong Shares pledged by Shanghai Kaiyi, or be compensated on a preferential basis through auction or sale of the Shanghai Runtong Shares.

The Company failed to repay the plaintiffs pursuant to the execution ruling dated 15 May 2020 and that an auction announcement dated 27 November 2020 has been published by the Shanghai Second Court on the public auction network (www.gpai.net) (the “**Gongpai Auction**”) to put the Shanghai Runtong Shares on auction during the period from 8 January 2021 to 11 January 2021 through the network platform of Gongpai Auction, with a reserve price of RMB28.84 million. The auction was subsequently re-scheduled to between 27 February 2021 and 2 March 2021 with a same reserve price. On 2 March 2021, the Company noticed from the network platform of Gongpai Auction that said auction was not successful. As at the date of this announcement, the Shanghai Runtong Shares have not yet been auctioned.

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 loss for the year from the discontinued agricultural big-data services operation is set out below. The 2019 comparative figures in the consolidated statement of profit or loss and other comprehensive income have been restated to re-present the agricultural big-data services operation as a discontinued operation.

The loss for the year from the discontinued agricultural big-data services operation is set out below:

	<b>2020</b> <i>RMB'000</i>	2019 <i>RMB'000</i>
Revenue	12,998	14,971
Cost of sales	(725)	(1,999)
Other income	1,709	114
Distribution costs	(287)	(591)
Administrative and other expenses	(4,427)	(8,655)
Impairment loss on interest in associate	–	(9,320)
Impairment loss recognised in respect of trade and other receivables	(1,424)	(1,834)
Share of results of associates	–	(481)
	<hr/>	<hr/>
Profit (loss) of the discontinued operation	7,844	(7,795)
Impairment loss on a disposal group classified as held for sale	(17,899)	–
	<hr/>	<hr/>
Loss before tax	(10,055)	(7,795)
Income tax (expense) credit	(1,417)	55,518
	<hr/>	<hr/>
(Loss) profit for the year	<u>(11,472)</u>	<u>47,723</u>
	<hr/>	<hr/>
Auditor's remuneration	<u>48</u>	<u>190</u>

The major classes of assets and liabilities of the agricultural big-data services operation as at 31 December 2020, which have been presented separately in the consolidated statement of financial position, are as follows:

	<b>2020</b> <i>RMB'000</i>
Property, plant and equipment	6,716
Equity instruments designated as at FVTOCI	4,422
Intangible assets	3,950
Deferred tax assets	376
Inventories	78
Trade and other receivables	7,316
Restricted bank deposits	91,812
Cash and cash equivalents	12,696
	<hr/>
Assets classified as held for sale	<u>127,366</u>
	<hr/>
Trade and other payables	89,717
Deferred tax liabilities	1
Tax liabilities	1,600
	<hr/>
Liabilities related to assets classified as held for sale	<u>91,318</u>

**(b) Discontinued construction of roads and bridges operation**

On 5 June 2018, CEFC Shanghai Securities Limited (“**CEFC**”) issued and filed a statement of claim (the “**CEFC 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 Shanghai Second Court for a breach of loan agreement due to default in repayment of loan in a principal amount of RMB300,000,000 and all related interests (the “**CEFC Loan**”).

Pursuant to a civil mediation order issued by Shanghai Second Court on 22 February 2019, Shanghai Agro-chemical shall make a one-off and full payment of approximately RMB310,052,000 (including the principal amounts and related interests) and the overdue interests/advance interests and the corresponding legal fee and guarantee fee incurred, within three days from the effective date of the civil mediation order (the “**Repayment**”).

As Shanghai Agro-chemical failed to fulfill the Repayment under two enforcement notices dated 10 April 2019 and 12 April 2019 issued by the Shanghai Second Court that it received on 18 April 2019. On 30 May 2019, the Company received an execution ruling dated 23 April 2019 issued by the Shanghai Second Court, which the Shanghai Second Court ordered, inter alia, that the Company’s 91.3% equity interest (the “**Nantong Shares**”) in Nantong Road and Bridge Engineering Co., Ltd\*(南通路橋工程有限公司) (“**Nantong Road and Bridge**”) be sealed up, distrained, auctioned or sold.

The auction of the Nantong Shares, during the period from 3 January 2020 to 6 January 2020 through the network platform of Gongpai Auction, have been successfully closed with an auction result of RMB456,320,000. On 24 February 2020, the Company received an execution ruling dated 19 January 2020 from the Shanghai Second Court in relation to the successful auction of the Nantong Shares pursuant to which the successful bidder is eligible to initiate the transfer of the Company’s interest in the Nantong Shares on the date of receipt of such execution ruling. The disposal of Nantong Shares was completed on 19 January 2020, and after such disposal, Nantong Road and Bridge was no longer a subsidiary of the Company.

\* *For illustrative purposes only*



The loss for the year ended 31 December 2019 from the discontinued construction of roads and bridges operation is set out below.

	2019 <i>RMB'000</i>
Revenue	2,387,295
Cost of sales	(2,391,328)
Other income and gains	7,135
Administrative and other expenses	(21,691)
Impairment loss recognised inspect of on trade and other receivables	(12,143)
Impairment loss on intangible assets	–
Share of loss of a joint venture	(725)
Finance costs	(8,573)
	<hr/>
Loss of the discontinued operation	(40,030)
Impairment loss on a disposal group classified as held for sale	(663,989)
	<hr/>
Loss before tax	(704,019)
Income tax credit	63,911
	<hr/>
Loss for the year	(640,108)
	<hr/> <hr/>
<b>Loss for the year from discontinued construction of roads and bridges operation includes the following:</b>	
Gain on disposal of property, plant and equipment, net	125
Auditor's remuneration	215
	<hr/> <hr/>

The major classes of assets and liabilities of the construction of roads and bridges operation as at 31 December 2019, which have been presented separately in the consolidated statement of financial position, are as follows:

	2019 <i>RMB'000</i>
Property, plant and equipment	62,957
Right-of-use assets	11,913
Investment properties	17,128
Intangible assets	56
Interests in a joint venture	121,864
Financial assets at fair value through profit or loss (“FVTPL”)	171,000
Equity instruments at FVTOCI	5,000
Trade and other receivables	2,704,306
Deferred tax assets	60,301
Inventories	11,137
Contract assets	18,670
Restricted bank deposits	46,531
Cash and cash equivalents	24,851
	<hr/>
Assets classified as held for sale	<u>3,255,714</u>
	<hr/>
Trade and other payables	1,994,211
Contract liabilities	108,919
Lease liabilities	4,205
Borrowings	646,055
Tax liabilities	1,015
Deferred tax liabilities	1,508
	<hr/>
Liabilities related to assets classified as held for sale	<u>2,755,913</u>

- (c) Prior to the acquisition of Anhui Huaxing by the Group, Anhui Huaxing entered into the disposal agreement with a purchaser (the “**Purchaser I**”), whereby the Purchaser I has conditionally agreed to purchase and Anhui Huaxing has conditionally agreed to dispose of a plot of land located in the chemical plant in Wujiang Town, the Country (和縣烏江鎮精細化工基地內) in the PRC at the consideration of RMB5,000,000 (the “**Disposal I**”). A supplemental agreement was entered into with the revised consideration of RMB3,877,000 during the year ended 31 December 2020. The Disposal I was completed on 22 May 2020.

## 8. LOSS FOR THE YEAR

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

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i> (Restated)
<b>Continuing operations</b>		
Auditor's remuneration	2,011	2,380
Cost of inventories recognised as expenses	1,100,427	1,141,204
Amortisation of intangible assets	1,366	1,283
Depreciation of property, plant and equipment	83,849	74,452
Depreciation of right-of-use assets	3,449	4,391
Gain on disposals of right-of-use assets	(231)	(3,862)
Loss on disposals of property, plant and equipment	5,364	4,689
Loss on written-off property, plant and equipment	13	2,885
Research and development costs recognised as expense	43,775	57,617
Operating lease rental expenses in respect of:		
– Land and buildings	1,347	4,557
	<u>1,347</u>	<u>4,557</u>

## 9. DIVIDENDS

No dividend was paid or proposed for ordinary shareholders of the Company during the year ended 31 December 2020, nor has any dividend been proposed since the end of the reporting period (2019: Nil).

## 10. LOSS PER SHARE

### For continuing and discontinued operations

The calculation of the basic and diluted loss 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:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Loss for the year attributable to owners of the Company for the purpose of basic and diluted loss per share	<u>(779,575)</u>	<u>(771,487)</u>
<b>Number of shares</b>		
	2020	2019
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	<u>9,551,079,812</u>	<u>9,551,079,812</u>

### **For continuing operations**

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

Loss figures are calculated as follows:

	<b>2020</b> <i>RMB'000</i>	2019 <i>RMB'000</i> (Restated)
Loss for the year attributable to owners of the Company	<b>(779,575)</b>	(771,487)
Less: Loss for the year from discontinued operations	<b>(9,178)</b>	(556,092)
Loss for the purpose of basic and diluted loss per share from continuing operations	<b><u>(770,397)</u></b>	<b><u>(215,395)</u></b>

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 RMB0.001 per share (2019: RMB0.058 per share), based on the loss for the year from the discontinued operations of RMB9,178,000 (2019: loss for the year RMB556,092,000) and the denominators detailed above for both basic and diluted earnings per share.

No diluted earnings per share for both 2020 and 2019 were presented as there were no potential ordinary shares in issue for both 2020 and 2019.

## 11. TRADE AND OTHER RECEIVABLES

	<i>Notes</i>	<b>2020</b> <b>RMB'000</b>	2019 RMB'000
Trade receivables		<b>827,252</b>	978,540
Bank notes receivable		<b>24,853</b>	13,370
Finance lease receivables		–	156,571
Factoring loan receivables		–	2,688,903
		<hr/>	<hr/>
Total trade and notes receivables	<i>(a)</i>	<b>852,105</b>	3,837,384
Prepayments and deposits		<b>42,697</b>	38,775
Other receivables		<b>2,224,593</b>	2,061,682
Amount due from an associate		<b>110</b>	110
Amount due from a related company		<b>1,274</b>	277
		<hr/>	<hr/>
		<b>3,120,779</b>	5,938,228
Less: impairment loss recognised on trade and other receivables		<b>(2,728,054)</b>	(4,750,211)
		<hr/>	<hr/>
		<b>392,725</b>	1,188,017
		<hr/> <hr/>	<hr/> <hr/>
Classified as:			
Non-current assets		–	66,552
Current assets		<b>392,725</b>	1,121,465
		<hr/>	<hr/>
		<b>392,725</b>	1,188,017
		<hr/> <hr/>	<hr/> <hr/>

**(a) Trade and notes receivables**

The aging analysis of trade and notes receivables for agricultural and petrochemical products supply chain services, agricultural big-data services and agrochemical products supply chain services are prepared based on invoice dates. For the finance lease and commercial factoring services, 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:

	<b>2020</b>	2019
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
<b>Agricultural and petrochemical products supply chain services:</b>		
Less than 30 days	–	55
31 to 60 days	–	249
91 days to less than 1 year	–	500
1 year to less than 2 years	<b>610</b>	155,017
2 years to less than 3 years	<b>109,462</b>	674,630
Over 3 years	<b>608,118</b>	29,257
	<hr/> <b>718,190</b>	<hr/> 859,708
<b>Finance lease and commercial factoring services:</b>		
Less than 6 months	–	26,988
1 year to less than 2 years	–	1,274,323
Over 2 years	–	1,544,163
	<hr/> –	<hr/> 2,845,474
<b>Agricultural big-data services:</b>		
Over 1 year	–	7,020
	<hr/> –	<hr/> 7,020
<b>Agrochemical products supply chain services:</b>		
Less than 6 months	<b>57,328</b>	97,181
6 months to less than 1 year	<b>75,410</b>	27,119
1 year to less than 2 years	<b>941</b>	172
2 years to less than 3 years	–	472
Over 3 years	<b>236</b>	238
	<hr/> <b>133,915</b>	<hr/> 125,182
	<hr/> <b>852,105</b>	<hr/> 3,837,384

## 12. TRADE AND OTHER PAYABLES

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Trade payables	160,049	132,157
Notes payable	10,000	5,000
	<hr/>	<hr/>
	170,049	137,157
Amounts due to related companies	100,481	244,839
Other payables and accruals	799,279	876,701
Financial guarantee contracts	199,580	–
	<hr/>	<hr/>
	1,269,389	1,258,697
Less: non-current portion	(3,961)	(4,950)
	<hr/>	<hr/>
Current portion	<u>1,265,428</u>	<u>1,253,747</u>

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

	<b>2020</b> <i>RMB'000</i>	2019 <i>RMB'000</i>
<b>Agricultural and petrochemical products supply chain services:</b>		
Less than 6 months	–	13
1 year to less than 2 years	–	27,815
2 years to less than 3 years	<b>27,781</b>	–
Over 3 years	<b>207</b>	207
	<u><b>27,988</b></u>	<u>28,035</u>
<b>Agricultural big-data services:</b>		
Less than 1 year	–	407
	<u>–</u>	<u>407</u>
<b>Agrochemical products supply chain services:</b>		
Less than 6 months	<b>129,305</b>	100,605
6 months to less than 1 year	<b>7,985</b>	1,861
1 year to less than 2 years	<b>2,155</b>	1,580
2 years to less than 3 years	<b>723</b>	4,150
Over 3 years	<b>1,893</b>	519
	<u><b>142,061</b></u>	<u>108,715</u>
	<u><b>170,049</b></u>	<u>137,157</u>

### 13. SHARE CAPITAL

	<b>Number of shares</b>	<b>Amount</b> <i>RMB'000</i>
<b>Ordinary shares of RMB0.1 each</b>		
Authorised, issued and fully paid:		
<b>At 31 December 2019 and 31 December 2020</b>	<u><b>9,551,079,812</b></u>	<u><b>955,108</b></u>



## 14. DISPOSAL, DEEMED DISPOSAL AND PARTIAL DISPOSAL OF INTERESTS IN SUBSIDIARIES

For the year ended 31 December 2020

### (a) Disposal of Nantong Road and Bridge

The net assets of Nantong Road and Bridge as at the date of disposal were as follows:

<b>Analysis of assets and liabilities over which control was lost:</b>	<i>RMB'000</i>
Property, plant and equipment	62,957
Right-of-use assets	11,913
Investment properties	17,128
Intangible assets	56
Investment in joint venture	121,864
Financial assets at FVTPL	171,000
Equity instruments at FVTOCI	5,000
Deferred tax assets	60,301
Contract assets	18,670
Inventories	11,137
Restricted bank deposits	46,531
Cash and cash equivalents	24,851
Trade and other receivables	2,704,306
Deferred tax liabilities	(1,508)
Tax liabilities	(1,015)
Borrowings	(646,055)
Lease liabilities	(4,205)
Contract liabilities	(108,919)
Trade and other payables	<u>(1,994,211)</u>
<b>Net assets disposed of</b>	<u>499,801</u>
<b>Gain on disposal of subsidiaries:</b>	
Auction result	456,320
Released of other reserve	17,912
Released of exchange reserve	793
Non-controlling interest	48,102
Net assets disposed of	<u>(499,801)</u>
Gain on disposal	<u>23,326</u>
<b>Net cash outflow arising on disposal:</b>	
Cash received	—
Less: cash and cash equivalents disposed of	<u>(24,851)</u>
	<u><u>(24,851)</u></u>

(b) **Disposal of Ever Fortune Financial Leasing Co., Ltd.\* (瑞盈信融(深圳)融資租賃有限公司) (“Ever Fortune”)**

During the year ended 31 December 2020, the Group entered into cooperation agreements with a number of independent third parties for the disposals of the Ever Fortune and its subsidiaries (collectively, the “**Ever Fortune Group**”) under multiple arrangement for an aggregate consideration of RMB1. Upon completion of the disposal of Ever Fortune Group, the Group does not hold equity interest in Ever Fortune and Ever Fortune ceased to be the subsidiary of the Group. The transaction was accounted for as disposal of a subsidiary resulting in loss of control.

The net liabilities of the Ever Fortune Group as at the date of disposal were as follows:

<b>Analysis of assets and liabilities over which control was lost:</b>	<i>RMB’000</i>
Property, plant and equipment	173
Intangible assets	23
Equity instruments at FVTOCI	1,890
Cash and cash equivalents	2,161
Trade and other receivables	2,424
Trade and other payables	(190,550)
Contract liabilities	(5,779)
Amount due from the Group	(1,032,366)
Tax liabilities	(29,846)
Borrowings	(503,791)
	<hr/>
Net liabilities disposed of	(1,755,661)
	<hr/>
<b>Loss on disposal:</b>	
Consideration	_**
Reassignment of debt	(971,366)
Financial guarantee	(199,580)
Fair value through other comprehensive income reserve	250
Capital reserve	160,723
Statutory reserve fund	2,582
Non-controlling interest	(760,194)
Net liabilities disposed of	1,755,661
	<hr/>
Loss on disposal	(11,924)
	<hr/>
<b>Net cash outflow arising on disposal:</b>	
Cash received	—
Less: cash and cash equivalents disposed of	(2,161)
	<hr/>
	(2,161)
	<hr/> <hr/>

\* *For illustrative purpose only*

\*\* *Amount less than RMB1,000*

## 15. EVENTS AFTER THE REPORTING PERIOD

- (a) The auction of the Shanghai Runtong Shares originally scheduled between 8 January 2021 and 11 January 2021 did not proceed due to a request received by the Shanghai Second Court to re-assess the valuation of the Shanghai Runtong Shares. The Company further noticed recently that an updated auction announcement has been published on Gongpai Auction by the Shanghai Second Court putting the Shanghai Runtong Shares on auction during the period between 27 February 2021 and 2 March 2021, with a same reserve price of RMB28,840,000. On 2 March 2021, the Company noticed from the network platform of Gongpai Auction that said auction was not successful. As at the date of this announcement, the Shanghai Runtong Shares have not yet been auctioned.
  
- (b) The outbreak of coronavirus disease (“COVID-19”) spread throughout the PRC and to countries across the world during the first quarter of 2020. The COVID-19 pandemic has certain impact on the business operations of the Group in particular the supply chain from the PRC, and the degree of the impact depends on the situation of the epidemic preventive measures and the duration of the epidemic. However, as the pandemic gradually become under control in the PRC in the second quarter of 2020, there was a steady recovery in the Group’s supply chain business. The Group will monitor the developments of COVID-19 situation closely, assess and react actively to its impacts on the financial position and operating results of the Group. Up to the date of this announcement, the assessment is still in progress. Other than those disclosed above, the Group had no material events for disclosure subsequent to 31 December 2020 and up to the date of this announcement.

## **EXTRACT OF THE INDEPENDENT AUDITOR'S REPORT**

### **Disclaimer of opinion**

The following is an extract of the independent auditor's report of the Group's consolidated financial statements for the year ended 31 December 2020 which has included a disclaimer of opinion.

### **Basis for disclaimer of opinion**

#### ***Limitation of scope – prior year's scope limitation affecting corresponding figures***

The auditor's opinion on the consolidated financial statements of the Group for the year ended 31 December 2019 (the "**2019 Consolidated Financial Statements**"), which formed the basis for the corresponding figures presented in the current year's consolidated financial statements, was qualified by us because of the significance of the possible effect of the limitations on the scope of the audit. Details of qualified audit opinion on the 2019 Consolidated Financial Statements were set out in the independent auditor's report dated 7 May 2020 and included in the Company's annual report for the year ended 31 December 2019. Hence, our opinion on the current year's consolidated financial statements is also modified because of the possible effect of this matter on the comparability of the current year's figures and the corresponding figures.

#### ***Multiple uncertainties relating to going concern***

As described in Note 2 to the consolidated financial statements, the Group reported loss attributable to the owners of the Company of approximately RMB779,575,000 for the year ended 31 December 2020 and, as of that date, the Group's current liabilities exceeded its current assets by approximately RMB2,093,860,000 and the Group has net liabilities of approximately RMB1,060,474,000. The Group's total borrowings amounted to approximately RMB1,281,700,000 were classified as current liabilities, while its restricted bank deposits and cash and cash equivalents amounted to approximately RMB10,641,000 and RMB55,262,000, respectively as at 31 December 2020. 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.

As explained in Note 2 to the consolidated financial statements, the consolidated financial statements have been prepared by 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.

We consider the cumulative effect of the above matters on the consolidated financial statements is so extreme that we have disclaimed our opinion.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **FINANCIAL AND BUSINESS REVIEW**

In 2020, the external economic and market environment remained in a haze, thereby the Group's operating strategies still focused on establishing the agrochemical products supply chain services business segment, accelerating the adjustment and reorganisation of the existing businesses, while actively discussing with potential external investors on possible cooperation opportunities.

The Group has been actively managing its liquidity position and legal proceedings arisen from the Group's financial conditions as a result of the events occurred in March 2018 relating to China CEFC Energy Company Limited (中國華信能源有限公司). In December 2019, the Company's approximate 91.3% equity interest in Nantong Road and Bridge were put on auction, and the Nantong Shares were successfully sold at the second auction in January 2020 with a revised reserve price of RMB456.32 million. Upon completion of the transfer of the Nantong Shares, Nantong Road and Bridge was no longer a subsidiary of the Company.

During the year under review, turnover of the Group was approximately RMB1,433,813,000. The turnover of the Group remained relatively stable as compared to last year, which was primarily due to the continuous production and satisfactory performance of agrochemical products supply chain services business segment. During the year under review, the Group recorded gross profit of approximately RMB323,929,000, representing an increase of approximately 21% as compared to last year. Loss attributable to owners of the Company for the year was approximately RMB779,575,000, representing an increase in loss of approximately 1% as compared to last year.

### **BUSINESS OPERATIONS**

The continuing businesses of the Group comprise three business sectors, namely "agrochemical products supply chain services business", "financial leasing and commercial factoring services business" and "agricultural and petrochemical products supply chain services business".

After the successful auction of the Nantong Shares on 6 January 2020 and the completion of its disposal on 19 January 2020, the Company no longer engages in road and bridge construction, and the Group has removed the “road and bridge construction business” from the Group. Please refer to the announcements of the Company dated 29 June 2018, 1 March 2019, 30 May 2019, 23 September 2019, 18 October 2019, 22 October 2019, 4 December 2019, 10 December 2019, 6 January 2020 and 24 February 2020 for details.

The business sector, namely “agricultural big-data services business”, was deemed to be discontinued operation of the Group.

## **AGROCHEMICAL PRODUCTS SUPPLY CHAIN SERVICES BUSINESS**

In 2020, Anhui Huaxing Group achieved outstanding performance and completely fulfilled all work targets amidst series of external challenges including the suspension of operations as part of COVID-19 pandemic prevention and the overall macroeconomic downturn.

In terms of sales performance of the major products, the agrochemical sales of the agrochemical products were approximately RMB1,222,000,000, representing an increase of 8.5% as compared to last year. The accumulative sales of chlor-alkali was approximately RMB205,000,000, representing a decrease of 2.7% as compared to last year. The accumulative sales of entrusted processing business was approximately RMB23,738,000, representing a decrease of 63.3% as compared to last year.

During the year under review, Anhui Huaxing successfully applied for 15 patents for invention, 5 authorised patents and subsidies for over 30 national projects and received funds of approximately RMB5.7 million. Anhui Huaxing Group also smoothly completed a lubricant (grease) project with an annual capacity of 80,000 tons. Upon adjudication, Anhui Huaxing has also been accredited as a “National Intellectual Property Demonstration Enterprise” (國家知識產權示範企業) and “華星” has been recognized as one of China’s national famous trademark (中國馳名商標). In 2020, Anhui Huaxing ranked 15th on the list of Top 100 Chinese Pesticide Enterprises (中國農藥百強企業) in terms of competitive strength.

During the year under review, turnover of the Group’s agrochemical products supply chain services was approximately RMB1,426,861,000, representing approximately 99.5% of the total turnover of the Group; the gross profit was approximately RMB320,935,000, and the gross profit margin was approximately 22.5%. The slight increase in the Group’s turnover during the year under review was primarily attributable to the continuous production of agrochemical products during the year, which fully met the Group’s production plans.

## **FINANCIAL LEASING AND COMMERCIAL FACTORING SERVICES BUSINESS**

During the year under review, turnover of the Group’s financial leasing and commercial factoring services business was approximately RMB6,952,000, representing approximately 0.5% of the total turnover of the Group; and the gross profit was approximately RMB2,994,000.

## **AGRICULTURAL AND PETROCHEMICAL PRODUCTS SUPPLY CHAIN SERVICES BUSINESS**

The Group's agricultural and petrochemical products supply chain services mainly comprise the trading of agricultural and petrochemical products and is mainly operated by three subsidiaries of the Company.

During the year under review, turnover of the Group's agricultural and petrochemical products supply chain services business was nil; and the gross loss was approximately RMB10,000. The gross loss of the Group's agricultural and petrochemical products supply chain services business was primarily due to its stagnant performance during the year under review.

## **DISCONTINUED BUSINESSES**

### **Road and Bridge Construction Business**

Nantong Road and Bridge is the second largest road and bridge engineering enterprise in the Jiangsu Province, and the largest road and bridge enterprise in Nantong City. The Company was operating its road and bridge construction business in the PRC through Nantong Road and Bridge, which is a 91.3%-owned subsidiary of the Company including but not limited to road and bridge construction, municipal public utility construction, traffic safety facility construction, road maintenance, lease of construction machinery and consultancy of engineering technology.

The Shanghai Second Court published an auction announcement on the Gongpai Auction to put the Nantong Shares on auction for the repayment of borrowings due to Nanjing Dasheng Cold Chain Logistics Co., Limited\* (南京大生冷鏈物流股份有限公司). After the successful auction of the Nantong Shares on 19 January 2020, the Company is no longer engaged in the provision of road and bridge construction.

### **Agricultural Big-Data Services Business**

For the year ended 31 December 2020, turnover of the Group's agricultural big-data services business was approximately RMB12,998,000; and the gross profit was approximately RMB12,273,000.

As the Company failed to fulfil its payment obligations under the Zhiying Legal Proceedings, pursuant to the execution ruling dated 15 May 2020 issued by the Shanghai Second Court, the plaintiffs may be compensated through, among other things, the auction of the Shanghai Runtong Shares pledged by Shanghai Kaiyi. An auction announcement dated 27 November 2020 was published by the Shanghai Second Court on the public auction network of Gongpai Auction to put the Shanghai Runtong Shares on auction from 8 January 2021 to 11 January 2021, with a reserve price of RMB28.84 million. The said auction was subsequently re-scheduled to between 27 February 2021 and 2 March 2021 at the same reserve price. On 2 March 2021, the Company noticed from the network platform of Gongpai Auction that said auction was not successful. As at the date of this announcement, the Shanghai Runtong Shares have not yet been auctioned.

## **OTHER INCOME**

During the year under review, the Group's other income was approximately RMB28,552,000 (2019: approximately RMB32,133,000), representing a decrease of approximately 11% as compared to last year. The decrease in other income was primarily attributable to the decrease in income from supply of utilities and sales of scraps and other materials.

## **DISTRIBUTION COSTS**

During the year under review, the Group's distribution costs were approximately RMB54,561,000 (2019: approximately RMB54,931,000), which remained relatively stable as compared to last year.

## **ADMINISTRATIVE AND OTHER EXPENSES**

For the year ended 31 December 2020, administrative and other expenses of the Group were approximately RMB223,283,000 (2019: approximately RMB209,400,000), representing an increase of approximately 7% as compared to last year. The increase in administrative and other expenses was primarily attributable to the stagnant state of the agricultural and petrochemical products supply chain services business segment during the year under review.

## **IMPAIRMENT LOSSES, NET OF REVERSAL**

For the year ended 31 December 2020, impairment loss on trade and other receivables amounted to approximately RMB773,598,000 (2019: reversal of impairment loss of approximately RMB67,986,000). Such impairment loss for the year under review was primarily attributable to impairment of certain debts overdue for over three years from the Group's financial leasing and commercial factoring services business and the agricultural and petrochemical products supply chain services business.

## **FINANCE COSTS**

For the year ended 31 December 2020, finance costs of the Group were approximately RMB238,906,000 (2019: approximately RMB342,254,000), representing a decrease of approximately 30% as compared to last year. The decrease in finance costs is primarily due to certain outstanding debts owed to the debtors with net proceeds from the auction of the Nantong Shares during the year under review.

## **LOSS ATTRIBUTABLE TO OWNERS OF THE COMPANY**

For the year ended 31 December 2020, loss attributable to owners of the Group was approximately RMB779,575,000 (2019: approximately RMB771,487,000), which remained relatively stable. The basic and diluted loss per share attributable to owners of the Company during the year from continuing and discontinued operations were approximately RMB0.082 (2019: approximately RMB0.081), representing an increase in loss of 1% as compared to last year.



## **CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES**

### **Capital Structure**

As at 31 December 2020, the Group had total assets less current liabilities of approximately RMB(1,053,385,000) (31 December 2019: approximately RMB(525,889,000)), including non-current assets of approximately RMB1,040,475,000 (31 December 2019: RMB1,099,272,000) and net current liabilities of approximately RMB2,093,860,000 (31 December 2019: approximately RMB1,625,161,000).

As at 31 December 2020, the Group's equity attributable to owners of the Company was approximately RMB(1,076,081,000), representing an increase in loss of approximately 857.2% as compared to that of approximately RMB(112,417,000) as at 31 December 2019, which was due to the loss incurred for the year ended 31 December 2020, and mainly attributable to the Group's impairment loss and finance costs incurred during the year.

### **Liquidity and Financial Resources for Continuing Operations**

As at 31 December 2020 and 31 December 2019, the Group had restricted bank deposits and cash and cash equivalents of approximately RMB65,903,000 and RMB216,499,000, respectively.

As at 31 December 2020 and 31 December 2019, the Group had short-term borrowings of approximately RMB1,281,700,000 and RMB2,112,786,000, respectively.

As at 31 December 2020 and 31 December 2019, the Group had long-term borrowings of nil and approximately RMB139,061,000, respectively.

As at 31 December 2020 and 31 December 2019, debt-to-asset ratios of the Group were approximately 154.5% and 111.3%, respectively. Debt-to-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 will closely monitor the fluctuation of the exchange rates of the relevant foreign currencies against Renminbi.

## **Pledge of Assets for Continuing Operations**

As at 31 December 2020, the Group's right-of-use assets (2019: payments for leasehold land held for own use under operating leases) with a net book value of approximately RMB54,397,000 (31 December 2019: approximately RMB57,211,000) were pledged as security for the Group's bank borrowings. As at 31 December 2020, property, plant and equipment with a net book value of approximately RMB389,510,000 (31 December 2019: approximately RMB420,294,000) were pledged as security for the Group's borrowings. As at 31 December 2020, the Group had restricted bank deposits of approximately RMB10,641,000 (31 December 2019: approximately RMB5,548,000) as collateral for bank borrowings and the issuance of commercial notes, performance bonds and bid bonds to customers.

## **EMPLOYEE INFORMATION**

As at 31 December 2020, the Group had 1,444 employees (31 December 2019: 1,323 employees). During the year under review, total employees' remuneration (including Directors' remuneration) amounted to approximately RMB154,159,000 (2019: approximately RMB135,121,000). 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 funds schemes for employees in Hong Kong.

## **SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES**

On 21 May 2018, the Company entered into an investment framework agreement with an independent third party and Nantong Road and Bridge, pursuant to which the Company intended to sell and such purchaser intended to purchase part of the equity interest in Nantong Road and Bridge. As Nantong Shares were put by the Shanghai Second Court on the first auction in December 2019, such possible disposal did not proceed. The Nantong Shares were successfully sold at the second auction in January 2020 at a revised reserve price of RMB456.32 million. On 19 January 2020, the disposal of the Nantong Shares was completed, and after such disposal, Nantong Road and Bridge was no longer a subsidiary of the Company.

## **INVESTMENT BY POTENTIAL INVESTOR**

On 4 March 2019, the Company entered into the Framework Agreement with Gui'an Xinqu Xinxing Chanye Development Fund Management Company Limited\* (貴安新區新興產業發展基金管理有限公司), pursuant to which such potential investor intends to invest in the Company. The Potential Investment may result in the Potential Investor becoming a substantial shareholder of the Company. As at the date of this announcement, the terms and conditions of the formal agreement are yet to be determined and no agreement has been reached between the Company and such potential investor in relation thereto.

## **FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS**

Save as disclosed in this announcement, the Company did not have any future plans for significant investments or capital assets as at the date of this announcement, but the Company may, at any point, be negotiating potential investments when considering it appropriate.

## **SIGNIFICANT EVENTS DURING AND AFTER THE REPORTING PERIOD**

- (a) On 24 February 2020, the Company received an execution ruling dated 19 January 2020 issued by the Shanghai Second Court in relation to the successful auction of the Nantong Shares, pursuant to which the successful bidder is eligible to initiate the transfer of the Company's interest in the Nantong Shares from the date of receipt of such execution ruling. Upon completion of the transfer of the Nantong Shares, Nantong Road and Bridge was no longer be a subsidiary of the Company.

The disposal of Nantong Road and Bridge was completed on 19 January 2020. Details of the above proceedings and auction are set out in the Company's announcements dated 29 June 2018, 1 March 2019, 30 May 2019, 22 October 2019, 4 December 2019, 10 December 2019, 6 January 2020 and 24 February 2020.

- (b) On 19 January 2020, the Shanghai Higher People's Court issued a civil mediation order, pursuant to which the Company shall repay the plaintiffs to the Zhiying Legal Proceedings (the "**Plaintiffs**") on or before 14 February 2020 (i) the consideration of RMB129,166,715; (ii) the overdue interests on the consideration of RMB129,166,715 at the rate of 8% per annum accrued from 10 October 2018 up to the date of repayment; (iii) the Plaintiffs' legal fee of RMB500,000; and (iv) the Plaintiffs' property preservation liability insurance premium of RMB119,000. In the event that the Company fail to fulfil its repayment obligations set out under the civil mediation order, the Plaintiffs are entitled to enter into an agreement with Shanghai Kaiyi, where the Plaintiffs may be compensated through the value conversion of the Shanghai Runtong Shares pledged by Shanghai Kaiyi in favour of the Pledgee, or be compensated on a preferential basis through auction or sale of the Shanghai Runtong Shares.

On 26 May 2020, the Company received an execution ruling dated 15 May 2020 issued by the Shanghai Second Court in relation to the Zhiying Legal Proceedings. Pursuant to such execution ruling, the Company shall repay the Plaintiffs (i) the consideration of RMB129,166,715 and all related overdue interests; (ii) their legal fee of RMB500,000; and (iii) their property preservation liability insurance premium of RMB119,000. The Company shall also pay enforcement fees in the amount of RMB197,185.72.

The Company failed to repay the Plaintiffs pursuant to the execution ruling dated 15 May 2020 and noticed that an auction announcement dated 27 November 2020 has been published by the Shanghai Second Court on the Gongpai Auction to put the Shanghai Runtong Shares on auction during the period from 8 January 2021 to 11 January 2021, with a reserve price of RMB28,840,000.

On 25 February 2021, the Company noticed from the network platform of Gongpai Auction that such auction originally scheduled between 8 January 2021 and 11 January 2021 in relation to the Shanghai Runtong Shares did not proceed due to a request received by the court to re-assess the valuation of the Shanghai Runtong Shares, and an updated auction announcement has been published on Gongpai Auction by the Shanghai Second Court putting the Shanghai Runtong Shares on auction during the period between 27 February 2021 and 2 March 2021, with a same reserve price of RMB28,840,000.

On 2 March 2021, the Company noticed from the network platform of Gongpai Auction that said auction in relation to the Shanghai Runtong Shares was not successful.

As at the date of this announcement, the Shanghai Runtong Shares have not yet been auctioned.

Details of the Zhiying Legal Proceedings are set out in the Company's announcement dated 11 July 2019, 22 January 2020, 26 May 2020, 30 November 2020, 2 December 2020 and 25 February 2021.

- (c) On 15 January 2020, the Jiujiang Bank Co., Ltd. Guangdong Free Trade Zone Nansha Sub-branch (the “**Jiujiang Bank**”) issued and filed a statement of claim against Ever Fortune, an indirect non-wholly owned subsidiary of the Company, under the People's Court of Nansha District, Guangzhou\* (廣州市南沙區人民法院) for breach of a factoring agreement due to default in repayment of the principal and related interests by Ever Fortune. The Jiujiang Bank requested the court, among other things, to order Ever Fortune to repay a principal amount of RMB3,711,000 and related interests. Shenzhen Dasheng Finance Holding Co., Ltd.\* (深圳市大生金融控股有限公司), a direct wholly-owned subsidiary of the Company and the controlling shareholder of Ever Fortune, is one of the guarantors to such factoring agreement and was also named as one of the defendants. The court hearing of the proceedings was scheduled to be held on 24 March 2020.

As at the date of this announcement, the Company had not received any judgment in relation to such proceedings.

Details of the above proceedings are set out in the Company's announcements dated 18 March 2020.

- (d) On 16 January 2020, the Company received a civil judgment dated 19 December 2019 made by the Gansu Provincial Higher People’s Court\* (甘肅省高級人民法院) in relation to the Second CEFC Legal Proceedings (as defined in the announcement dated 4 September 2018). According to such civil judgment, the Company shall repay CEFC, (i) the principal amount of the loan of RMB300 million; (ii) relevant overdue interest of RMB10,731,945.21; (iii) relevant compound interest of RMB51,680.93; (iv) relevant penalty interest of RMB1,444,684.93; and (v) CEFC legal fees of RMB350,000. The guarantors to the loan, namely, Shenzhen Dasheng Agricultural Group Co., Ltd.\* (深圳市大生農業集團有限公司), a substantial shareholder (as defined under the Listing Rules) of the Company, together with its subsidiaries, namely Dasheng (Fujian) Agricultural Co., Ltd.\* (大生(福建)農業有限公司) and Hong Kong Dasheng Investment Holdings Company Limited (香港大生投資控股有限公司) shall undertake joint and several guarantee liability for the repayment obligations of the Company under (i) to (v) mentioned above. In the event that the Company fail to fulfil its repayment obligations set out above, CEFC is entitled to the priority of compensation claims against the Company’s pledge of account receivables from two independent third parties of approximately RMB406 million, and the interest to be repaid shall be doubled. As at the date of this announcement, the Company did not make an appeal application on such civil judgment.

Details of the above proceedings are set out in the Company’s announcements dated 16 January 2020.

## **THE BOARD AND THE AUDIT COMMITTEE’S VIEW AND THE PLAN TO ADDRESS THE OF OPINION**

As set out above, the auditor of the Company (the “**Auditor**”), Asian Alliance (HK) CPA Limited, has issued a disclaimer of opinion on two aspects, namely (1) limitation of scope on prior year’s scope limitation affecting corresponding figures; and (2) multiple uncertainties relating to going concern. The Company has discussed such disclaimer of opinion and its action plans with the Auditor.

### **(1) Limitation of scope on prior year’s scope limitation affecting corresponding figures**

The Company expects that the disclaimer of opinion relating to “limitation of scope on prior year’s scope limitation affecting corresponding figures” would only affect the corresponding comparative figures of the consolidated financial statements for the year ended 31 December 2020 but will be removed in the consolidated financial statements for the year ending 31 December 2021.

## (2) Multiple uncertainties relating to going concern

As at the date of this announcement, the outstanding material debts from the Group's agricultural and petrochemical products supply chain services business remain stable and had 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 RMB1.28 billion as at 31 December 2020 are as follows:

- Certain outstanding debts owed to the debtors under the Zhiying Legal Proceedings with the consideration of RMB129,166,715, all related overdue interests and other relevant fees will be settled directly by the relevant court to the extent possible with net proceeds from the auction of the Shanghai Runtong Shares, which had been put on auction during the period from 27 February 2021 to 2 March 2021 with a reserve price of RMB28,840,000. On 2 March 2021, the Company noticed from the network platform of Gongpai Auction that the said auction was not successful. As at the date of this announcement, the Shanghai Runtong Shares have not yet been auctioned. The Group expects that such settlement(s) will be completed within the year ending 31 December 2021;
- the Group commenced agrochemical products supply chain services in 2018 through Anhui Huaxing Group and strives to develop and enhance this continuing operations segment. For the year ended 31 December 2020, the turnover of the agrochemical products supply chain services amounted to approximately RMB1,426.9 million, representing 99% of the Group's total revenue. Anhui Huaxing Group contributed to the overall positive operating cash flow of the Group for the year ended 31 December 2020. The Company is of the view that Anhui Huaxing Group would further improve the Group's liquidity going forward; and
- the Company is proactive in exploring possible debt restructuring opportunities, including disposal of loss-making subsidiaries, devising probable new repayment plans with creditors and reaching out for new investors. As disclosed in the Company's announcement dated 4 March 2019, the Company entered into the Framework Agreement on the same date pursuant to which the Potential Investor intended to invest in the Company. As at the date of this announcement, the Potential Investment is still pending and the Company has no other concrete investment plans.

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) as and when appropriate.

## **PROSPECTS**

On 21 February 2021, “Opinions of the State Council on Comprehensively Pushing forward Rural Revitalization and Accelerating Modernisation of Agriculture and Rural Areas” (中共中央國務院關於全面推進鄉村振興加快農業農村現代化的意見) (No.1 Document) was officially released. It is the eighteenth No.1 Document to guide agriculture, rural areas and farmers since the 21st century. Focusing on improving the ability to ensure the supply of food and important agricultural products, the “No. 1 Document” proposes the implementation of the party and the government having the same responsibility in terms of food security, and clearly requires priority measures during the “14th Five-Year Plan” period, including the steady increase in food production, the strengthening of modern agricultural technology and material equipment support.

In view of favourable macroeconomic policies, Anhui Huaxing will closely follow national policies to seize opportunities. Anhui Huaxing will expand its production capacity, increase its research and development investment in the pesticides sector, and it is expected to launch a series of new environmentally friendly products. In the chemical sector, the focus will be on expanding the chlor-alkali chemical industry chain, developing a circular industrial economy, maximising the utilisation of industrial by-product hydrogen and chlorine resources, and meanwhile advancing the development of lubricating oil (grease) projects to form new profit growth areas.

Furthermore, the management of the Group will continue to dedicate its efforts in resolving the Group’s historical financial issues through maintaining in-depth discussions and planning with creditors, relevant financial institutions and external potential investors, such that it may continue to accelerate the restructuring of the Group’s existing business and focus resources on developing its core business and explore new opportunities.

## **CORPORATE GOVERNANCE**

### **Corporate Governance Code**

The Board is of the view that throughout the year ended 31 December 2020, the Company has complied with the code provisions of the CG Code as set out in Appendix 14 to the Listing Rules.

### **Model Code for Securities Transactions**

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding directors’ and supervisors’ securities transactions. Having made specific enquiry, all the incumbent Directors and the Supervisors confirmed that they have complied with the required standard as set out in the Model Code throughout the year ended 31 December 2020.

## **PURCHASE, SALES OR REDEMPTION OF LISTED SECURITIES**

During the year ended 31 December 2020, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

## **AUDIT COMMITTEE**

The Audit Committee has adopted the terms of reference of the Audit Committee aligned with the code provisions in the CG Code. The primary duties of the 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 comprises two independent non-executive Directors, namely, Mr. Chung Cheuk Ming and Mr. Yang Gaoyu and a non-executive Director, namely, Mr. Lu Tingfu. The chairman of the Audit Committee is Mr. Chung Cheuk Ming.

The Audit Committee has reviewed with the management of the Company the accounting principles and practices adopted by the Group, the internal control procedures, and the audited results of the Company for the year ended 31 December 2020, and has met with the external auditor and discussed the financial matters of the Group that arose during the course of audit for the year ended 31 December 2020. The Audit Committee has confirmed the audited annual results of the Group for the year ended 31 December 2020 set out in this announcement.

## **SCOPE OF WORK OF ASIAN ALLIANCE (HK) CPA LIMITED**

The figures in respect of the Group's consolidated statement of financial position as at 31 December 2020, the consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2020 as set out in this announcement have been agreed by the Group's Auditor, Asian Alliance (HK) CPA Limited, to the amounts set out in the Group's consolidated financial statements for the year. The work performed by Asian Alliance (HK) CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Asian Alliance (HK) CPA Limited on this announcement.

## **DIVIDEND**

The Directors do not recommend the payment of final dividend for the year ended 31 December 2020 (2019: Nil).



## **CHANGE OF DIRECTORS AND BOARD COMMITTEE MEMBERS**

The change of Directors during the year ended 31 December 2020 and as at the date of this announcement are as follows:

On 3 February 2020, following the passing of Mr. Zhou Jianhao, the independent non-executive Director, Mr. Yang Gaoyu, the independent non-executive Director, and Mr. Lu Tingfu, the non-executive Director, have been appointed as the Chairman and a member of the remuneration and assessment committee, respectively.

On 30 June 2020, Mr. Liu Jun was elected as an independent non-executive Director by the shareholders of the Company at the annual general meeting held on 30 June 2020 by way of an ordinary resolution.

On 15 January 2021, Mr. Yan Zebin resigned from his position as an executive Director. Following his resignation, Mr. Yan remained as the chairman of the board of directors of Anhui Huaxing.

On 15 January 2021, the Board proposed to appoint Mr. Li Wenming as an independent non-executive Director, which is subject to approval by the shareholders of the Company at the annual general meeting to be held on 18 June 2021 by way of an ordinary resolution according to the articles of association of the Company.

## **CHANGE OF PRINCIPAL PLACE OF BUSINESS IN HONG KONG**

The Company's principal place of business in the Hong Kong has been changed to Unit 16, 28/F, Hong Kong Plaza, No.188 Connaught Road West, Hong Kong with effect from 15 December 2020.

## **AGM AND CLOSURE OF REGISTER OF MEMBERS**

The annual general meeting of the Company (the "AGM") will be held on Friday, 18 June 2021. A notice convening the AGM is expected to be published and despatched 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 Wednesday, 19 May 2021 to Friday, 18 June 2021, 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 Tuesday, 18 May 2021. Shareholders whose names appear on the register of members of the Company on Wednesday, 19 May 2021 will be entitled to attend and vote at the AGM.

## **PUBLICATION OF ANNUAL REPORT**

This announcement is published on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.dsgd-sh.co>). The 2020 annual report containing all the information required by the Listing Rules will be published on the websites of the Stock Exchange and the Company in due course and despatched to the shareholders.

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

Shanghai, PRC, 24 March 2021

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

*\* For identification purpose only*