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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)**

## **PRELIMINARY ANNOUNCEMENT OF RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2022**

The board of directors (the “**Board**”) of Shanghai Dasheng Agriculture Finance Technology Co., Ltd. (the “**Company**”) is pleased to present the unaudited condensed consolidated results of the Company and its subsidiaries (together the “**Group**”) for the six months ended 30 June 2022 together with comparative unaudited result for the corresponding period in 2021.

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

	<i>Note</i>	<b>For the six months ended 30 June</b>	
		<b>2022</b>	<b>2021</b>
		<b>Unaudited RMB'000</b>	<b>Unaudited RMB'000</b>
<b>Continuing operations</b>			
Revenue	3	–	936,940
Cost of sales		–	(747,903)
Gross profit		–	189,037
Other income	3	<b>854</b>	34,821
Distribution costs		–	(35,000)
Administrative and other expenses		<b>(5,319)</b>	(126,599)
Impairment losses, net of reversal		<b>3,404</b>	–
Share of loss of associates		–	(2,673)
Loss on disposal of subsidiaries		–	(38,213)
Finance costs	5	<b>(79,798)</b>	(81,138)
Loss before tax	6	<b>(80,859)</b>	(59,765)
Income tax expense	7	<b>(6)</b>	(11,198)
Loss for the period from continuing operations		<b>(80,865)</b>	(70,963)
<b>Discontinued operations</b>			
Profit for the period from discontinued operations, net of income tax	8	–	572
Loss for the period		<b>(80,865)</b>	(70,391)

	<b>For the six months ended 30 June</b>	
	<b>2022</b>	<b>2021</b>
<i>Note</i>	<b>Unaudited RMB'000</b>	<b>Unaudited RMB'000</b>
<b>Other comprehensive (expense) income</b>		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of foreign operations	<u>(1,279)</u>	<u>(220)</u>
	<u>(1,279)</u>	<u>(220)</u>
Other comprehensive (expense) income for the period, net of income tax	<u>(1,279)</u>	<u>(220)</u>
<b>Total comprehensive (expense) income for the period</b>	<b><u><u>(82,144)</u></u></b>	<b><u><u>(70,611)</u></u></b>
<b>(Loss) profit for the period attributable to owners of the Company</b>		
– from continuing operations	(76,718)	(70,813)
– from discontinued operations	–	457
	<u>(76,718)</u>	<u>(70,356)</u>
	<b><u><u>(76,718)</u></u></b>	<b><u><u>(70,356)</u></u></b>
<b>(Loss) profit for the period attributable to non-controlling interests</b>		
– from continuing operations	(4,147)	(150)
– from discontinued operations	–	115
	<u>(4,147)</u>	<u>(35)</u>
	<b><u><u>(80,865)</u></u></b>	<b><u><u>(70,391)</u></u></b>

		<b>For the six months ended 30 June</b>	
		<b>2022</b>	<b>2021</b>
		<b>Unaudited</b>	<b>Unaudited</b>
<i>Note</i>		<b>RMB'000</b>	<b>RMB'000</b>
<b>Total comprehensive (expense) income for the period attributable to:</b>			
	– Owners of the Company	(77,997)	(70,576)
	– Non-controlling interests	(4,147)	(35)
		<u>(82,144)</u>	<u>(70,611)</u>
		<b><u>(82,144)</u></b>	<b><u>(70,611)</u></b>
<b>Loss per share</b>			
From continuing and discontinued operations			
	– Basic and diluted (RMB)	9 (0.008)	(0.007)
		<u>(0.008)</u>	<u>(0.007)</u>
		<b><u>(0.008)</u></b>	<b><u>(0.007)</u></b>
From continuing operations			
	– Basic and diluted (RMB)	(0.008)	(0.007)
		<u>(0.008)</u>	<u>(0.007)</u>
		<b><u>(0.008)</u></b>	<b><u>(0.007)</u></b>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at <b>30 June</b> <b>2022</b> <b>Unaudited</b> <b>RMB'000</b>	As at 31 December 2021 Audited RMB'000
	<i>Note</i>		
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		–	21
Right-of-use asset		–	–
Intangible assets		–	–
Interests in associates		<b>3,623</b>	3,623
		<hr/> <b>3,623</b>	<hr/> 3,644
<b>CURRENT ASSETS</b>			
Inventories		–	–
Trade and other receivables	<i>11</i>	–	–
Restricted bank deposits		<b>2</b>	43
Bank balances and cash		<b>3,026</b>	4,272
		<hr/> <b>3,028</b>	<hr/> 4,315
Assets classified as held for sale	<i>8</i>	–	–
		<hr/> <b>3,028</b>	<hr/> 4,315

		As at 30 June 2022 Unaudited RMB'000	As at 31 December 2021 Audited RMB'000
	<i>Note</i>		
<b>CURRENT LIABILITIES</b>			
Trade and other payables	12	1,385,726	1,304,889
Lease liabilities		–	–
Contract liabilities		108,100	108,101
Borrowings	13	742,638	742,638
Tax liabilities		54,605	54,605
		<u>2,291,069</u>	<u>2,210,233</u>
Liabilities associated with assets classified as held for sale	8	–	–
		<u>2,291,069</u>	<u>2,210,233</u>
<b>NET CURRENT LIABILITIES</b>		<u>(2,288,041)</u>	<u>(2,205,918)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>(2,284,418)</u>	<u>(2,202,274)</u>
<b>NON-CURRENT LIABILITIES</b>			
Other payables – non-current portion		–	–
Borrowings	13	–	–
Deferred tax liabilities		–	–
		<u>–</u>	<u>–</u>
<b>NET LIABILITIES</b>		<u>(2,284,418)</u>	<u>(2,202,274)</u>
<b>CAPITAL AND RESERVES</b>			
Share capital	14	955,108	955,108
Reserves		(3,234,895)	(3,156,898)
Equity attributable to owners of the Company		<u>(2,279,787)</u>	<u>(2,201,790)</u>
Non-controlling interests		(4,631)	(484)
<b>TOTAL DEFICIT</b>		<u>(2,284,418)</u>	<u>(2,202,274)</u>

## NOTES:

### 1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 June 2022 (“**Interim Financial Statements**”) have been prepared in accordance with Hong Kong Accounting Standard (“**HKAS**”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

The accounting policies adopted in preparing the Interim Financial Statements are consistent with those followed in the preparation of the Company’s annual financial statements for the year ended 31 December 2021, except for those accounting policy changes that are expected to be reflected in the 2022 annual financial statements as described in note 2.

The preparation of the Interim Financial Statements in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

The Interim Financial Statements contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the group since the 2021 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with HKFRSs.

The Interim Financial Statements is unaudited, but it has been reviewed by the Company’s audit committee.

The financial information relating to the financial year ended 31 December 2021 that is included in the Interim Financial Statements as comparative information does not constitute the Group’s annual consolidated financial statements prepared under the Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the HKICPA (“**HKFRS**”) for that financial year but is derived from those financial statements. The Group’s financial information relating to the financial year ended 31 December 2021 which is included in the annual report for the year ended 31 December 2021 is available at the Company’s registered office. The auditor had reported and had disclaimed their opinion on those financial statements.

During the period, the Group had net current liabilities of RMB2,288,041,000 as at 30 June 2022. As at 30 June 2022, the Group’s total borrowings amounted to approximately RMB742,638,000, all of which were classified as current liabilities, while its cash and cash equivalents amounted to approximately RMB3,026,000 only. These conditions indicate the existence of a material uncertainty 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.

## **1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES** *(Continued)*

However, certain plans and measures have been taken to mitigate the liquidity problem and to improve the Group's financial position, which include, but are not limited to, the exploration of possible debt restructuring opportunities, deriving new repayment plans with debtors and reaching out for potential investors. For details, see "Action Plan of the Group to Address the Going Concern Issue" below.

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 within twelve months from 30 June 2022, after taking into consideration the above measures. Accordingly, the Directors are of the opinion that it is appropriate to prepare Interim Financial Statements on a going concern basis.

There are significant uncertainties as to the outcomes of the above events or conditions that may cast significant doubt on the Group's ability to continue as a going concern and, therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. Should the use of the going concern basis in preparation of the Interim Financial Statements be determined to be not appropriate, adjustments would have to be made to write down the carrying amounts of the Group's assets to their realisable values, to provide for any further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effects of these adjustments have not been reflected in the unaudited Interim Financial Statements. These unaudited Interim Financial Statements should be read in conjunction with the annual consolidated financial statements of the Company for the year ended 31 December 2021, which have been prepared in accordance with the HKFRS, the provisions of the Hong Kong Companies Ordinance which concern the preparation of financial statements and included applicable disclosures required by the Listing Rules.

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

The HKICPA has issued several amendments to HKFRSs that are first effective for the current accounting period of the Group. None of these developments has had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented in this Interim Financial Statements.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.



### 3. TURNOVER AND OTHER INCOME AND GAINS

Turnover represents the income from agricultural and petrochemical products supply chain services, provision of financial leasing and commercial factoring services, and agrochemical products supply chain services net of taxes, discounts, returns and allowances, where applicable and after eliminating sales within the Group.

	For the six months ended 30 June	
	2022	2021
	Unaudited	Unaudited
	RMB'000	RMB'000
Turnover:		
Agricultural and petrochemical products supply chain services	–	–
Financial leasing and commercial factoring services	–	–
Agrochemical products supply chain services	–	936,940
	<hr/>	<hr/>
	–	936,940
	<hr/> <hr/>	<hr/> <hr/>
Other income and gains:		
Government grants	53	2,616
Interest income	1	227
Others	800	31,978
	<hr/>	<hr/>
	854	34,821
	<hr/> <hr/>	<hr/> <hr/>

#### 4. SEGMENT INFORMATION

##### (a) Primary reporting format – business segments

The Group determines its operating segments based on the internal reports reviewed by the chief operating decision maker (i.e. Chief Executive Officer of the Group) who makes strategic decisions.

During the six months ended 30 June 2022, the Group 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 – sale of 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

Operating segments regarding agricultural big-data services had been discontinued during the year ended 31 December 2021. The segment information reported below does not include any amounts for the discontinued operation, which are described in more details in Note 8 to the Interim Financial Statements.

The segment results for the six months ended 30 June 2022 are as follows:

	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	–	–	–	–
Reportable segment profit(loss)	(1,059)	(2)	–	(1,061)
Finance costs	(79,798)	–	–	(79,798)
Loss before income tax expense				(80,859)
Income tax expense				(6)
Loss for the period				(80,865)

4. SEGMENT INFORMATION (Continued)

(a) Primary reporting format – business segments (Continued)

The segment results for the six months ended 30 June 2021 are as follows:

	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>
<b>Reportable segment revenue from external customers</b>	–	–	936,940	936,940
Reportable segment profit(loss)	(5,752)	(6)	65,344	59,586
Finance costs	(65,682)	–	(15,456)	(81,138)
Loss on disposal of subsidiaries	(38,213)	–	–	(38,213)
Loss before income tax expense				(59,765)
Income tax expense				(11,198)
Loss for the period				(70,963)

#### 4. SEGMENT INFORMATION (Continued)

##### (a) Primary reporting format – business segments (Continued)

Other segment items included in the condensed consolidated statement of comprehensive income are as follows:

	Six months ended 30 June 2022				Six months ended 30 June 2021			
	Agricultural and petrochemical products supply chain services RMB'000	Financial leasing and commercial factoring services RMB'000	Agrochemical products supply chain services RMB'000	Total RMB'000	Agricultural and petrochemical products supply chain services RMB'000	Financial leasing and commercial factoring services RMB'000	Agrochemical products supply chain services RMB'000	Total RMB'000
Depreciation	21	-	-	21	48	-	14,252	14,300
Amortisation	-	-	-	-	-	-	1,881	1,881

The reportable segment assets and liabilities at 30 June 2022 are as follows:

	Agricultural and petrochemical products supply chain services RMB'000	Financial leasing and commercial factoring services RMB'000	Agrochemical products supply chain services RMB'000	Total RMB'000
Reportable segment assets	<u>6,648</u>	<u>3</u>	<u>-</u>	<u>6,651</u>
Reportable segment liabilities	<u>(2,270,463)</u>	<u>(20,606)</u>	<u>-</u>	<u>(2,291,069)</u>

#### 4. SEGMENT INFORMATION (Continued)

##### (a) Primary reporting format – business segments (Continued)

The reportable segment assets and liabilities at 31 December 2021 are as follows:

	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 assets	7,956	3	–	7,959
Reportable segment liabilities	(2,189,627)	(20,606)	–	(2,210,233)

##### (b) Secondary reporting format – geographical segments

No geographical segment information is presented as the entire Group's revenue from external customers is mainly derived from customers located in the PRC and all the Group's non-current assets are located in the PRC, which is considered as one geographic location with similar risks and returns.

#### 5. FINANCE COSTS

	<b>For the six months ended 30 June</b>	
	<b>2022</b>	<b>2021</b>
	<b>Unaudited</b>	<b>Unaudited</b>
	<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
Interest expense on borrowing wholly repayable within five years and discounted commercial notes	79,798	81,138
Interest expense on lease liabilities	–	–
Total finance costs	<u>79,798</u>	<u>81,138</u>

## 6. LOSS BEFORE INCOME TAX EXPENSE

Loss before income tax expense is arrived at after charging/(crediting):

	For the six months ended 30 June	
	2022 Unaudited RMB'000	2021 Unaudited RMB'000
Depreciation of investment properties and property, plant and equipment	21	14,300
Staff costs	2,897	41,051
Cost of inventories recognised as expenses	–	745,037
Operating lease rental expenses in respect of – Land and buildings	922	498
Impairment loss recognised (reversed) on trade and other receivables	(3,404)	–
	<u>          </u>	<u>          </u>

## 7. INCOME TAX EXPENSE

	For the six months ended 30 June	
	2022 Unaudited RMB'000	2021 Unaudited RMB'000
Current income tax		
PRC enterprise income tax	6	10,217
Hong Kong profits tax	–	–
Deferred income tax	–	981
	<u>          </u>	<u>          </u>
	<u>          </u>	<u>          </u>

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

Anhui Huaxing Chemical Industry Company Limited\* (安徽華星化工有限公司) ("Anhui Huaxing" together with its subsidiaries, the "Anhui Huaxing Group"), one of the Company's subsidiaries during the period of six months ended 30 June 2020, obtained the qualification of High and New Technology Enterprise from the relevant PRC government authorities and was subject to a preferential tax rate of 15%.

## 8. DISCONTINUED OPERATIONS AND DISPOSAL GROUP HELD FOR SALE

The profit for the period from discontinued operations is set out below:

	<b>For the six months ended 30 June</b>	
	<b>2022</b>	<b>2021</b>
	<b>Unaudited</b>	<b>Unaudited</b>
	<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
Profit for the period from:		
Agricultural big-data services operation	—	572
	<u>—</u>	<u>572</u>
	<b><u>—</u></b>	<b><u>572</u></b>

Assets classified as held for sale is set out below:

	<b>As at</b>	<b>As at</b>
	<b>30 June</b>	<b>31 December</b>
	<b>2022</b>	<b>2021</b>
	<b>Unaudited</b>	<b>Audited</b>
	<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
Assets classified as held for sale related to:		
Agricultural big-data services operation	—	—
	<u>—</u>	<u>—</u>
	<b><u>—</u></b>	<b><u>—</u></b>

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

	<b>As at</b>	<b>As at</b>
	<b>30 June</b>	<b>31 December</b>
	<b>2022</b>	<b>2021</b>
	<b>Unaudited</b>	<b>Audited</b>
	<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
Liabilities associated with assets classified as held for sale related to:		
Agricultural big-data services operation	—	—
	<u>—</u>	<u>—</u>
	<b><u>—</u></b>	<b><u>—</u></b>

## 9. LOSS PER SHARE

Loss per share is calculated by dividing the loss attributable to owners of the Company of RMB(76,718,000) (six months ended 30 June 2021: RMB(70,356,000)) by the weighted average number of ordinary shares in issue throughout the period of 9,551,079,812 shares (six months ended 30 June 2021: 9,551,079,812 shares).

	<b>For the six months ended 30 June</b>	
	<b>2022</b>	2021
	<b>Unaudited</b>	Unaudited
Loss attributable to owners of the Company ( <i>RMB'000</i> )	<u><b>(76,718)</b></u>	<u>(70,356)</u>
Weighted average number of ordinary shares in issue ( <i>thousands</i> )	<u><b>9,551,080</b></u>	<u>9,551,080</u>
Basic loss per share ( <i>RMB per share</i> )	<u><b>(0.008)</b></u>	<u>(0.007)</u>

Diluted loss per share equals to basic loss per share, as there were no potential dilutive ordinary shares issued during the six months ended 30 June 2022 and 2021.

## 10. INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend in respect of the six months ended 30 June 2022 (six months ended 30 June 2021: Nil).

## 11. TRADE AND OTHER RECEIVABLES

	<b>As at 30 June 2022</b>	As at 31 December 2021
	<b>Unaudited</b>	Audited
	<b>RMB'000</b>	RMB'000
Trade receivables	<b>624,051</b>	626,969
Bank notes receivable	—	—
Total trade and notes receivables	<u><b>624,051</b></u>	<u>626,969</u>
Prepayments and deposits	—	—
Other receivables	<u><b>1,689,784</b></u>	<u>1,690,326</u>
	<b>2,313,835</b>	2,317,295
Less: Impairment loss recognised on trade and other receivables	<u><b>(2,313,835)</b></u>	<u>(2,317,295)</u>
	<u><b>—</b></u>	<u>—</u>



## 11. TRADE AND OTHER RECEIVABLES (Continued)

The ageing analysis of trade and notes receivables for agricultural and petrochemical products supply chain services. The details of aging analysis that are before impairment loss as follows:

	<b>As at 30 June 2022 Unaudited RMB'000</b>	<b>As at 31 December 2021 Audited RMB'000</b>
Agricultural and petrochemical products supply chain services (note (a))		
1 year to less than 2 years	–	–
2 years to less than 3 years	–	610
Over 3 years	<b>624,051</b>	626,359
	<b>624,051</b>	626,969
Total	<b>624,051</b>	626,969

Notes:

- (a) For agricultural and petrochemical products supply chain services, credit terms granted to individual customer vary on a customer-by-customer basis which is determined by management with reference to the creditability of respective customer. Normally, the general credit period is ranging from 30 to 180 days.

## 12. TRADE AND OTHER PAYABLES

	As at 30 June 2022 Unaudited RMB'000	As at 31 December 2021 Audited RMB'000
Trade payables	27,781	27,781
Notes payable	—	—
	<u>27,781</u>	<u>27,781</u>
Amount due to related companies ( <i>note (a)</i> )	140,752	140,061
Amount due to deconsolidated subsidiaries ( <i>note (b)</i> )	33,200	33,200
Other payables and accruals	942,895	862,747
Financial guarantee contracts ( <i>note (c)</i> )	241,100	241,100
	<u>1,385,728</u>	<u>1,304,889</u>
Less: non-current portion	—	—
Current portion	<u><u>1,385,728</u></u>	<u><u>1,304,889</u></u>

The ageing analysis of trade payables is as follows:

	As at 30 June 2022 Unaudited RMB'000	As at 31 December 2021 Audited RMB'000
Agricultural and petrochemical products supply chain services		
2 years to less than 3 years	—	—
3 years and over	27,781	27,781
	<u>27,781</u>	<u>27,781</u>
Total	<u><u>27,781</u></u>	<u><u>27,781</u></u>

*Notes:*

- (a) The amounts are interest-free, unsecured and repayable on demand.
- (b) The amount represents the amount due to the Anhui Huaxing Group as at 30 June 2022 subsequent to its deconsolidation on 13 August 2021.
- (c) As at 30 June 2022, the Group provided financial guarantees to banks in respect of bank facilities granted to a third party (formerly a subsidiary of the Company).

### 13. BORROWINGS

	<b>As at 30 June 2022 Unaudited RMB'000</b>	<b>As at 31 December 2021 Audited RMB'000</b>
Bank borrowings		
Secured – interest-bearing loans	<u>126,242</u>	<u>126,242</u>
Other borrowings		
Secured – interest-bearing loans	<u>616,396</u>	<u>616,396</u>
	<b><u>742,638</u></b>	<b><u>742,638</u></b>

As at 30 June 2022 and 31 December 2021, total borrowings of the Group were repayable as follows:

	<b>As at 30 June 2022 Unaudited RMB'000</b>	<b>As at 31 December 2021 Audited RMB'000</b>
On demand or within one year	742,638	742,638
More than one year, but not exceeding five years	<u>–</u>	<u>–</u>
	<b><u>742,638</u></b>	<b><u>742,638</u></b>

### 14. SHARE CAPITAL

	<b>Number of ordinary shares</b>	<b>Amount RMB'000</b>
Authorised, issued and fully paid:		
Ordinary share of RMB0.1 each		
At 1 January 2021	<u>9,551,079,812</u>	<u>955,108</u>
At 30 June 2021 and 31 December 2021	<u>9,551,079,812</u>	<u>955,108</u>
At 30 June 2022	<b><u>9,551,079,812</u></b>	<b><u>955,108</u></b>

## 15. FINANCIAL INSTRUMENTS

### Categories of Financial Instruments

	<b>As at 30 June 2022 Unaudited RMB'000</b>	<b>As at 31 December 2021 Audited RMB'000</b>
<b>Financial assets</b>		
Equity instruments at fair value through other comprehensive income	–	–
Loan and receivables (including cash and cash equivalents)	<u>3,028</u>	<u>4,315</u>
	<b><u>3,028</u></b>	<b><u>4,315</u></b>
<b>Financial liabilities</b>		
Financial guarantee at fair value	241,100	241,100
Amortised cost	<u>1,887,266</u>	<u>1,806,427</u>

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **Financial and Business Review**

In the first half of 2022, the business environment was still under negative impacts of the COVID-19 pandemic, international politics and the slowdown of China's GDP growth, while market capital tended to be more conservative. The Group concentrated on stabilizing and expanding the agrochemical products supply chain service business segment, while actively managing with the contingent liabilities and corresponding lawsuits.

### **Business Operations**

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

#### **Agrochemical Products Supply Chain Services Business**

Agrochemical products supply chain services commenced in 2018 and were engaged in development of bio-engineering products and sale of chemical products, pesticides, chemical fertilisers, packaged seeds and agricultural machinery and were operated by Anhui Huaxing and its subsidiary ("**Anhui Huaxing Group**"), which were wholly-owned subsidiaries of the Company. Anhui Huaxing Group was deconsolidated from the Group since is August 2021. Please refer to the announcements of the Company dated 11 August 2021, 19 August 2021, 3 September 2021, 22 October 2021, 26 January 2022, 22 February 2022 and 8 March 2022 for details.

The Company has retained a core business teams and senior managers who are experienced with the agrochemical products supply chain services industry, and will make an effort to maintain upstream and downstream partnerships in this industry. For the six months ended 30 June 2022, turnover of the Group's agrochemical products supply chain services was nil.

#### **Agricultural and Petrochemical Products Supply Chain Service Business**

For the six months ended 30 June 2022, turnover of the Group's agricultural and petrochemical product supply chain service business was nil.

#### **Financial Leasing and Commercial Factoring Services**

For the six months ended 30 June 2022, turnover of the Group's financial leasing and commercial factoring services was nil.

## **Other Income and Gains**

For the six months ended 30 June 2022, the Group's other income and gains, including government grants and interest income, were approximately RMB854,000 (six months ended 30 June 2021: approximately RMB34,821,000), representing a decrease of approximately 97.55% as compared to the corresponding period last year. It was mainly attributable to government grants.

## **Distribution Costs**

For the six months ended 30 June 2022, the Group's distribution costs were nil (six months ended 30 June 2021: approximately RMB35,000,000) mainly due to the deconsolidation of Anhui Huaxing Group.

## **Administrative Expenses**

For the six months ended 30 June 2022, administrative expenses of the Group were approximately RMB5,319,000 (six months ended 30 June 2021: approximately RMB126,599,000). The decrease in administrative expenses of the Group during the period was mainly attributable to Anhui Huaxing Group were deconsolidated from the consolidated financial statement of the Group since 13 August 2021.

## **Share of loss of associates**

For the six months ended 30 June 2022, the share of loss of associates amounted to approximately RMBnil.

## **Finance Costs**

For the six months ended 30 June 2022, finance costs of the Group were approximately RMB79,798,000, representing a decrease of approximately 1.65% as compared to RMB81,138,000 of the corresponding period last year.

## **Loss Attributable to Owners of the Company**

For the six months ended 30 June 2022, loss attributable to owners of the Company was approximately RMB76,718,000 (six months ended 30 June 2021: approximately RMB70,356,000), representing an increase in a loss of approximately RMB6 million mainly due to the combined effect of the loss of profits of approximately RMB49.9 million due to the deconsolidation of the financial results of Anhui Huaxing Group from the Group, and there is no loss on disposal of subsidiaries for the six months ended 30 June 2022 (30 June 2021: approximately RMB38.2 million). The basic and diluted loss per share attributable to owners of the Company during the period were approximately RMB0.008 (six months ended 30 June 2021: approximately RMB0.007). For the six months ended 30 June 2022, the reversal of the impairment loss recognised on trade and other receivables amounted to approximately RMB3,404,000.

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

### **Capital Structure**

As at 30 June 2022, the Group had total assets less current liabilities of approximately RMB(2,284,418,000) (31 December 2021: approximately RMB(2,202,274,000)), including non-current assets of approximately RMB3,623,000 (31 December 2021: RMB3,644,000) and net current liabilities of approximately RMB2,288,041,000 (31 December 2021: net current liabilities of approximately RMB2,205,918,000).

As at 30 June 2022, equity attributable to owners of the Company was approximately RMB(2,279,787,000) as compared to approximately RMB2,201,790,000 as at 31 December 2021.

### **Liquidity and Financial Resources**

As at 30 June 2022 and 31 December 2021, the Group had restricted bank deposits and cash and cash equivalents of approximately RMB3,028,000 and RMB4,315,000, respectively.

As at 30 June 2022 and 31 December 2021, the Group had short-term borrowings of approximately RMB742,638,000 and RMB742,638,000, respectively.

As at 30 June 2022 and 31 December 2021, debt-to-asset ratios of the Group were approximately 34,447% and 27,770%, respectively. Debt asset ratio was calculated as the percentage of total liabilities divided by total assets.

### **Foreign Exchange Risk**

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

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

As at 30 June 2022, the Group's right-of-use assets with a net book value at nil (31 December 2021: nil) were pledged as security for the Group's bank borrowings. As at 30 June 2022, property, plant and equipment with a net book value at nil (31 December 2021: nil) were pledged as security for the Group's borrowings. As at 30 June 2022, the Group had no restricted bank deposits (31 December 2021: nil) as collateral for the bank borrowings and the issuance of commercial notes, performance bonds and bid bonds to customers.

## EMPLOYEE INFORMATION

As at 30 June 2022, the Group had 24 employees (31 December 2021: 24 employees). During the period under review, total employees' remuneration (including Directors' remuneration) amounted to approximately RMB2,897,000 (six months ended 30 June 2021: approximately RMB82,908,000). 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

A proposal of the Bankruptcy Restructuring (the “**Restructuring Proposal**”) regarding Anhui Huaxing Group as required under the Enterprise Bankruptcy Law has been passed by the relevant creditors and approved by the People's Court of He County, Anhui Province, the PRC pursuant to a civil ruling dated 16 February 2022. The Bankruptcy Restructuring shall complete within six months from the date of such civil ruling.

The Company received a notification letter from Anhui Huaxing on 8 March 2022, stating that a change of shareholder of Anhui Huaxing was completed on 3 March 2022. As confirmed by the Anhui Huaxing, its entire equity interest was transferred to the restructuring investor, Qilu Pharmaceutical (Inner Mongolia) Co., Ltd.\* (齊魯製藥(內蒙古)有限公司) on 3 March 2022 and Anhui Huaxing ceased to be the Company's subsidiary on the same day.

## INVESTMENT BY POTENTIAL INVESTOR

On 11 March 2022, the Company entered into an intent cooperation framework agreement (the “**Framework Agreement**”) with Guizhou Guian Commercial and Trading Investment Company Limited\* (貴州貴安商貿投資有限公司) (the “**Potential Investor**”), pursuant to which the Potential Investor intends to invest in the Company (the “**Potential Investment**”). The Potential Investment may result in the Potential Investor becoming a substantial shareholder of the Company. As at the date of this results announcement, the terms and conditions of the formal agreement are yet to be determined and no agreement has been reached between the Company and the Potential Investor in relation thereto.



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

Save as disclosed in the Company's announcement dated 11 March 2022 in relation to the Potential Investment, the Company did not have any future plans for significant investments or capital assets as at the date of this results announcement, but the Company may, at any point, be negotiating potential investments when considering it appropriate.

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

### **Litigation with Jiujiang Bank Co., Ltd. Guangdong Free Trade Zone Nansha Sub-branch (the "Jiujiang Bank") (the "Jiujiang Legal Proceedings")**

- (a) On 15 January 2020, the Jiujiang Bank issued and filed a statement of claim against Ever Fortune Financial Leasing Co., Ltd.\* (瑞盈信融(深圳)融資租賃有限公司) ("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 former 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 results 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 announcement dated 18 March 2020.

## **Litigation with CEFC Securities Shanghai Securities Limited (上海華信證券有限責任公司) (“CEFC Securities”)**

- (b) 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 breach of loan agreement due to default in repayment of loan from CEFC Securities in a principal amount of RMB300,000,000 and all related interest. According to such civil judgment, the Company shall repay CEFC Securities, (i) the principal amount of the loan of RMB300,000,000; (ii) relevant overdue interest of approximately RMB10,732,000; (iii) relevant compound interest of approximately RMB52,000; (iv) relevant penalty interest of approximately RMB1,445,000; and (v) CEFC Securities’ legal fees of approximately 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) (“**Shenzhen Dasheng**”), a substantial shareholder (as defined in the Listing Rules) of the Company at the time, Dasheng (Fujian) Agricultural Ltd.\* (大生(福建)農業有限公司) (“**Fujian Dasheng**”) and Hong Kong Dasheng Investment Holdings Company Limited (香港大生投資控股有限公司) (“**Hong Kong Dasheng**”) 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 fails to fulfil its repayment obligations set out above, CEFC Securities is entitled to the priority of compensation claims against the Company’s pledge of account receivables from two independent third parties of approximately RMB406,000,000, and the interest to be repaid shall be doubled.

As at the date of this results announcement, the Company did not make an appeal application on such civil judgment. Please refer to the Company’s announcement dated 16 January 2020 for details.

## **Litigation with Anhui Huaxing (the “Anhui Huaxing Proceedings”)**

- (c) On 22 February 2022, the Company received a statement of claim filed by the Administrator on 24 January 2022 against the Company under the Court for the repayment of the financial assistance given to the Company by Anhui Huaxing in an aggregate principal amount of RMB35.5 million, default interest of approximately RMB13.5 million up to 23 January 2022 and the accrued interests from 24 January 2022 up to the date of repayment (the “**Legal Proceedings**”) and all other costs and expenses in relation to the Legal Proceedings. A property preservation has been applied over the equity interests in Anhui Huaxing held by the Company in relation to the Legal Proceedings on 28 January 2022.

On 22 March 2022, the Company received a civil ruling dated 17 March 2022 issued by the People’s Court of He County, Anhui Province, the PRC (the “Court”) in relation to the Legal Proceedings for the repayment of the financial assistance given to the Company by Anhui Huaxing. Pursuant to such civil ruling, the Company shall, within ten days from the effective date of the ruling, repay Anhui Huaxing (i) aggregate principal amount of RMB35.5 million; (ii) the accrued interests from the ruling date of 23 February 2022 up to the date of repayment; and (iii) the court fee of RMB291,866.

As at the date of this results 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 announcement dated 22 February 2022 and 22 March 2022.

## **EVENTS AFTER THE REPORTING PERIOD**

### **New litigation with CEFC Securities**

On 15 August 2022, the Company received a civil complaint from the Shanghai Railway Transportation Court\* (上海鐵路運輸法院) submitted by CEFC Securities claiming against Ruiying Xinrong (Shenzhen) Commercial Factoring Co., Limited\* (瑞盈信融(深圳)商業保理有限公司), which was an indirect non-wholly owned subsidiary of the Company, concerning a default payment of the repurchase consideration under a trust loan and the guarantors for such repayment, including the Company, Fujian Dasheng and Hong Kong Dasheng were named as defendants. The total amount of claims under the civil complaint is approximately RMB373,149,700, including the repurchase consideration of RMB217,580,000 and the accrued interests of RMB155,569,700.

As at the date of this results announcement, the Company was actively responding to such civil complaint. Please refer to the Company’s announcement dated 15 August 2022 for details.

## **ACTION PLAN OF THE GROUP TO ADDRESS THE GOING CONCERN ISSUE**

As at the date of this results announcement, the outstanding material debts from the Group’s agricultural and petrochemical products supply chain services business 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) from the remaining business operations of the Group. The Company shall explore other ways to handle the outstanding debts.

The Group has pursued possible cooperation opportunities with potential external investors. On 11 March 2022, the Company entered into the Framework Agreement with the Potential Investor pursuant to which the Potential Investor intends to invest in the Company. As at the date of this results announcement, the Company is still negotiating with the Potential Investor and proactively targetting to reach an investment plan benefiting both parties.

The Company is dedicated in resolving the Group's historical financial issues and proactive in exploring possible debt restructuring opportunities, including disposal of loss-making subsidiaries, devising new repayment plans with debtors and reaching out for potential investors. Meanwhile, the Company continues to seek for potential business and investment opportunities with an aim to broaden its source of income, so as to revive the Group's businesses.

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**

Notwithstanding the deconsolidation of Anhui Huaxing Group, the Company has retained a core business teams and senior managers who are familiar with the agrochemical products supply chain services industry, and will endeavour to maintain upstream and downstream partnerships in this industry. The Company intends to continue to focus on the existing three segments in its on-going business development.

The management of the Group will also continue to dedicate its efforts in resolving the Group's historical financial issues through maintaining in-depth discussions and planning with external potential investors including the Potential Investor, creditors and relevant financial institutions, 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 six months ended 30 June 2022, the Company has complied with the code provisions of the Corporate Governance Code (the “**CG Code**”) as set out in Appendix 14 to the Listing Rules.

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

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding directors' and supervisors' securities transactions. Following a specific enquiry, all the Directors and the Supervisors confirmed that they have complied with the required standard as set out in the Model Code throughout the six months ended 30 June 2022.

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

During the six months ended 30 June 2022, 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 of the Company (the “**Audit Committee**”) has adopted the terms of reference of 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 one non-executive Director, namely, Mr. Lu Tingfu. The chairman of the Audit Committee is Mr. Chung Cheuk Ming.

The Audit Committee, together with the management of the Company, has reviewed the Group's unaudited condensed consolidated interim financial statements for the six months ended 30 June 2022 and had the opinion that the preparation of the interim results is in compliance with the applicable accounting standards and requirements (including on a going concern basis) and the Listing Rules.

## **DIVIDEND**

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2022 (six months ended 30 June 2021: Nil).

## **DIRECTORS' INTEREST IN A COMPETING BUSINESS**

None of the Directors or any of their respective associates had an interest in a business which competes or may compete with the business of the Group.

## **CHANGE OF DIRECTORS**

The change of Directors during the six months ended 30 June 2022 is as follows:

On 30 March 2022, Mr. Li Wenming resigned from his position as an executive Director of the Company.

On 17 June 2022, Mr. Wang Yanlong was elected as an independent non-executive Director of the seventh session of the Board by the shareholders of the Company at the annual general meeting held on the same date by way of an ordinary resolution.

## **PUBLICATION OF RESULTS ANNOUNCEMENT AND INTERIM REPORT**

This results announcement is published on the websites of The Stock Exchange of Hong Kong Limited (<http://www.hkexnews.hk>) and of the Company (<http://www.dsgd-sh.co>). The 2022 interim report of the Company containing all the information required by the Listing Rules will be despatched to the shareholders and made available on the above websites in due course.

## **APPRECIATION**

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

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

Shanghai, PRC, 30 August 2022

*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. Wang Yanlong.*

*\* For illustrative purposes only*