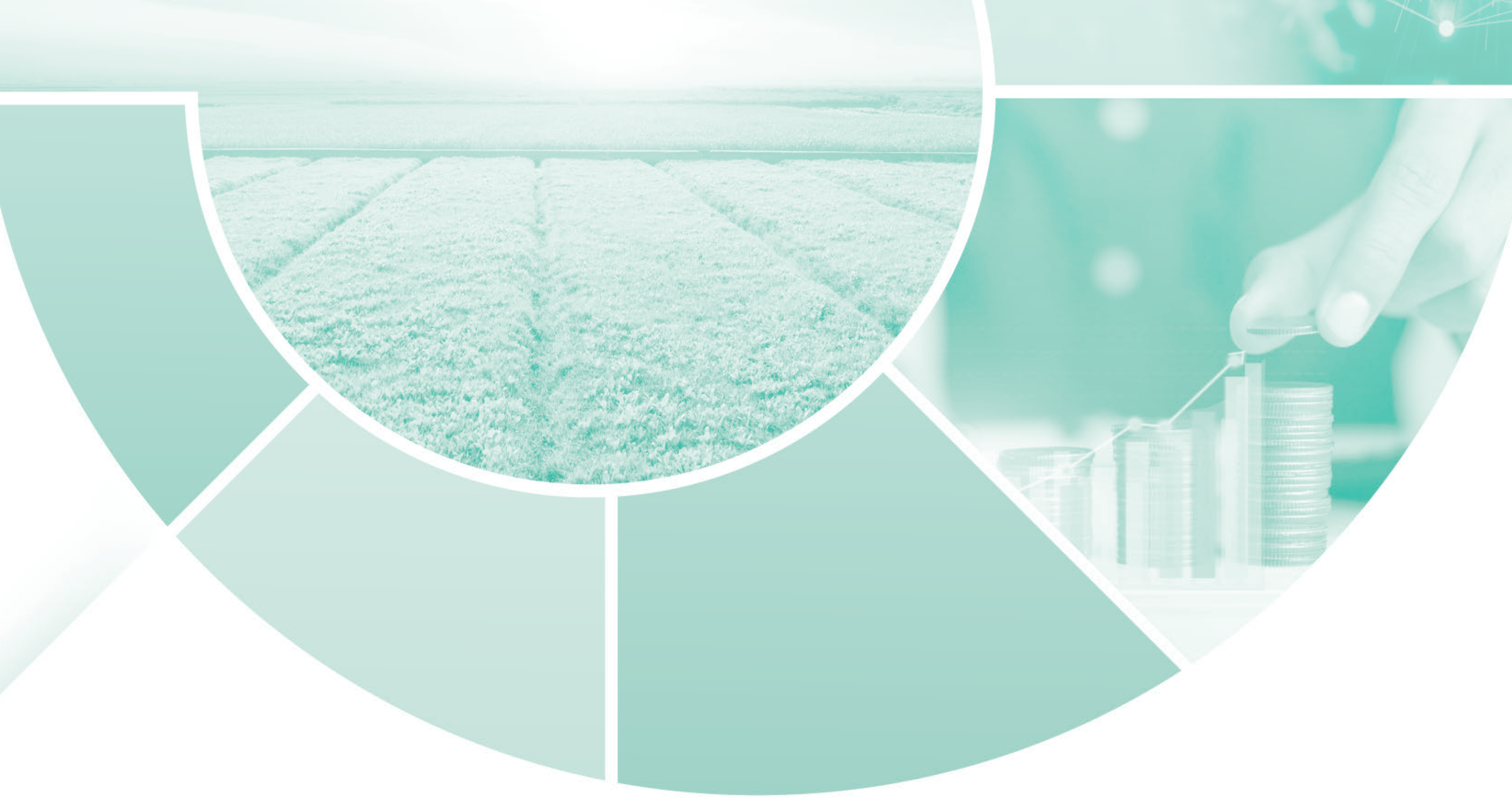
上海大生農業金融科技股份有限公司
Shanghai Dasheng Agriculture Finance Technology Co., Ltd.

(a joint stock company incorporated in the People's Republic of China with limited liability)
(於中華人民共和國註冊成立之股份有限公司)

Stock code 股份代號：1103

2022 年報
ANNUAL REPORT

Contents



Summary of Financial Information

RESULTS

	For the year ended 31 December				
	2022	2021	2020	2019	2018
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Turnover	**—**	936,940	1,433,813	1,428,816	2,011,870
Loss before income tax expense	**(1,635,813)**	(1,115,242)	(897,845)	(254,888)	(1,989,731)
Loss for the year	**(1,635,819)**	(1,124,908)	(915,452)	(853,817)	(2,166,379)
Loss attributable to owners of the Company	**(1,635,927)**	(1,125,142)	(779,575)	(771,487)	(1,986,782)
Loss per share (RMB) (basic and diluted)	**(0.171)**	(0.118)	(0.082)	(0.081)	(0.209)

ASSETS AND LIABILITIES

	As at 31 December				
	2022	2021	2020	2019	2018
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets	**2,316**	3,644	1,040,475	1,099,272	1,131,913
Current assets	**547**	4,315	905,217	4,866,031	6,004,521
Non-current liabilities	**—**	—	(7,089)	(147,074)	(514,395)
Current liabilities	**(3,842,268)**	(2,210,233)	(2,999,077)	(6,491,192)	(6,325,620)
Non-controlling interests	**(376)**	(484)	(15,607)	560,546	(97,169)
Capital and reserves attributable to owners of the Company	**(3,839,029)**	(2,201,790)	(1,076,081)	(112,417)	199,250

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Lan Huasheng *(Chairman)*
Wang Liguo *(Chief Executive Officer)*
Li Wenming (resigned on 30 March 2022)

Non-Executive Director

Lu Tingfu

Independent Non-Executive Directors

Chung Cheuk Ming
Yang Gaoyu
Wang Yanlong (appointed on 17 June 2022)

SUPERVISORS

Zheng Yong *(Chairman)*
Zhao Xufeng
Ye Mingzhu
Sun Ting
Wang Bin

ADMINISTRATOR

BDO China Shu Lun Pan Certified Public Accountants LLP
(appointed on 3 February 2023)

AUDITOR

Asian Alliance (HK) CPA Limited
(Certified Public Accountants and Registered Public Interest Entity Auditor)

REGISTERED OFFICE

706 Renhe Building
2056 Pudong Road
Pudong New Area
Shanghai, PRC
Postal Code: 200135

PRINCIPAL PLACE OF BUSINESS IN CHINA

20F, Building G
Gateway International Plaza
No. 327 Tian Yao Qiao Road
Xuhui District
Shanghai, PRC

PLACE OF BUSINESS IN HONG KONG

Unit 16, 28/F
Hong Kong Plaza
No. 188 Connaught Road West
Hong Kong

COMPANY WEBSITE

www.dsgd-sh.co

COMPANY SECRETARY

Lee Chung Shing

AUTHORISED REPRESENTATIVES

Lan Huasheng
Wang Liguo

MEMBERS OF THE AUDIT COMMITTEE

Chung Cheuk Ming *(Chairman)*
Lu Tingfu
Yang Gaoyu

MEMBERS OF THE REMUNERATION AND ASSESSMENT COMMITTEE

Yang Gaoyu *(Chairman)*
Lu Tingfu
Chung Cheuk Ming

MEMBERS OF THE NOMINATION COMMITTEE

Lan Huasheng *(Chairman)*
Chung Cheuk Ming
Yang Gaoyu

HONG KONG H SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Shop 1712–1716
17th Floor
Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL BANKERS

Bank of Jiujiang
Bank of Shanghai
SPD Bank

STOCK CODE

1103

Chairman's Statement

Year 2022 is a year of challenges to many companies. Unexpected events, including the coronavirus pandemic, have been casting uncertainty over the global economy, market sentiment and financing environment. These unexpected events have caused certain interruptions in the business development of Shanghai Dasheng Agriculture Finance Technology Co., Ltd. (the "**Company**", together with its subsidiaries, the "**Group**"), in particular, due to the tight external financing environment, which resulted in potential investors and related creditors requiring much more time to devise possible-restructuring plans.

In 2022, the management of the Group (the "**Management**") still dedicated its efforts in resolving the Group's historical financial problems and sought to improve its overall cash flow position.

The loss attributable to the owners of the Company in 2022 increased to approximately RMB1,635,927,000 (2021: approximately RMB1,125,142,000), representing a year-on-year increase of approximately 45.4%. The total assets of the Company as at 31 December 2022 amounted to approximately RMB2,863,000 (31 December 2021: approximately RMB7,959,000), representing a year-on-year decrease of approximately 64.0%.

PROSPECTS

The trading of the Company's H shares has been suspended since 11 February 2022 and the Company has been entered into bankruptcy restructuring since early 2023. With the support of the creditors and the joint potential bankruptcy restructuring investors (the "**Bankruptcy Restructuring Investors**"), the Company has reached a constructive progress on resolving its debts and the resumption of trading of its H shares, meanwhile, the Group has successfully steadily revived its business operations. The Company intends to continue to focus on the existing agrochemical products supply chain services business in its on-going business development.

The management of the Group also will continue to dedicate its efforts in resolving the Group's historical financial issues through maintaining in-depth discussions and planning with the Restructuring 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.

APPRECIATION

Finally, I wish to express my gratitude to the members of the board (the "**Board**") of directors of the Company (the "**Directors**"), the management and staff of the Group for their relentless efforts and selfless dedication during the past year, and to the shareholders, suppliers and customers of the Company for their strong support for the Group.

Lan Huasheng
Chairman
Shanghai, PRC, 31 July 2023

Management Discussion and Analysis

FINANCIAL AND BUSINESS REVIEW

In 2022, it was full of challenges and opportunities for the Group. On 3 February 2023, BDO China Shu Lun Pan Certified Public Accountants LLP was appointed as the administrator (the "**Administrator**") of the Company for its bankruptcy restructuring pursuant to a civil ruling dated 19 January 2023 granted by the Shanghai Third Intermediate People's Court* (上海市第三中級人民法院) (the "**Shanghai Third Court**") in the PRC regarding the Company was unable to repay the debts failing due (the "**Bankruptcy Restructuring**").

The Group had continued to maintain its existing businesses of the agrochemical products supply chain services segment, and accelerate the adjustment and reorganisation of the existing businesses. 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 restructuring cooperation opportunities with bankruptcy investors.

During the year under review, turnover of the Group was nil, representing a drop of 100% as compared to last year. During the year under review, the Group recorded gross profit of nil, representing a decrease of 100% as compared to last year; the gross profit margin is about 0%, representing a decrease of 100%. Loss attributable to owners of the Company for the year was approximately RMB1,635.9 million, representing an increase in loss of approximately 45.4% as compared to last year, which was primarily due to the combined effect of the accrual of interest expense on borrowings amidst stagnation of our trading of agricultural and petrochemical products, and the disposal of Shanghai Runtong Industrial and Investment Co., Limited* (上海潤通實業投資有限公司) ("**Shanghai Runtong**") and the deconsolidation of Anhui Huaxing Chemical Industry Company Limited* (安徽華星化工有限公司) ("**Anhui Huaxing**") and its subsidiaries ("**Anhui Huaxing Group**").

The Company received a civil ruling dated 9 June 2023 from the Shanghai Third Court which confirmed the approval of the Bankruptcy Restructuring Proposal (as defined below) by the Shanghai Third Court, and the bankruptcy restructuring procedure is therefore terminated in accordance with Clauses 2 and 3 of Article 87 of the Enterprise Bankruptcy Law of the PRC (the "**Enterprise Bankruptcy Law**"). Further pursuant to Article 94 of the Enterprise Bankruptcy Law, the Company will no longer bear the responsibility for the repayment of debts relieved by the Bankruptcy Restructuring upon the completion of Bankruptcy Restructuring.

BUSINESS OPERATIONS

Immediately prior to the suspension of trading in the H shares of the Company (the "**H Shares**") on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 11 February 2022, the Group was principally engaged in three businesses, which were "agrochemical products supply chain services business", "agricultural and petrochemical products supply chain service business" and "financial leasing and commercial factoring services". Following the suspension of trading in the H Shares, the Group's business operation substantially diminished due to the Group's severe financial distress.

AGROCHEMICAL PRODUCTS SUPPLY CHAIN SERVICES BUSINESS

During the year under review, turnover of the Group's agrochemical products supply chain services business was nil; and the gross loss was nil.

AGRICULTURAL AND PETROCHEMICAL PRODUCTS SUPPLY CHAIN SERVICES BUSINESS

The Group's agricultural and petrochemical products supply chain service business mainly comprise the trading of agricultural and petrochemical products including chemical fertilizers, fuel oil, mixed aromatics, white sugar, food products and frozen products.

During the year under review, turnover of the Group's agricultural and petrochemical products supply chain services was nil; and the gross loss was nil.

FINANCIAL LEASING AND COMMERCIAL FACTORING SERVICES

During the year under review, turnover of the Group's financial leasing and commercial factoring services was nil; and the gross loss was nil.

DECONSOLIDATION OF ANHUI HUAXING GROUP

Anhui Huaxing is a wholly-owned subsidiary of the Company which engages in agrochemical products supply chain services in the PRC. On 13 August 2021, the court accepted the bankruptcy restructuring application against Anhui Huaxing with the outstanding amount involved of approximately RMB5,590,000 and the Company has not made the aforementioned payment. The court has given a decision on 24 August 2021 regarding the establishment and appointment of the administrator for the bankruptcy restructuring of Anhui Huaxing. The Company considered that the control over Anhui Huaxing has been lost on 13 August 2021 and accordingly, the financial results of Anhui Huaxing Group were deconsolidated from the consolidated financial statement of the Group since 13 August 2021 (the "**Deconsolidation Date**").

OTHER INCOME

During the year under review, the Group's other income was approximately RMB1,179,000 (2021: approximately RMB33,501,000), representing a decrease of approximately 96.5% as compared to last year. The decrease in other income was primarily attributable to the decrease in income from the supply of utilities.

OTHER GAINS AND LOSSES

The other gains and losses in 2022 amounted to other losses of approximately RMB1,454.5 million (2021: other losses of approximately RMB3.6 million), mainly comprising the claims from Anhui Huaxing/the creditors of Anhui Huaxing Group as a result of bankruptcy restructuring of Anhui Huaxing.

DISTRIBUTION COSTS

During the year under review, the Group's distribution costs were nil (2021: approximately RMB35,000,000), representing a decrease of 100% as compared to last year. The decrease in distribution costs was primarily attributable to the deconsolidation of Anhui Huaxing Group from the Group since 13 August 2021.

ADMINISTRATIVE AND OTHER EXPENSES

For the year ended 31 December 2022, administrative and other expenses of the Group were approximately RMB11,366,000 (2021: approximately RMB224,747,000), representing a decrease of approximately 94.9% as compared to last year. The decrease in administrative and other expenses was primarily attributable to the deconsolidation of Anhui Huaxing Group from the Group.

REVERSAL OF IMPAIRMENT LOSS (IMPAIRMENT LOSS), NET

For the year ended 31 December 2022, reversal of impairment loss on trade and other receivables amounted to approximately RMB3,998,000 (2021: impairment loss of approximately RMB150,832,000). Such reversal of impairment loss for the year under review was primarily attributable to the repayment from Kunshan Yuzhong Construction Engineering Co., Ltd.* (昆山市裕眾建設工程有限公司) to Shanghai Dasheng Agro-chemical Co., Ltd* (上海大生農化有限公司), a wholly-owned subsidiary of the Company.

FINANCE COSTS

For the year ended 31 December 2022, finance costs of the Group were approximately RMB173,748,000 (2021: approximately RMB183,651,000), representing a decrease of approximately 5.4% as compared to last year. The decrease in finance costs was mainly due to the deconsolidation of Anhui Huaxing Group from the Group during the year ended 31 December 2021.

LOSS ATTRIBUTABLE TO OWNERS OF THE COMPANY

For the year ended 31 December 2022, loss attributable to owners of the Group was approximately RMB1,635,927,000 (2021: approximately RMB1,125,142,000), representing an increase of approximately 45.4% as compared to last year. The basic and diluted loss per share attributable to owners of the Company during the year from continuing and discontinued operations were approximately RMB0.171 (2021: approximately RMB0.118), representing an increase in loss of 44.9% as compared to last year.

CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES

Capital Structure

As at 31 December 2022, the Group had total assets less current liabilities of approximately RMB(3,839,405,000) (31 December 2021: approximately RMB(2,202,274,000)), including non-current assets of approximately RMB2,316,000 (31 December 2021: RMB3,644,000) and net current liabilities of approximately RMB3,841,721,000 (31 December 2021: approximately RMB2,205,918,000).

As at 31 December 2022, the Group's equity attributable to owners of the Company was approximately RMB(3,839,029,000), representing an increase in loss of approximately 74.4% as compared to that of approximately RMB(2,201,790,000) as at 31 December 2021, which was due to the combined effect of the accrual of a substantial interests for our agricultural and petrochemical products supply chain segment and the deconsolidation of Anhui Huaxing Group from the Group.

Liquidity and Financial Resources for Continuing Operations

As at 31 December 2022 and 31 December 2021, the Group had restricted bank deposits and cash and cash equivalents of approximately RMB547,000 and RMB4,315,000, respectively.

As at 31 December 2022 and 31 December 2021, the Group had short-term borrowings of approximately RMB1,238,428,000 and RMB1,156,155,000, respectively.

As at 31 December 2022 and 31 December 2021, the Group had no long-term borrowings.

As at 31 December 2022 and 31 December 2021, debt-to-asset ratios of the Group were approximately 134,204% and 27,770%, 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 2022, the Group had restricted bank deposits of approximately RMB64,000 (31 December 2021: approximately RMB43,000) as collateral for bank borrowings and the issuance of commercial notes, performance bonds and bid bonds to customers.

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

The Company did not have any significant investments, material acquisitions and disposal of subsidiaries, associates and joint ventures during the year ended 31 December 2022.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

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

PROSPECTS

The Administrator has been striving for preserving the Group's assets and operations since its appointment in February 2023. Under the Administrator's stewardship, and with the working capital funding support received from the Bankruptcy Restructuring Investors, the Company has been gradually resuming its trading operation in 2023 to continue with the Group's agrochemical products supply chain services business that was previously operated by other subsidiaries of the Group.

The Administrator's initiative of reviving the Group's agrochemical products supply chain services business received unequivocal support from the Group's creditors and Bankruptcy Restructuring Investors. The Group expects to generate revenue with reasonable prospects from its agrochemical products supply chain services business during the year ending 31 December 2023. Regarding the details of the above, please refer to the section headed "SIGNIFICANT EVENTS DURING AND AFTER THE REPORTING PERIOD — Resumption" in this report.

With the support of its creditors and the Bankruptcy Restructuring Investors, the Group has successfully steadily revived its business operations. The Bankruptcy Restructuring of the Company, if successfully implemented, will achieve the following:

— business operations of the Group to continue that would satisfy the requirements under Rule 13.24 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**");

— an issue of new shares for debt capitalisation;

— all claims against, and liabilities of, the Company (other than the normal operating liabilities incurred during the ordinary course of business operations of the Group, such as daily operating expenses and administrative expenses) will be discharged and compromised in full in accordance with the bankruptcy restructuring proposal submitted by the Bankruptcy Restructuring Investors to the Administrator (the "**Bankruptcy Restructuring Proposal**"); and

— the resumption of trading in the H Shares.

Further announcement(s) will be made by the Company regarding the progress of Bankruptcy Restructuring leading to the resumption of trading in the H Shares as and when appropriate.

Biographical Details of Directors and Supervisors

BOARD OF DIRECTORS

Executive Directors

Mr. Lan Huasheng (蘭華升), aged 52, has served as the chairman of the Board and an executive Director of the Company since June 2014. He is the chairman of the nomination committee of the Company. He is a senior accountant in the PRC. Mr. Lan has extensive experience in finance and accounting. He was formerly a finance manager and financial controller of various companies from 1995 to June 2006. He is currently the chairman of the board and group general manager of Shenzhen Dasheng Agricultural Group Co., Ltd. ("**Shenzhen Dasheng**"). Mr. Lan was awarded "The Sixth Session of Fujian May 4th Youth Medal" in May 2009 and was selected as one of the "Outstanding Youth Entrepreneurs of Fujian Province" in October 2009, was selected as one of the "2015 Guangdong Province Outstanding Entrepreneurs", was awarded the "Ninth Award of Business Celebrities in Shenzhen" in 2016 and was selected as one of the "2018 National Outstanding Entrepreneurs" in 2018. Mr. Lan graduated from Jiangxi University of Finance and Economics in the PRC specializing in finance in July 2002.

Mr. Wang Liguo (王立國), aged 62, has served as executive Director and vice president of the Company since June 2014 and the chief executive officer of the Company since February 2019. He is a senior engineer in the PRC. He is also a director of certain subsidiaries of the Group. Mr. Wang has nearly 30 years' experience in the Chinese petroleum and petrochemical industries. From 1983 to 2011, Mr. Wang worked for various branches and subsidiaries of China Petrochemical Corporation ("**Sinopec**"). From August 1983 to May 2000, Mr. Wang held various positions in Anqing Branch Company of Sinopec, including senior engineer, system analyst and deputy director of crude oil department. He has served as the vice director and director, respectively, of human resource department of SINOPEC Guangdong Oil Products Company Shenzhen Subsidiary from May 2000 to November 2007, a vice general manager of Sinopec International (Hong Kong) Co., Ltd. from October 2007 to October 2011. From November 2011 to December 2013, he acted as the general manager of Hongkong Huaxin Petroleum Limited. Mr. Wang obtained a bachelor's degree in metal material and heat treatment from Hefei University of Technology in the PRC in July 1983 and obtained a master's degree in business administration from Zhejiang University in the PRC in June 1997.

Non-executive Director

Mr. Lu Tingfu (盧挺富), aged 53, has served as non-executive Director of the Company since June 2019. He is the member of the audit committee, and remuneration and assessment committee. He is also a director of Anhui Huaxing since October 2019. He was a Supervisor representing shareholders of the Company from June 2014 to June 2019. He is an intermediate accountant in the PRC. Mr. Lu has more than 20 years of experience in finance, accounting and auditing. He is currently a director of Shenzhen Dasheng, the sole director of Hong Kong Dasheng Investment Holdings Company Limited ("**HK Dasheng Investment**") and the general manager of Qianhai Dasheng. Shenzhen Dasheng is owned as to 70% by Qianhai Dasheng and 30% by Dasheng Holdings, and each of Qianhai Dasheng and Dasheng Holdings is owned as to 30% by Mr. Lu. HK Dasheng Investment is a wholly owned subsidiary of Shenzhen Dasheng. Mr. Lu had worked with Fujian Textile and Chemical Fiber Group Co., Ltd. for nearly 20 years, where he held a number of positions, including vice manager and manager of finance department and auditor. He graduated from the department of economics and management in South China Institute of Tropical Crops in the PRC (now known as Hainan University) specialising in finance and accountancy in June 1993.

Independent Non-executive Directors

Mr. Chung Cheuk Ming (鍾卓明), aged 60, has served as an independent non-executive Director since June 2012. He is the chairman of the audit committee of the Company and a member of the remuneration and assessment committee and nomination committee of the Company. Mr. Chung is a practicing certified public accountant in Hong Kong. He is a member of the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and the Society of Chinese Accountants and Auditors, and an associate member of the Hong Kong Institute of Bankers. Mr. Chung has been the principal of Alex Chung & Company, Certified Public Accountants since August 2006. Mr. Chung is currently a court-appointed trustee in bankruptcy. He worked for Louie Wu & Co over three years and resigned in June 2006. Mr. Chung obtained a bachelor of arts degree from The University of Hong Kong in November 1986. He also obtained a postgraduate diploma in information systems from City University of Hong Kong in November 1998, a master of science degree in e-commerce from The Hong Kong Polytechnic University in November 2003 and a master of science degree in corporate governance and directorship from Hong Kong Baptist University in November 2006. In addition, Mr. Chung obtained a postgraduate diploma in insolvency from HKICPA in June 2004.

Mr. Yang Gaoyu (楊高宇), aged 56, has served as an independent non-executive Director since August 2016. He is a member of the audit committee, remuneration and assessment committee and nomination committee of the Company. Mr. Yang is a member of the Chinese Institute of Certified Public Accountants, a China Certified Tax Agents, a Corporate Counsel in the PRC, a Judicial Accounting Appraiser in the PRC. Mr. Yang is currently the partner of Zhongzheng Tiantong Certified Public Accountants (Special General Partnership) (Shenzhen Branch) since October 2012. He also is the independent directors of Shenzhen EXC-LED Technology Co.,Ltd. (深圳愛克萊特科技股份有限公司) (Shenzhen Stock Exchange: 300889) and Shenzhen New Trend International Logis-Tech Co., Ltd (深圳市今天國際物流技術股份有限公司) (Shenzhen Stock Exchange: 300532). Mr. Yang obtained his master's degree of business administration from New York Institute of Technology in 2010.

Mr. Wang Yanlong (王延龍), aged 48, served in the finance department of Petrochina Liaoyang Petroleum Chemical Fiber Co., Ltd. . (中國石油遼陽石油化纖有限公司) from September 1997 to October 2003. Mr. Wang was the manager of the finance department of Guangdong Xinhua Yue Petrochemical Group Co., Ltd. (廣東新華粵石化集團股份公司) from November 2003 to December 2018. He served as the general manager of Shenzhen Minhe Investment Co., Ltd. (深圳市民和投資有限公司) from January 2019 to April 2022. Mr. Wang graduated from Fushun Institute of Petrochemical Technology (撫順石油化工學院) (currently known as Liaoning Shihua University (遼寧石油化工大學)) with a bachelor's degree in industrial instrumentation and automation in June 1997.

SUPERVISORS

Mr. Zheng Yong (鄭永), aged 50, has been a shareholders' representative Supervisor since June 2019 and is currently the vice general manager of Shenzhen Dasheng. Mr. Zheng previously held various management positions in media organizations including China Huayi Broadcasting Corporation and China Huayi Broadcast Company Website between July 2012 and July 2014. Mr. Zheng was the publicity director of Shenzhen Dasheng between September 2014 and December 2017. Mr. Zheng graduated from Shandong University in the PRC specialising in Chinese language in July 1997.

Mr. Zhao Xufeng (趙旭峰), aged 47, has been an independent Supervisor since June 2019 and is currently the partner of Shanghai New Jahwa CPAs Accountancy Co., Ltd. He is a certified public accountant in the PRC and a fellow of CPA Australia. Mr. Zhao was a senior auditor of Andersen (Shanghai) Enterprise Consulting Co., Ltd. between July 1998 and July 2002. He served as an accounting manager of Dazhong Insurance Co., Ltd. between July 2002 and June 2005. Mr. Zhao was the manager of the accounting service department of Shanghai Jahwa Accountancy Co., Ltd. between July 2005 and December 2007. He was the senior manager of the corporate service department of Shanghai Grant Thornton Pan Chen Zhang Jahwa Accountancy Co., Ltd. between January 2008 and June 2009. He was certified as a SHICPASNAI top CPA by the Shanghai National Accounting Institute and the Shanghai Institute of Certified Public Accountant in August 2012. Mr. Zhao graduated from the Shanghai University of Finance & Economics in the PRC majoring in international business administration in June 1998.

Ms. Sun Ting (孫婷), aged 38, has been as a staff representative supervisor of the Company since July 2018. She has served as an outreach deputy manager of the integrated management department of the Company since January 2017. Ms. Sun joined the Company in May 2008 and has served various positions within the Company, including administrative assistant, external liaison commissioner and outreach procurement supervisor. Ms. Sun graduated from Xidian University (online course) in the PRC specialising in business management in September 2008.

Mr. Wang Bin (王濱), aged 54, has been as a staff representative supervisor of the Company since July 2018. He has served as a personal secretary to chairman of the Board since May 2016. Mr. Wang joined the Company in June 2011 and has served as a driver and an administrative assistant. Mr. Wang obtained a technical secondary school diploma from Chinese People's Liberation Army Equipment Command and Technology College*, formerly known as National Defense Science and Technology College* (中國人民解放軍裝備指揮技術學院，前身名為「國防科工委指揮技術學院」) in the PRC in July 1991.

Ms. Ye Mingzhu (葉明珠), aged 78, has been re-designated as an independent Supervisor of the Company since July 2015. She is a certified public accountant in the PRC. She is currently the manager of ShineWing Certified Public Accountants and the independent director of Fujian Start Group Co., Ltd. She was previously Supervisor representing shareholders of the Company from December 2012 to July 2015 and the independent non-executive Director from June 2005 to December 2012. Ms. Ye had formerly served at Shanghai Ruidong Hospital as executive vice-president and financial controller from March 2002 to October 2006 and Shanghai Xin Shen Certified Public Accountants from January 1994 to December 1998.

Corporate Governance Report

The Board of Shanghai Dasheng Agriculture Finance Technology Co., Ltd. is always committed to maintaining high standards of corporate governance and business ethics since the Board believes that sound and effective corporate governance practices are essential for maintaining and enhancing investors' confidence and maximising shareholders' wealth. The Board, from time to time, reviews its corporate governance practices in order to meet the rising expectations of shareholders, to comply with the increasingly stringent regulatory requirements, and fulfill its commitment to excellence in corporate governance.

The Company has adopted the code provisions in the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 to the Listing Rules as its own code of corporate governance. Save and except the following, the Company has complied with the code provisions of the CG Code throughout the year ended 31 December 2022.

The Company failed to publish the annual results announcement for the year ended 31 December 2022 and the environmental, social and governance report for the years ended 31 December 2021 and 2022 on time, which constituted a non-compliance with Rule 13.49(1) of and Rule 4(1) of Appendix 27 to the Listing Rules, respectively.

Pursuant to the CG Code F.2.1, F.2.2 and F.2.3, the Board should be responsible for maintaining an on-going dialogue with shareholders and in particular, use annual general meetings or other general meetings to communicate with them and encourage their participation. The Company has not yet convened the annual general meeting for the year ended 31 December 2022 and therefore, it constituted a breach of the above relevant CG Code and the Company will arrange the annual general meeting in due course.

On 3 December 2021, Mr. Liu Jun resigned from his position as an independent non-executive Director due to work adjustment. Following the resignation of Mr. Liu, the Board only has two independent non-executive Directors, with the number of independent non-executive directors falling below the minimum number of three as required under Rule 3.10(1) of the Listing Rules. The Company has nominated Mr. Wang Yanlong as a candidate for independent non-executive Director on 20 April 2022, and the appointment of Mr. Wang has been approved on 17 June 2022 by the Shareholders at the annual general meeting of the Company.

The manner in which the code provisions in the CG Code are applied and implemented during the year ended 31 December 2022 is explained in this Corporate Governance Report.

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. Having made 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 year ended 31 December 2022.

BOARD OF DIRECTORS

The Board, which currently comprises six Directors, is responsible for corporate strategy, annual and interim results, succession planning, risk management, major acquisitions, disposals and capital transactions, and other significant operational and financial matters. Major corporate matters that are specifically delegated by the Board to the management include the preparation of annual and interim accounts for the Board's approval before public reporting, execution of business strategies and initiatives adopted by the Board, implementation of adequate systems of internal controls and risk management procedures, and compliance with relevant statutory requirements and rules and regulations.

The biographical details of the Directors are set out in the "Biographical Details of Directors and Supervisors" section in pages 10 to 12 of this report. All Directors have given sufficient time and attention to the affairs of the Group. Each executive Director has sufficient experience to hold the position so as to carry out his duties effectively and efficiently.

In addition to the two executive Directors, the Company has also appointed one non-executive Director and three independent non-executive Directors who have appropriate and sufficient experience and qualifications to carry out their duties so as to protect the interests of the shareholders. The Company has nominated Mr. Wang Yanlong as a candidate for independent non-executive Director on 20 April 2022, and the appointment of Mr. Wang has been approved on 17 June 2022 by the Shareholders at the annual general meeting of the Company.

The members of the Board during the year ended 31 December 2022 and up to the date of this report are:

Executive Directors:
Mr. Lan Huasheng *(Chairman)*
Mr. Wang Liguo *(Chief Executive Officer)*
Mr. Li Wenming (resigned on 30 March 2022)

Non-executive Director:
Mr. Lu Tingfu

Independent non-executive Directors:
Mr. Chung Cheuk Ming
Mr. Yang Gaoyu
Mr. Wang Yanlong (appointed on 17 June 2022)

The Company has received written annual confirmation from each of the current independent non-executive Director of his independence in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules. The Company considers all independent non-executive Directors are independent with regard to the aforesaid guidelines.

Save as disclosed in the "Biographical Details of Directors and Supervisors" section of this report, to the best knowledge of the Directors, the Board is not aware of any financial, business, family or other material/relevant relationships among members of the Board.

During the year ended 31 December 2022, the Board convened a total of three Board meetings on the needs of the operation and business development of the Company.

MEETINGS ATTENDED/HELD

The attendance of individual members of the Board at the Board meetings, Board committees meetings and general meetings during the year ended 31 December 2022 are as follows:

	Attendance/Meetings held				
Directors	**Board**	**Remuneration and Assessment Committee**	**Nomination Committee**	**Audit Committee**	**General meeting and class general meeting***
Executive Directors:					
Mr. Lan Huasheng *(Chairman)*	3/3		1/1		1/1
Mr. Wang Liguo *(Chief Executive Officer)*	3/3				1/1
Mr. Li Wenming (resigned on 30 March 2022)	N/A				N/A
Non-executive Director:					
Mr. Lu Tingfu	3/3	2/2		1/1	
Independent Non-executive Directors:					
Mr. Chung Cheuk Ming	3/3	2/2	1/1	1/1	1/1
Mr. Yang Gaoyu	3/3	2/2	1/1	1/1	1/1
Mr. Wang Yanlong (appointed on 17 June 2022)	3/3				1/1

* *In 2022, the Company convened one annual general meeting.*

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Under code provision C.2.1 of the CG Code, the roles of chairman and chief executive officer (the "**CEO**") should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and CEO should be clearly established and set out in writing.

During the year ended 31 December 2022, the role of chairman and CEO was vested on Mr. Lan Huasheng and Mr. Wang Liguo, respectively. Essentially, the chairman takes the lead to oversee the Board functions and ensure all important issues are discussed in a timely manner, while the CEO, supported by his management team, implements major strategies and policies of the Company and is responsible for the day-to-day management of the business of the Company.

NON-EXECUTIVE DIRECTOR

Paragraph D of the mandatory disclosure requirement of the CG Code stipulates that non-executive Directors should be appointed for a specific term, subject to re-election. All Directors, including non-executive Director and independent non-executive Directors are appointed for a specific term of three years or until the expiration of the term of the current session of the Board and are subject to re-election provisions in articles of association of the Company (the "**Articles**"). All Directors shall be elected and removed by the shareholders in general meeting according to the Articles. Code provision C.1.6 of the CG Code stipulates that non-executive Directors, including independent non-executive Directors, should attend general meetings of the Company. At the respective general meetings of the Company, all executive Directors, non-executive Director and independent non-executive Directors present to enable the Board to develop a balanced understanding of the views of the shareholders of the Company.

CONTINUOUS PROFESSIONAL DEVELOPMENT

All newly appointed Directors are provided with necessary induction and information to ensure that they have a proper understanding of the Group's businesses and their statutory supervision responsibilities as directors of listed companies. The Company will update Directors on the latest development regarding the Group's businesses as well as the Listing Rules and other applicable regulatory requirements. In addition, all Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills.

The current Directors confirmed that they have complied with code provision C.1.4 of the CG Code on directors' continuous professional development. During the year ended 31 December 2022, the continuous professional development taken by the respective Directors are as follows:

Name	**Training received** *(Note)*
Executive Directors	
Mr. Lan Huasheng	A,B
Mr. Wang Liguo	A,B
Mr. Li Wenming (resigned on 30 March 2022)	N/A
Non-executive Director	
Mr. Lu Tingfu	A,B
Independent Non-executive Directors	
Mr. Chung Cheuk Ming	A,B
Mr. Yang Gaoyu	A,B
Mr. Wang Yanlong (appointed on 17 June 2022)	A,B

Note:

A: Reading materials relevant to the Company's business or to the directors' duties and responsibilities

B: Attending seminars/workshops/webinar or training course

INDEPENDENCE OF THE BOARD

The Board ensures the appointment of at least three independent non-executive Directors representing at least one-third of the Board, with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise. In addition, the independent non-executive Directors will be appointed as members of the board committees to the extent practicable to ensure independent advice. All Directors are encouraged to express their views in an open manner during the Board/Board committees meetings. The independent non-executive Directors enhance the effectiveness and decision-making of the Board through objective judgement and constructive questions to the management. Independent non-executive Directors are subject to an independent assessment upon their appointment and thereafter, re-assessment on an annual basis and in any other circumstances requiring reconsideration. The Board also obtained annual confirmation of independence of each independent non-executive Director based on the criteria set out in Rule 3.13 of the Listing Rules.

The Board required each independent non-executive Director to inform the Company as soon as practicable if there is any change in his own personal particulars that may affect his independence. During the year ended 31 December 2022, no such notification was received by the Company. The Board is of the view that all independent non-executive Directors continued to demonstrate strong independence in judgement and were free from any business or other relationship which could interfere with their ability to discharge their duties effectively, and they therefore all remained independent.

BOARD COMMITTEES

Remuneration and Assessment Committee

The remuneration and assessment committee (the "**Remuneration and Assessment Committee**") was established with the terms of reference aligned with the CG Code. The committee members comprises one non-executive Director and two independent non-executive Directors, namely. Mr. Lu Tingfu, Mr. Yang Gaoyu and Mr. Chung Cheuk Ming. Mr. Yang Gaoyu is the chairman of the Remuneration and Assessment Committee.

The roles of the Remuneration and Assessment Committee include the determination of the specific remuneration packages of all executive Directors, including benefits in kind, pension benefits and compensation payments (including any compensation payable for loss of office or engagement), and make recommendations to the Board about the remuneration of the non-executive Directors.

The Remuneration and Assessment Committee held two meetings during the year ended 31 December 2022 and made recommendations to the Board on the remuneration packages of individual Directors and Supervisors with reference to the corporate objectives.

Nomination Committee

The nomination committee (the "**Nomination Committee**") was established with the terms of reference aligned with the CG Code. The majority of committee members are independent non-executive Directors. As at 31 December 2022, the chairman of the committee is Mr. Lan Huasheng, the other members include Mr. Chung Cheuk Ming and Mr. Yang Gaoyu.

The primary duties of the Nomination Committee are to review the structure, size and composition of the Board on a regular basis, make recommendations on any proposed change to the Board to complement the Company's corporate strategies and assess the independence of independent non-executive Directors. Furthermore, the Nomination Committee will make recommendations to the Board on matters relating to the appointment or re-appointment of Directors and succession planning for Directors, subject to the final approval in the general meeting.

The Nomination Committee held one meeting during the year ended 31 December 2022 where it reviewed the structure, size and composition of the Board, identified individuals suitably qualified to become Board members, including Mr. Li Wenming, our former executive Director, and made recommendations to the Board on the selection of individuals nominated for directorships.

The Board has established a set of nomination policy (the "**Nomination Policy**") setting out the approach to nominate suitable candidates to the Board for it to consider and make recommendations to Shareholders for election as Directors at general meetings or appoint as Directors to fill casual vacancies. The criteria of nomination have been considered from a number of aspects, including but not limited to, skills, experience, qualifications and aspects as detailed in the board diversity policy as set out below.

The Nomination Committee shall convene meetings to review the qualification of candidates after collecting certain background information, including their occupation, academic background and work experience, to determine whether such candidate is qualified for directorship. The Nomination Committee shall then submit recommendations and the relevant materials to the Board concerning the candidates for directorship for consideration and decision.

In assessing the Board composition, the Board has adopted a board diversity policy (the "**Board Diversity Policy**") which sets out the approach to achieve diversity on the Board and the Board will review the implementation and effectiveness of such policy on an annual basis. All Board appointments shall be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board, including but not limited to gender, age, cultural and educational background, professional experience and skills. The ultimate decision shall be based on merit and contribution that the selected candidates will bring to the Board.

The Board currently comprises six Directors, which are all male. One of the Directors is in the age group of 40–49, three in the age group of 50–59 and two in the age group of 60–69. The background of the Directors including finance, accounting, auditing, engineering, management and business administration. In view of these, the Nomination Committee was of the opinion that the Board consists of members with diversified age, cultural and education background, professional/business experience, skills and knowledge.

The Board recognises the importance of the board gender diversity not just for improving corporate governance system and strategic decisions in boardroom but also for imparting positive values to the Company. The Board currently has no female Director. The Board would continue to take initiatives to identify suitable candidates so as to appoint at least one female Director on the Board no later than 31 December 2024. In order to increase and achieve gender diversity in the Board in the upcoming years, the Company will also proactively provide training to its senior management, take into account the factor of gender diversity when recruiting and will deploy various channels for identifying suitable candidates to the Board, including referral from the Company's directors, shareholders, management or internal promotion.

In addition, as at 31 December 2022, the male to female ratio of the Group's employees (including senior management) was 1:1, and therefore the Board believes that the Group has achieved gender diversity among employees and endeavours to discuss and agree on measurable objectives and plans for achieving diversity, periodically and when necessary.

The Nomination Committee will monitor the implementation of the Nomination Policy and Board Diversity Policy and review the Board composition under diversified perspectives to ensure the Board has a balance of skills, experience and diversity of perspectives appropriate to the needs of the Company's business. According to the Articles, the Board shall comprise five to nine Directors. As at the date of this report, the Board comprises six Directors, among which, three of them are independent non-executive Directors, thereby promoting critical review and control of the management process.

Audit Committee

The audit committee of the Company (the "**Audit Committee**") was established with the terms of reference aligned with 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, overseeing the relationship with the Company's external auditor and to develop a policy on engaging external auditor to supply non-audit services to the Board. The Audit Committee comprises two independent non-executive Directors, namely, Mr. Chung Cheuk Ming and Mr. Yang Gaoyu and a non-executive Director, Mr. Lu Tingfu. The chairman of the Audit Committee is Mr. Chung Cheuk Ming.

The Audit Committee held one meeting during the year with management and/or representatives of the external auditor for reviewing the Group's unaudited interim results and audited annual results before submission to the Board for consideration and approval, reviewing the annual audit plan and scope of work of external auditor, discussing issues arising from the audits including internal controls, risk management and financial reporting and approving the audit fee. The Group's unaudited interim results for the six months ended 30 June 2022 and the audited annual results for the year ended 31 December 2022 have been reviewed by the Audit Committee, which has the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosures have been made.

AUDITOR'S REMUNERATION

The Audit Committee is responsible for considering the appointment of the external auditor and reviewing any non-audit functions performed by the external auditor including whether such non-auditing functions could lead to any potential material adverse effect on the Company. During the year ended 31 December 2022, the remuneration paid/payable to the Company's external auditor (the "**Auditor**") for its statutory audit services and non-audit services were RMB560,000 and nil, respectively.

DIRECTORS', ADMINISTRATOR'S AND AUDITOR'S RESPONSIBILITIES IN RESPECT OF THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors and the Administrator acknowledge their responsibilities for preparing the consolidated financial statements of the Company. The Board and the Administrator are responsible for preparing the financial statements of the Company and the Group with the support of the financial controller of the Group and financial department of the Group. In preparing the financial statements, the Board and the Administrator have applied the Hong Kong Financial Reporting Standards and consistently followed the appropriate accounting policies and provisions of laws. The Board and the Administrator aim to give a clear and fair assessment of the Group's results to the shareholders in the annual and interim reports, and make disclosures and announcements in a timely basis.

The Directors' and the Administrator's responsibilities for the consolidated financial statements and the responsibilities of the Auditor to the shareholders are set out in page 44 of this report.

GOING CONCERN BASIS

The Auditor does not express an opinion on the consolidated financial statements of the Group for the year ended 31 December 2022 due to the potential interaction of the multiple uncertainties and their possible cumulative effect on the consolidated financial statements.

The Directors are aware that the Group reported loss attributable to the owners of the Company of approximately RMB1,635,927,000 for the year ended 31 December 2022 and, as at 31 December 2022, the Group's current liabilities exceeded its current assets by approximately RMB3,841,721,000 and the Group had net liabilities of approximately RMB3,839,405,000. The Group's total borrowings amounted to approximately RMB1,238,428,000 were classified as current liabilities, while its cash and cash equivalent amounted to approximately RMB483,000 as at 31 December 2022. These conditions indicate the existence of material uncertainties which may cast significant doubt on the Group's ability to continue as a going concern. The Directors and the Administrator 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 2022 after taking into consideration the measures as set out in Notes 2(c)&(d) to the consolidated financial statements. Accordingly, the Directors and the Administrator are of the opinion that it is appropriate to prepare the consolidated financial statements for the year ended 31 December 2022 on a going concern basis.

Further discussion on the Group's going concern uncertainties and the Group's action plans have been set out in the "Report of the Board of Directors — Audit Qualifications for the Year Ended 31 December 2022", the "Independent Auditor's Report — Basis for Disclaimer of Opinion" and "Note 2 — Basis of Preparation — Going concern basis" to the consolidated financial statements in this report.

For details in relation to the material uncertainties which may cast significant doubt about the Group's ability to continue as a going concern, please refer to "Basis for Disclaimer of Opinion" in the Independent Auditor's Report.

COMPANY SECRETARY

Mr. Lee Chung Shing was appointed as the company secretary of the Company with effect from 16 July 2021. He is responsible to the Board for advising the Board on corporate governance matters. As confirmed by Mr. Lee, he has taken no less than 15 hours of relevant professional training during the year ended 31 December 2022 in compliance with the requirements of Rule 3.29 of the Listing Rules.

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the corporate governance functions as set out in the CG Code, which include to develop and review the Company's policies and practices on corporate governance; to review and monitor the training and continuous professional development of Directors and senior management; to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements; to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and the Directors; and to review the Company's compliance with the CG Code and disclosure in this Corporate Governance Report.

MANAGEMENT FUNCTIONS

The Board is responsible for overall corporate strategy and monitoring and control of the performance of the Group whereas the management is responsible for the daily hands on operation.

When the Board delegates its management and administrative functions to the management, it has given clear directions as to the powers of the management and the circumstances where, the management on behalf of the Company shall obtain prior approval from the Board before making decisions or entering into any commitments. The Company has established a list of functions reserved to the Board for decision and those delegated to the management. The Board shall review those arrangements regularly.

CONSTITUTIONAL DOCUMENTS

As at the date of this report, there has not been any changes in the Company's Article. The Company's Articles are available on the website of the Stock Exchange (www.hkexnews.hk) and the Company's website (www.dsgd-sh.co).

INVESTOR RELATIONS AND COMMUNICATION WITH SHAREHOLDERS

The Company considers that effective communication with its shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company also recognises the importance of transparency and timely disclosure of corporate information, which will enable shareholders and investors to make the best investment decisions.

To promote effective communication, the Company maintains its website at www.dsgd-sh.co, where up-to-date information on the Company's business operations and developments, financial information, corporate governance practices and other areas are posted. The disclosure information, corporate communications and other corporate publications submitted by the Company to the Stock Exchange are published on the websites of the Stock Exchange and the Company. The "Investor Relations" section in the Company's website provides the shareholders with the corporate information, such as corporate communications and key financial information of the Company, as well as the information on the corporate governance of the Company and the structure and functions of the Board and its committees.

The Company endeavors to maintain an on-going dialogue with its shareholders, in particular, through annual general meeting or other general meetings to communicate with the shareholders and encourage their participation. The chairman of the Board as well as the chairmen of the Audit Committee, the Nomination Committee and the Remuneration and Assessment Committee will make themselves available at the annual general meeting ("**AGM**") to meet with the shareholders of the Company.

The Board has regularly reviewed the implementation and effectiveness of the shareholders communication policy and concluded that it is effective.

The forthcoming AGM will be held on 12 September 2023. The notice of AGM will be sent to shareholders of the Company in due course in accordance with the requirements of the Listing Rules.

The Company will continue to maintain an open and effective investor communication policy and to update investors on relevant information on the Group's business in a timely manner, subject to relevant regulatory requirement.

SHAREHOLDERS' RIGHTS

The Board welcomes shareholders to present their views and shareholders may at any time submit their questions and concerns about the Group. Enquiries may be put to the Board through our shareholders' email at investor@dsgd.co. Shareholders may also make enquiries to the Board by writing to the Secretary Office of the Board at the Company's office at 20F, Building G, Gateway International Plaza, No. 327 Tian Yao Qiao Road, Xuhui District, Shanghai, PRC (postal code: 200030) or Unit 16, 28/F, Hong Kong Plaza, No.188 Connaught Road West, Hong Kong.

AGM shall be convened once every year and within six months after the end of the preceding financial year. The Board shall convene an extraordinary general meeting within two months if two or more shareholders jointly holding in aggregate 10% or more of the Company's issued shares carrying voting rights at the general meeting request in writing and stating the objectives of the meeting. If the Board fails to issue a notice of meeting within 30 days after receiving the written request, the requisitioning shareholders themselves may convene a meeting within four months after the Board receives the said request, and the convening procedure shall to the extent possible be the same as the procedure by which the Board convenes general meetings.

In the case of AGM, shareholders holding in aggregate 5% or more of the Company's shares carrying voting rights are entitled to put forward new proposals in writing to the Company, and the Company shall place such proposals in the agenda for the said AGM to the extent that it falls within the powers of the general meeting.

To safeguard shareholders' interests and rights, a separate resolution is proposed for each substantially separate issue at general meetings, including the election of individual director.

All resolutions put forward at general meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and of the Stock Exchange after each general meeting.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledges its responsibility for overseeing the Group's risk management and internal control systems and reviewing their effectiveness at least annually through the Audit Committee.

The Company has set up a risk management department to ensure effective internal control system of the Group. The internal control system of the Group also includes a defined management structure with limits of authority, formal policies and procedures of key processes, which allows the monitoring of controls of various functions and departments of the Group. Such systems are designed to help the Group achieve its business objectives, safeguard its assets against unauthorized use or disposition, ensure the maintenance of proper accounting records for the provision of reliable financial information for internal use or for publication, and ensure compliance with relevant legislation and regulations. The systems are designed to provide reasonable, but not absolute, assurance against material misstatement or loss, and to manage rather than eliminate risks of failure in the Group's operational systems and in the achievement of the Group's business objectives.

The Board has overall responsibility for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Group's strategic objectives, and establishing and maintaining appropriate and effective risk management and internal control systems.

The Audit Committee assists the Board in overseeing the risk management and internal control systems of the Group, considering major findings on internal control matters and make recommendations to the Board.

The management of the Company design, implement and monitor the assessment of the risk management and internal controls and has reported and confirmed to the Board and the Audit Committee on the effectiveness of the risk management and internal control systems for the year ended 31 December 2022.

The internal audit function conducts reviews of the effectiveness of the Group's risk management and internal control systems based on the internal audit plan and ad hoc requests from the Board, Audit Committee and/or senior management. The annual internal audit plan is developed based on an assessment of various business and operational risks of the Group.

In order to review the effectiveness of internal control system, an internal audit team has been established specifically under the audit committee by the Company. A Risk Management Department was formed to further enhance the function of internal control and risk management of the Company. Internal audit team comprises four members, who among themselves possess wealth of financial, contract management, project management and legal experience. The duties of the internal audit team principally include:

- To monitor the operational process and business risk;
- To oversee the execution and implementation of contracts;
- To oversee the management programme and the implementation of internal control system, including (among others) finance, authorisation and procurement;
- To monitor the environmental conservation and production safety functions of the Group; and
- To hold meeting with the management so as to discuss the audit results and make recommendations.

The Company has adopted policies and procedures for assessing and improving the effectiveness of its risk management and internal control systems which covered all material controls, including financial, operational and compliance controls as well as risk management functions, during the year ended 31 December 2022. The Board is committed to review the effectiveness of the Group's risk management and internal control systems on an annual basis. The Board considered key areas of the internal control and risk management systems are generally effective and adequate including the adequacy of resources, staff qualifications and experiences, training programs and budget of the accounting, internal audit and financial reporting functions.

The Group has in place a policy on handling and dissemination of inside information. The Group has taken various procedures and measures, including arousing the awareness to preserve confidentiality of inside information within the Group, sending blackout period and securities dealing restrictions notification to the relevant directors, supervisors and employees regularly, disseminating information to specified persons on a need-to-know basis and regarding closely to the "Guidelines on Disclosure of Inside Information" issued by the Securities and Futures Commission in June 2012.

Report of the Supervisory Committee

To the Shareholders,

During the year ended 31 December 2022, the supervisory committee of the Company (the "**Supervisory Committee**") conscientiously exercised its authority, safeguarded the benefits of the shareholders and the interest of the Company, followed the principle of trust worthiness, honestly carried out the duties and obligations of supervisors as well as worked diligently and proactively, in accordance with the Company Law of the People's Republic of China, requirements of the relevant laws and regulations in Hong Kong and the Articles for its accountability to the shareholders.

I. CHANGES IN MEMBERS OF THE SUPERVISORY COMMITTEE

There were no change during the year ended 31 December 2022.

II. MAJOR WORK PERFORMED AND INDEPENDENT OPINIONS ISSUED BY THE SUPERVISORY COMMITTEE

During the year ended 31 December 2022, the major work performed by the Supervisory Committee included attending Board meetings; carefully reviewing the report of the Directors to be submitted by the Board for approval at the forthcoming AGM; strictly and effectively monitoring whether the policies and decisions made by the management of the Company had conformed with the state laws and regulations and the Articles or safeguarded the benefits of the shareholders. The Supervisory Committee was of the view that:

1. the report of the Directors to be submitted by the Board for approval at the forthcoming AGM are in accordance with the relevant laws and regulations and the Articles;

2. the Directors, general manager and other senior management of the Company have strictly followed the principles of trustworthiness, worked diligently and responsibly, and discharged their duties for the best interest of the Company. The Supervisory Committee has not discovered that any Director, general manager and other senior management of the Company abused their powers, damaged the interest of the Company or the benefits of the shareholders and employees of the Company or contravened any laws and regulations or the Articles;

3. during the year ended 31 December 2022, no insider transaction or behaviors causing damages to the shareholders' benefits have been found; and

4. the consolidated financial statements of the Company for the year ended 31 December 2022 were audited by Asian Alliance (HK) CPA Limited, who does not express an opinion on the consolidated financial statements of the Group for the year due to the significance of the matters described in the Basis for Disclaimer of Opinion in the independent auditor's report set out in this report. The related parties transactions were in compliance with the relevant provisions of the Listing Rules and were fair and reasonable and did not infringe upon the interests of the Company and the shareholders.

The Supervisory Committee would like to take this opportunity to express its sincere gratitude to the shareholders, Directors and all the employees of the Company for their supports to its work in the past year. In the coming year, the Supervisory Committee will continue to perform its supervision and inspection functions diligently and devote efforts to improve the Company's overall competitiveness and sustainable profitability as well as safeguard the interests of the shareholders and the Company.

By order of the Supervisory Committee

Zheng Yong
Chairman of the Supervisory Committee

Shanghai, PRC, 31 July 2023

Report of the Board of Directors

The Board presents their report together with the audited financial statements of the Group for the year ended 31 December 2022.

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The principal activities of the Company is the research and development, production and marketing of pesticides and other agricultural material products. As at the date of this report, the principal activities of the Group are agrochemical products supply chain services business. The activities of its subsidiaries are set out in Note 38 to the consolidated financial statements.

SEGMENT INFORMATION

Details of segment information are set out in Note 7 to the consolidated financial statements.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2022 are set out in the consolidated statement of comprehensive income in pages 45 to 46.

The state of affairs of the Group and of the Company as at 31 December 2022 are set out in the consolidated statement of financial position, respectively, in pages 47 to 48 and 131 to 132.

No interim dividend was declared for the six months ended 30 June 2022 (six months ended 30 June 2021: Nil). The Board does not recommend the payment of any final dividend for the year ended 31 December 2022 (2021: Nil).

DIVIDEND POLICY

The dividend policy of the Company will be determined and reviewed from time to time by the Board. The Board will take into account factors such as general business conditions, the Company's earnings, financial condition, capital requirements, cash requirement and availability, business strategies, the interests of Shareholders and such other factors the Board consider to be relevant.

According to the Articles, the Company shall withdraw 10% of the annual after-tax profits as the statutory common reserve fund of the Company. Such withdrawal may be stopped when the statutory common reserve fund of the Company accumulated has exceeded fifty percent (50%) of the registered capital of the Company. If the statutory common reserve fund is insufficient to make up for the losses of the preceding year, the profits of the current year shall first be used to make up for the said losses before any statutory common reserve fund is withdrawn. After statutory common reserve fund is withdrawn out of the after-tax profits, discretionary common reserve fund may be withdrawn as per resolutions of shareholders' general meeting. The remaining profits after recovering losses and withdrawing common reserve funds shall be distributed as dividends to the shareholders in the proportion of their shareholding percentages. The Company shall not distribute dividend or bonus before recovering the losses and withdrawing statutory common reserve fund.

The Board may decide to distribute interim or special dividends as authorised by the general meeting. The Company's ability to pay dividends is also subject to the requirements of the Listing Rules and relevant applicable laws, rules and regulations in the PRC and the Articles. Moreover, in addition to cash, the dividends may be paid up in the form of the Company's shares. The past dividend distribution by the Company shall not be used as a reference or basis to determine the amount of dividends to be declared in the future.

FIXED ASSETS

Details of movements in property, plant and equipment, right-of-use assets and intangible assets of the Company and the Group are set out in Notes 19, 20 and 21 to the consolidated financial statements respectively.

SHARE CAPITAL

Details of movements in the share capital of the Company are set out in Note 29 to the consolidated financial statements.

RESERVES

Movements in the reserves of the Group and of the Company during the year are set out under the consolidated statements of changes in equity and Note 39 to the consolidated financial statements, respectively.

DISTRIBUTABLE RESERVES

Distributable reserves of the Company was calculated in accordance with the provisions of the Company Law of the PRC, being the jurisdiction in which the Company was established. As at 31 December 2022, there was no distributable reserves available for distribution to equity holders of the Company.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles or the laws of the PRC, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

SUMMARY OF FINANCIAL INFORMATION

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out in page 2 of this report.

SHARE OPTIONS

As at the date of this report, no option has been granted or agreed to be granted by the Company to any of its Directors, Supervisors or employees.

DIRECTORS

The Directors who held office during the year and up to the date of this report are:

Executive Directors

Mr. Lan Huasheng
Mr. Wang Liguo
Mr. Li Wenming (resigned on 30 March 2022)

Non-executive Director

Mr. Lu Tingfu

Independent Non-executive Directors

Mr. Chung Cheuk Ming
Mr. Yang Gaoyu
Mr. Wang Yanlong

The Company has received from each of the current independent non-executive Directors an annual confirmation of their independence pursuant to Rule 3.13 of the Listing Rules and considers that all independent non-executive Directors to be independent.

In accordance with Article 94 of the Articles, all the Directors shall be appointed at the general meeting for a term of three years. A director may serve consecutive terms if re-elected upon the expiration of the terms. The current session of the Board was elected at the AGM convened on 17 June 2022. All members of the current session of the Board have a term of three years commencing from 17 June 2022.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SUPERVISORS

Brief biographical details of the Directors and the Supervisors are set out in pages 10 to 12 of this report.

CHANGE OF DIRECTORS AND BOARD COMMITTEE MEMBERS

The change of Directors during the year ended 31 December 2022 and as at the date of this report are as follows:

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

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

DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

Each of the Directors and Supervisors has entered into a service contract with the Company for a term of three years from his/her date of appointment as a Director or Supervisor (or until the expiration of the term of the current session of the Board or Supervisory Committee) and thereafter subject to termination by either party giving one to three months' written notice to the other party. No Director and Supervisor entered into a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

EMOLUMENT POLICY

The Group remunerates its employees, including the Directors and Supervisors, on the basis of their merit, qualifications and competence. Our employees are subject to regular job performance reviews which determine their promotion prospects and compensation.

DIRECTORS' AND SUPERVISORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS

Save as disclosed in this report, no transactions, arrangements or contracts of significance in relation to the Group's business to which the Group was a party and in which a director or a supervisor of the Company or an entity connected with a director or a supervisor had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS', CHIEF EXECUTIVES' AND SUPERVISORS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES

As at 31 December 2022, the interests or short positions of the Directors, chief executives and Supervisors in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**")) which were required, (a) to be recorded in the register required to be kept under section 352 of the SFO; or (b) to be notified to the Company and the Stock Exchange pursuant to the Model Code contained in the Listing Rules were as follows:

Long Position in the Shares and Underlying Shares of the Company:

Name of Directors/Supervisor	Type of shares	Capacity	Total number of shares and underlying shares	Approximate percentage of shareholding in such class of shares of the Company	Approximate percentage of shareholding in the issued shares capital of the Company
1. Mr. Lan Huasheng (Executive Director)	Domestic shares	Interest in controlled corporation	1,818,013,540 (L) *(notes 1 and 2)*	54.29%	19.04%
	H shares	Interest in controlled corporation	247,000,000 (L) *(notes 1 and 3)*	3.98%	2.59%
2. Mr. Lu Tingfu (Non-executive Director)	Domestic shares	Interest in controlled corporation	1,818,013,540 (L) *(notes 1 and 2)*	54.29%	19.04%
	H shares	Interest in controlled corporation	247,000,000 (L) *(notes 1 and 3)*	3.98%	2.59%

L = Long position

Notes:

(1) Shenzhen Dasheng and HK Dasheng Investment hold 1,818,013,540 domestic shares and 247,000,000 H shares of the Company, respectively. As HK Dasheng Investment is wholly owned by Shenzhen Dasheng, which in turn is owned as to 70% by Shenzhen Qianhai Dasheng Equity Investment Fund Co., Ltd. ("**Qianhai Dasheng**") and 30% by Dasheng Holdings Limited ("**Dasheng Holdings**"), and each of Qianhai Dasheng and Dasheng Holdings is owned as to 70% and 30% by Mr. Lan Huasheng and Mr. Lu Tingfu, respectively. By virtue of the SFO, Mr. Lan Huasheng and Mr. Lu Tingfu are deemed to be interested in 1,818,013,540 domestic shares and 247,000,000 H shares of the Company held by Shenzhen Dasheng and HK Dasheng Investment, respectively.

(2) 1,818,013,540 domestic shares are charged by Shenzhen Dasheng in favour of a third party as security for a loan, and the loan amount is for Shenzhen Dasheng's own use.

(3) 200,000,000 H shares are pledged by HK Dasheng Investment as security for a loan granted by a third party for its own use.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2022, the persons (not being a Director, Supervisor or chief executive of the Company) or companies had interests or short positions in the shares or underlying shares of the Company which were required to be recorded in the register required to be kept under section 336 of the SFO, or who were deemed to be interested, directly and/or indirectly, in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company were listed as follows:

Name of Shareholders	Type of shares	Capacity	Total number of shares and underlying shares	Approximate percentage of shareholding in such class of shares of the Company	Approximate percentage of shareholding in the issued shares capital of the Company
1. Qianhai Dasheng	Domestic shares	Interest in controlled corporation	1,818,013,540 (L) *(notes 1 and 2)*	54.29%	19.04%
	H shares	Interest in controlled corporation	247,000,000 (L) *(notes 1 and 3)*	3.98%	2.59%
2. Dasheng Holdings	Domestic shares	Interest in controlled corporation	1,818,013,540 (L) *(notes 1 and 2)*	54.29%	19.04%
	H shares	Interest in controlled corporation	247,000,000 (L) *(notes 1 and 3)*	3.98%	2.59%
3. Shenzhen Dasheng	Domestic shares	Beneficial owner	1,818,013,540 (L) *(notes 1 and 2)*	54.29%	19.04%
	H shares	Interest in controlled corporation	247,000,000 (L) *(notes 1 and 3)*	3.98%	2.59%
4. HK Dasheng Investment	H shares	Beneficial owner	247,000,000 (L) *(note 3)*	3.98%	2.59%
5. Zhenjiang Runde Equity Investment Fund Ltd. (鎮江潤得股權投資基金有限公司)	Domestic shares	Beneficial owner	1,530,986,460 (L)	45.71%	16.03%
6. Pu Shi International Investment Limited	H shares	Interest in controlled corporation	755,000,000 (L)	12.17%	7.90%

L = Long position

Notes:

(1) HK Dasheng Investment is wholly owned by Shenzhen Dasheng, which in turn is owned as to 70% by Qianhai Dasheng and 30% by Dasheng Holdings, and each of Qianhai Dasheng and Dasheng Holdings is owned as to 70% and 30% by Mr. Lan Huasheng and Mr. Lu Tingfu, respectively. By virtue of the SFO, Qianhai Dasheng and Dasheng Holdings are deemed to be interested in 1,818,013,540 domestic shares and 247,000,000 H shares of the Company held by Shenzhen Dasheng and HK Dasheng Investment, respectively, and Shenzhen Dasheng is deemed to be interested in the 247,000,000 H shares held by HK Dasheng Investment.

(2) 1,818,013,540 domestic shares held by Shenzhen Dasheng are charged by Shenzhen Dasheng in favour of a third party as security for a loan, and the loan amount is for Shenzhen Dasheng's own use.

(3) 200,000,000 H shares are pledged by HK Dasheng Investment as security for a loan granted by a third party for its own use.

MAJOR CUSTOMERS AND SUPPLIERS

The percentage of sales and purchases for the year attributable to the Group's major customers and suppliers are as follows:

Sales	
— the largest customer	0%
— five largest customers combined	0%
Purchases	
— the largest supplier	0%
— five largest suppliers combined	0%

None of the Directors, their close associates or any shareholder (which to the knowledge of the Directors owns more than 5% of the Company's issued share capital) had any interest in the Group's five largest customers or suppliers.

DIRECTORS' AND SUPERVISORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

None of the Directors and Supervisors or their respective associates was granted by the Company or its subsidiaries any right to acquire shares or debentures of the Company or any other body corporate, or had exercised such right during the year ended 31 December 2022.

PURCHASE, SALES OR REDEMPTION OF LISTED SECURITIES

During the year ended 31 December 2022, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

RELATED PARTY TRANSACTIONS

A summary of related party transactions entered into by the Group during the year ended 31 December 2022 are disclosed in Note 37 to the consolidated financial statements. The Directors consider that none of these related party transactions constitutes a discloseable connected transaction under Chapter 14A of the Listing Rules.

STAFF AND REMUNERATION POLICY

The Group staff functions were analysed as follows:

	Number of staff	
	2022	2021
Functions:		
Management	**2**	9
Sales and marketing	**2**	8
Accounting and finance	**4**	5
Administration and human resources	**4**	2
Total	**12**	24

As at 31 December 2022, the Group had 12 employees (31 December 2021: 24 employees). During the year under review, total employees' remuneration (including Directors' remuneration) amounted to approximately RMB6,659,000 (31 December 2021: approximately RMB101,694,000). 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.

As at 31 December 2021 and 31 December 2022, the details of employees by gender, age and employee level were as follows:

Employee statistics	**2022**	2021
Total employees	**12**	1,317
By gender		
Male	**6**	985
Female	**6**	332
By age group		
18–25	**0**	40
26–36	**3**	214
36–45	**6**	305
46–55	**1**	509
56–65	**2**	247
Above 65	**0**	2
By employee level		
Senior management	**2**	20
Middle management	**4**	163
General employees	**6**	1,134

The Group did not have a record of significant labour dispute or strike which disrupted daily operations. The Directors regarded that the relationship with its staff were excellent.

EMPLOYEE RETIREMENT SCHEMES

The Company participates in a mandatory provident fund scheme, which was registered under the Hong Kong Mandatory Provident Fund Schemes Ordinance (the "**MPF Ordinance**"), for all its employees in Hong Kong. The scheme is a defined contribution scheme and is funded by contributions from employer and employees in accordance with the provisions of the MPF Ordinance. No forfeited contribution may be used by the employer to reduce the contribution payable in the future years.

Furthermore, the employees of the Group in the PRC are members of state-managed defined contribution retirement benefits schemes operated by the local governments. The employers and the employees are obliged to make contributions at a certain percentage of the payroll under the rules of the schemes.

Details of the pension scheme contributions of the Group for the year ended 31 December 2022 are set out in Notes 4 and 30 to the consolidated financial statements.

ENVIRONMENTAL POLICIES

The Group is committed to building an environmentally-friendly corporation that pays close attention to conserving natural resources. As reported by senior management, which is delegated by the Board to control and monitor the environmental, social and governance performances, the Board considers that the Group's environmental, social and governance performance, with respect to the subject areas and individual aspects that are set out in Appendix 27 to the Listing Rules, has been satisfactory.

The "Environmental, Social and Governance Report" required by the Listing Rules will be published separately on the websites of the Stock Exchange by the Company within three months from the date of publication of this report and which will set out the performance of the Group in the environmental and social aspects during the year ended 31 December 2022.

PRINCIPAL RISKS AND UNCERTAINTIES

The Group's financial condition, results of operations, and business prospects may be affected by a number of risks and uncertainties directly or indirectly pertaining to the Group's business. The following are the key risks and uncertainties identified by the Group.

Default and Late Payment Risk

The Company is exposed to the risk that customers may delay or even be unable to pay us when the payments are due. These may put our cash flow and working capital under pressure. In addition, defaults in customers' payments can materially and adversely affect operation results of the Company and reduce our financial resources that would otherwise be available to fund other expenditures.

Financial Risk

The principal financial risks are set out in Note 35 to the consolidated financial statements headed "Financial Instruments — Financial Risks Management Objectives and Policies".

Business Risk

The Group's business, financial conditions, results of operations or future prospects may be affected by risks and uncertainties directly or indirectly pertaining to the conditions of the Group's counterparties in business such as customers. The trade and other receivables, finance lease receivables, financial guarantee contracts, factoring loan receivables, restricted bank balances and bank balances of the Group may not be recoverable. The customers of the Group for its agricultural and petrochemical products supply chain services and agrochemical products supply chain services consist of a large number of small customers with common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms. Further details are set out in Note 35(b) to the consolidated financial statements. The risk factors could result in the Group's businesses, financial conditions, results of operations or future prospects differing materially from expected or historical results. There may be other risks which are not known to the Group or which may not be material now but could turn out to be material in the future.

Measures to Mitigate Such Risks

The Company is currently experiencing high debt level, liquidity shortage and adverse change in its financial conditions.

In light of the available working capital and customer demand in future, the management of the Company has no plan to aggressively expand the current businesses as it requires substantial amount of cash. The Company foresees that these businesses may continue to experience loss in the coming future and intends to carry out a business restructuring, including disposing of certain subsidiaries and associates of the Company. The Management will continue to implement cost controls and adjust the organisation structure (if necessary) from time to time in order to minimise the loss from these businesses.

The Company will keep its shareholders and investors informed of developments in relation to the Group's business operation and financial position, the legal proceedings and other matters by way of further announcement(s) as and when appropriate.

COMPETING INTERESTS

As at 31 December 2022, none of the Directors or any of their respective associates, has engaged in any business that competes or may compete, either directly or indirectly, with the business of the Group, nor has any other conflict of interest with the Group.

PERMITTED INDEMNITY PROVISION

The Company has arranged for appropriate insurance cover for Directors' and officers' liabilities in respect of legal actions arising out of corporate activities against the Directors and officers of the Group. The permitted indemnity provision is in force for the benefit of the Directors as required by the provisions of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong).

COMPLIANCE WITH THE LAWS AND REGULATIONS

The Company is a company established in the PRC and the H shares of which are listed on the Stock Exchange. The Group's operations are mainly carried out by the Company's subsidiaries in the PRC and in Hong Kong. Accordingly, the Group should comply with various applicable laws and regulations in the PRC and Hong Kong.

During the year ended 31 December 2022 and up to date of this report, save as disclosed in this report, as far as the Company is aware, there was no material breach or non-compliance with the relevant laws and regulations by the Group that has a significant impact on our business and operation.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained a sufficient public float as required under the Listing Rules as at the date of this report.

AUDIT QUALIFICATIONS FOR THE YEAR ENDED 31 DECEMBER 2022

As disclosed in this report, the Auditor issued a disclaimer of opinion (the "**2022 Audit Qualifications**") on the consolidated financial statements of the Group for the year ended 31 December 2022 due to (a) multiple fundamental uncertainties relating to going concern; (b) limitation of scope on accuracy and completeness of the indebtedness of the Group; and (c) lack of representation from the Administrator, Directors and management. The Board would like to provide further information in relation to the following 2022 Audit Qualifications:

Management's view on and Plans to Address the 2022 Audit Qualifications

(a) Multiple fundamental uncertainties relating to going concern

Background

As disclosed in Note 2(c) to the consolidated financial statements, the Bankruptcy Restructuring Proposal submitted by the Administrator has been approved by the Shanghai Third Court, and the bankruptcy restructuring procedure is therefore terminated. Up to the date of this report, the Bankruptcy Restructuring Proposal has been implemented by the Company but yet completed. If the Bankruptcy Restructuring Proposal could not be successfully implemented and completed, the Company will go through bankruptcy liquidation.

In addition, as stated in Notes 2(c)&(d) to the consolidated financial statements, the Group did not generate any revenue and incurred loss attributable to owners of the Company of approximately RMB1,635,927,000 for the year ended 31 December 2022 and, as of that date, the Group's current liabilities exceeded its current assets by approximately RMB3,841,721,000 and the Company has net liabilities of approximately RMB3,839,405,000. The Group's total borrowings of approximately RMB1,238,428,000 were classified as current liabilities as at 31 December 2022 while its cash and cash equivalents amounted to approximately RMB483,000 as at the same date.

These conditions, along with other matters as described in Notes 2(c)&(d) to the consolidated financial statements, indicate the existence of material uncertainties which may cast significant doubt on the Group's ability to continue as a going concern and therefore it may be unable to realise its assets and discharge its liabilities in the normal course of business.

As explained in Note 2(d) to the consolidated financial statements, the consolidated financial statements have been prepared by the Administrator on a going concern basis, the validity of which depends on the outcome of the measures as described in Note 2(d), which are subject to material uncertainties. The Auditor is unable to determine whether the use of the going concern assumption in the preparation of the consolidated financial statements is proper and appropriate.

Should the going concern assumption be inappropriate, adjustments would be necessary to reclassify all non-current assets to current assets, write-down the value of assets to their recoverable amounts and, to provide for further liabilities which might arise. The consolidated financial statements have not incorporated any of these adjustments. However, the uncertainty surrounding the results of the Group's Bankruptcy Restructuring Proposal, its ability to maintain the sustainable future operation and generate sufficient future cash flows raises significant doubt about the Group's ability to continue as a going concern. The Auditor considers that appropriate disclosures have been made in the consolidated financial statements concerning this situation, but the Auditor is unable to obtain adequate evidence concerning the Group's ability to meet any financial obligations as and when they fall due and the Auditor considers that this material uncertainty relating to going concern basis.

The Board's view

As at the date of this report, the Bankruptcy Restructuring Proposal has been approved by the Shanghai Third Court. Pursuant to the Bankruptcy Restructuring Proposal, all the claims will be fully and finally discharged by virtue of the implementation of the Bankruptcy Restructuring Proposal. Thereafter, the Group will turn around in net asset position.

Based on the profit forecast and the working capital forecast prepared by the Company, upon the completion of the Bankruptcy Restructuring Proposal, the Group will have sufficient working capital for its business operation.

In light of the above, the Company is of the view that the audit qualification has been fully addressed.

(b) Limitation of scope on accuracy and completeness of the indebtedness of the Group

Background

As at 31 December 2022, the Group has total indebtedness of approximately RMB3,842,268,000 (the "**2022 Indebtedness**"). Because certain managements and staffs have left the Group since 2023 and have not been replaced, the Administrator has difficulties in obtaining complete records of the 2022 Indebtedness. Also, certain creditors may fail to declare their debts due to legitimate reasons during the debt declaration period. Thus, the 2022 Indebtedness is subject to final determination and adjudication by the Administrator and the Administrator cannot guarantee the completeness of the 2022 Indebtedness until the completion of the Bankruptcy Restructuring Proposal.

In addition, as disclosed in Notes 25 and 32 to the consolidated financial statements, given that the People's Court of He County, Anhui Province (the "**Anhui Court**") has accepted the application for bankruptcy restructuring against Anhui Huaxing on 13 August 2021, the Group no longer had the power to govern the financial and operating policies of Anhui Huaxing Group and thus lost the control over Anhui Huaxing Group on the same date. As such, the financial results of Anhui Huaxing Group were deconsolidated from the Group's financial results since the Deconsolidation Date (i.e. 13 August 2021).

Under such circumstances, during the years ended 31 December 2021 and 2022, the Auditor was unable to carry out necessary audit procedures on the books and records of Anhui Huaxing Group to satisfy themselves as to the existence, ownership, completeness, accuracy, valuation and classifications of (i) its total assets and liabilities as at the Deconsolidation Date; and (ii) its profit for the period from 1 January 2021 to the Deconsolidation Date. Consequently, the Auditor was unable to satisfy themselves as to whether the loss on the Anhui Huaxing Deconsolidation of approximately RMB700,402,000 was fairly stated for the year ended 31 December 2021. There were no other satisfactory audit procedures that it could perform to obtain sufficient appropriate evidence in this regard.

During the year ended 31 December 2022, the Group received several court decisions in relation to the claims from Anhui Huaxing/the creditors of Anhui Huaxing Group as a result of bankruptcy restructuring of Anhui Huaxing and a loss of approximately RMB1,408,105,000 has been recognised (the "**Recognised Loss**") in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2022 and the corresponding payables of approximately RMB1,408,105,000 (included in the 2022 Indebtedness) were recorded on the consolidated statement of financial position as at 31 December 2022.

Given to the circumstances mentioned above, there were no practicable audit procedure the Auditor could perform to satisfy themselves the accuracy and completeness of (1) the amounts recorded in the consolidated statement of profit or loss and other comprehensive income in respect of the Anhui Huaxing Group for the period from 1 January 2023 to the Deconsolidation Date, with a corresponding effect on the loss on the deconsolidation of Anhui Huaxing Group of approximately RMB700,402,000 for the year ended 31 December 2021; (2) the indebtedness of the Group of approximately RMB2,210,233,000 as at 31 December 2021; (3) the Recognised Loss of approximately RMB1,408,105,000 for the year ended 31 December 2022; and (4) the 2022 Indebtedness of the Group of approximately RMB3,842,268,000 as at 31 December 2022.

The Board's view

Given that (i) Anhui Huaxing has ceased to be a subsidiary of the Company since 13 August 2021; (ii) the claims of Anhui Huaxing has been confirmed by both the Shanghai Third Court and Anhui Huaxing; (iii) Anhui Huaxing has approved the Bankruptcy Restructuring Proposal in the first creditors' meeting; (iv) it is expected that the claims of Anhui Huaxing would be settled pursuant to the Bankruptcy Restructuring Proposal upon the resumption of trading of the H Shares on the Stock Exchange (the "**Resumption**"); (v) all the investees of the Company (the "**Group Companies**") are either being auctioned (for those companies in net asset position) as at the date of the publication of this report or will be governed by the Administrator in August 2023 (for those companies in net liability position) pursuant to the requirement of the Bankruptcy Restructuring Proposal; and (vi) it is expected that the auction or the liquidation of the Group Companies will be completed in the year ending 31 December 2023 ("**FY2023**"), all the Group Companies will be deconsolidated from the Group during FY2023. As such, the Company does not foresee any further impact resulting from Anhui Huaxing and the Group Companies in the forthcoming financial years.

Based on the above, the 2022 Audit Qualifications will:

(i) remain in FY2023;

(ii) remain in the year ending 31 December 2024 ("**FY2024**") because of the comparative figures for FY2023; and

(iii) be removed for the year ending 31 December 2025 ("**FY2025**").

As such, the Company is of the view that the audit qualification has been fully addressed.

(c) Lack of Administrator, Director and management's representation

Background

The Auditor was unable to obtain representation from the Administrator, Directors and management whether these consolidated financial statements present a true and fair view of the state of affairs of the Group as at 31 December 2022 and the results of the Group for the year then ended. As explained in Note 2(c) to the consolidated financial statements, following the appointment of the Administrator, the powers of the Directors were suspended with regard to the affairs and business of the Company. The Administrator prepared the consolidated financial statements for the year ended 31 December 2022 based on books and records made available to them. The Administrator made no representation as to the completeness and accuracy of the books and records made available to the Auditor. Therefore, the Auditor cannot perform any audit procedure to satisfy themselves (i) the completeness and accuracy of the financial information and the related disclosures in these consolidated financial statements; (ii) the completeness of the disclosure of commitments, contingent liabilities and related party transactions and balances in the consolidated financial statements as at 31 December 2022; and (iii) the completeness of the disclosure of events from the end of the reporting period up to the date of this report. As a consequence, the Administrator is not making any representation that these consolidated financial statements of the Group presented a true and fair view of the state of affairs of the Group as at 31 December 2022 and the results of the Group for the year then ended. The lack of representation from the Administrator, Directors and management on the completeness and accuracy of the information contained in these consolidated financial statements constitutes a limitation of the scope of their audit.

The Board's view

Given that (i) as at the date of the publication of this report, the Directors and the Administrator have the power to govern the financial and operating policies of the Group; and (ii) it is expected that the Bankruptcy Restructuring Proposal will be successfully implemented upon the Resumption, the Company does not foresee any further impact resulting from the lack of representation from Administrator, Directors and the management of the Company in the forthcoming financial years.

Based on the above, the 2022 Audit Qualification will:

(i) remain in FY2023;

(ii) remain in FY2024 because of the comparative figures for FY2023; and

(iii) be removed for FY2025.

As such, the Company is of the view that the audit qualification has been fully addressed.

Audit Committee's view on the 2022 Audit Qualifications

The Audit Committee has critically reviewed the position of the Board and Management on the major judgement areas and concurred with the positions of the Management to the 2022 Audit Qualifications and the basis thereof.

SIGNIFICANT EVENTS DURING AND AFTER THE REPORTING PERIOD

Litigation with Anhui Huaxing

(a) On 11 August 2021, the Company was notified that an application for bankruptcy restructuring ("**Huaxing Bankruptcy Restructuring**") against Anhui Huaxing, a then wholly owned subsidiary of the Company, was filed with the Anhui Court by a creditor on 4 August 2021 on the ground that Anhui Huaxing was unable to repay the debt falling due. On 8 March 2022, the Company received a notification letter from Anhui Huaxing, 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 of Anhui Huaxing on 3 March 2022. For details of the development, 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.

(b) On 22 March 2022, the Company received a civil ruling dated 17 March 2022 issued by the Anhui Court in relation to the statement of claim filed by the Administrator on 24 January 2022 against the Company under the Anhui 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**"). 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) interest of approximately RMB3.8 million for the period from 23 February 2021 up to the date of actual payment, which is calculated on the basis of the principal amount of RMB35.5 million at 1.5 times the prevailing prime lending rate of 3.7% for 1-year loans promulgated by the National Interbank Funding Center; (iii) case acceptance fee of RMB286,866; and (iv) preservation fee of RMB5,000. In the event that the Company fails to fulfill the payment obligation within the period as specified in the ruling, additional interest on the amount due will be levied on the Company for the period of late payment concerned in accordance with Article 260 of the Civil Procedure Law of the PRC (the "**Civil Procedure Law**"). As a result, additional interest of approximately RMB1.7 million has arisen. The Company received an execution ruling dated 30 October 2022 issued by the Anhui Court, which according to the execution ruling, the Company was not found to have any assets available for the execution of the civil ruling dated 17 March 2022 and the execution procedure was thereby terminated.

(c) The Company received a civil ruling dated 25 July 2022 issued by the Anhui Court. According to the civil ruling, during the period between March to December 2018, a series of debt assignment and assumption agreements and assignment of claim agreements have been executed among the Company, Anhui Huaxing, Shenzhen Dasheng and three independent third parties for the assignment of debts and claims, and ordered the Company for the repayment of debts under the agreements in an aggregate principal amount of approximately RMB713.8 million. Pursuant to such civil ruling, the Company shall, within ten days from the effective date of the ruling, repay Anhui Huaxing the aggregated principal amount of approximately RMB713.8 million. In the event that the Company fails to fulfill the payment obligation within the period as specified in the ruling, additional interest on the amount due will be levied on the Company for the period of late payment concerned in accordance with Article 260 of the Civil Procedure Law. As a result, additional interest of approximately RMB18.4 million has arisen. The case acceptance fee of RMB3.6 million shall also be borne by the Company. The Company received an execution ruling dated 30 October 2022 issued by the Anhui Court, which according to the execution ruling, the Company was not found to have any assets available for the execution of the civil ruling dated 25 July 2022 and the execution procedure was thereby terminated.

(d) The Company received a civil ruling dated 19 August 2022 issued by the Anhui Court. According to the civil ruling, during the period between April 2018 to July 2021, Anhui Huaxing provided financial assistance to the Company in an aggregate principal amount of approximately RMB66.9 million. Pursuant to such civil ruling, the Company shall, within ten days from the effective date of the ruling, repay Anhui Huaxing the principal amount of approximately RMB66.9 million. In the event that the Company fails to fulfill the payment obligation within the period as specified in the ruling, additional interest on the amount due would be levied on the Company for the period of late payment concerned in accordance with Article 260 of the Civil Procedure Law. As a result, additional interest of approximately RMB1.4 million has arisen. The case acceptance fee of RMB376,448 shall be borne by the Company. The Company received an execution ruling dated 30 October 2022 issued by the Anhui Court, which according to the execution ruling, the Company was not found to have any assets available for the execution of the civil ruling dated 19 August 2022 and the execution procedure was thereby terminated.

(e) As set out in the statement of claim dated 6 March 2023, Anhui Huaxing claimed against the Company for a sum of approximately RMB841.5 million, purported to be the balance of original claims of approximately RMB816.2 million (being the sum of the principal amounts as described in (b), (c) and (d) above), interest of approximately RMB3.8 million (being the interest as described in (b) above), yield claims of approximately RMB21.5 million (being the sum of additional interest as described in (b), (c) and (d) above), and other claims of RMB5,000 (being the preservation fee as described in (b) above). Since the Bankruptcy Restructuring Proposal has been approved by the Shanghai Third Court, pursuant to Article 94 of the Enterprise Bankruptcy Law, the Company will no longer bear its responsibility for the repayment of debts relieved by the Bankruptcy Restructuring upon the completion of Bankruptcy Restructuring Proposal.

Bankruptcy Restructuring

(f) On 29 September 2022, the Company received a notice issued by the Shanghai Third Court in relation to an application for bankruptcy restructuring filed against the Company by Shanghai Tingdong Industrial Co., Ltd.* (上海庭棟實業有限公司) on the ground that the Company is unable to repay the debts failing due. On 1 February 2023, the Company was informed that the Shanghai Third Court has given a civil ruling on 19 January 2023 indicating its acceptance of such application with the outstanding amount due to Shanghai Tingdong Industrial Co., Ltd.* of approximately RMB71.84 million. The Shanghai Third Court has given a decision on 3 February 2023 regarding the appointment of the Administrator for the restructuring of the Company and the first creditors' meeting would be held on 18 April 2023 to present the restructuring proposal as required under the Enterprise Bankruptcy Law.

The Administrator has conducted a public recruitment of potential restructuring investors under the supervision of the Shanghai Third Court and confirmed that a candidate had completed the registration, submitted its restructuring proposal and settled the required registration deposit on the deadline for recruiting potential restructuring investors. On 10 May 2023, the Administrator has confirmed the qualification of the Bankruptcy Restructuring Investors which had completed the registration, submitted its restructuring proposal and settled the required registration deposit, and the Administrator has proposed the restructuring proposal to creditors.

The Bankruptcy Restructuring Investors have submitted to the Administrator a Bankruptcy Restructuring Proposal, which includes an investment from the Bankruptcy Restructuring Investors to the Company for the settlement of debts. Creditors of secured claims and ordinary claims of the Company would be entitled to elect between cash consideration or loan capitalisation of H Shares on a pro rata basis based on the amounts of their claims confirmed by the Court under the Bankruptcy Restructuring and the total amount of the ordinary claims. Pursuant to Article 94 of the Enterprise Bankruptcy Law, the Company will no longer bear its responsibility for the repayment of debts relieved by the Bankruptcy Restructuring upon the completion of Bankruptcy Restructuring Proposal. The Bankruptcy Restructuring Proposal was subject to the approval by the Shanghai Third Court.

On 9 June 2023, the Company received a civil ruling dated 9 June 2023 from the Shanghai Third Court which confirmed the approval of the Bankruptcy Restructuring Proposal by the Shanghai Third Court, and the bankruptcy restructuring procedure is therefore terminated in accordance with Clauses 2 and 3 of Article 87 of the Enterprise Bankruptcy Law.

Upon termination of the bankruptcy restructuring procedure, the Administrator is responsible for supervising the implementation of the Bankruptcy Restructuring Proposal and the Company is responsible for reporting the implementation of the Bankruptcy Restructuring Proposal and its financial position to the Administrator. Both the implementation period and the supervision period represent the period from the approval of the Bankruptcy Restructuring Proposal by the Shanghai Third Court to the completion of the Bankruptcy Restructuring Proposal. The implementation period lasts up to 18 months. Upon the end of the supervision period, the Administrator shall submit a supervision report to the Shanghai Third Court in relation to the implementation of the Bankruptcy Restructuring Proposal by the Company. The Administrator will be discharged on the date of the submission of such report. As at the date of this report, the Board has resumed to take up responsibilities over the business direction and operational decisions of the Company.

For details of the development, please refer to the announcements of the Company dated 29 September 2022, 1 February 2023, 9 March 2023, 15 March 2023, 10 April 2023 and 12 June 2023.

Resumption

(g) The Company received letters from the Stock Exchange dated 27 April 2022 and 29 March 2023, setting out the following resumption guidance and additional resumption guidance (together, the "**Resumption Guidance**") for the resumption of trading in the H Shares:

(i) address the issues giving rise to the disclaimer of opinion on the annual results of the year ended 31 December 2021 of the Group, provide comfort that the disclaimer of opinion in respect of such issues would no longer be required, and disclose sufficient information to enable investors to make an informed assessment of the Company's financial positions as required under Rule 13.50A of the Listing Rules;

(ii) demonstrate the Company's compliance with Rule 13.24 of the Listing Rules;

(iii) announce all material information for the Company's shareholders and investors to appraise the Company's position; and

(iv) have the Bankruptcy Restructuring application against the Company withdrawn or dismissed (or the bankruptcy restructuring completed) and the appointment of the Administrator discharged.

The Company must meet all Resumption Guidance, remedy the issues causing its trading suspension and fully comply with the Listing Rules to the Stock Exchange's satisfaction before trading in its securities is allowed to resume.

For details of the Resumption Guidance, please refer to the announcements of the Company dated 29 April 2022 and 3 April 2023.

As at the date of this report, the Company is in the process of demonstrating its fulfilment of the Resumption Guidance, among other things, the following new developments have been carried out:

(i) the Group has published the annual results of the Group for the year ended 31 December 2022 and the Board has addressed the disclaimer of opinion in this report;

(ii) the Company will be provided up to RMB100 million to implement any further steps as required for the operation of the Group's business;

(iii) the Group has entered into (a) long-term contracts with four customers at an aggregate amount of approximately RMB182 million (value-added tax inclusive) per annum; and (b) short-term contracts with two customers at an aggregate amount of approximately RMB7 million (value-added tax inclusive), respectively; and

(iv) up to the date of this report, the Company is implementing the Bankruptcy Restructuring Proposal to discharge the appointment of the Administrator upon its completion.

AUDITOR OF THE COMPANY

The consolidated financial statements for the year ended 31 December 2022 have been audited by Asian Alliance (HK) CPA Limited. Asian Alliance (HK) CPA Limited will retire as the Auditor at the end of the forthcoming AGM and, being eligible, will offer themselves for re-appointment. A resolution will be proposed for approval by Shareholders at the forthcoming AGM to re-appoint Asian Alliance (HK) CPA Limited as the Company's auditor for the year ending 31 December 2022.

CONTINUED SUSPENSION OF TRADING

The trading of H shares of the Company has been suspended from 11 February 2022 and the H Shares still remain suspended as at the date of this report until further notice.

* *For identification purpose only*

On behalf of the Board

Lan Huasheng
Chairman

Shanghai, PRC, 31 July 2023

Independent Auditor's Report

華融(香港)會計師事務所有限公司
Asian Alliance (HK) CPA Limited

TO THE SHAREHOLDERS OF SHANGHAI DASHENG AGRICULTURE FINANCE TECHNOLOGY CO., LTD.
上海大生農業金融科技股份有限公司
(incorporated in the People's Republic of China with limited liability)

DISCLAIMER OF OPINION

We were engaged to audit the consolidated financial statements of Shanghai Dasheng Agriculture Finance Technology Co., Ltd. (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") set out on pages 45 to 133, which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

We do not express an opinion on the consolidated financial statements of the Group. Because of the significance of the matter described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements. In all other respects, in our opinion, the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR DISCLAIMER OF OPINION

(a) Multiple fundamental uncertainties relating to going concern

As disclosed in Note 2(c) to the consolidated financial statements, the bankruptcy restructuring proposal (the "**Bankruptcy Restructuring Proposal**") submitted by the administrator (the "**Administrator**"), who was appointed by the Shanghai Third Intermediate People's Court* (上海市第三中級人民法院) of the People's Republic of China (the "**PRC**") (the "**Shanghai Third Court**") on 3 February 2023, has been approved by the Shanghai Third Court on 9 June 2023, and the bankruptcy restructuring procedure is therefore terminated. Up to the date of this report, the Bankruptcy Restructuring Proposal has been implemented by the Company but yet completed. If the Bankruptcy Restructuring Proposal could not be successfully implemented and completed, the Company will go through bankruptcy liquidation.

In addition, as stated in Notes 2(c)&(d) to the consolidated financial statements, the Group's operations is suspended due to the bankruptcy restructuring and incurred loss attributable to owners of the Company of approximately RMB1,635,927,000 for the year ended 31 December 2022 and, as of that date, the Group's current liabilities exceeded its current assets by approximately RMB3,841,721,000 and the Company has net liabilities of approximately RMB3,839,405,000. The Group's total borrowings of approximately RMB1,238,428,000 were classified as current liabilities as at 31 December 2022 while its cash and cash equivalents amounted to approximately RMB483,000 as at the same date.

These conditions, along with other matters as described in Notes 2(c)&(d) to the consolidated financial statements, indicate the existence of material uncertainties which may cast significant doubt on the Group's ability to continue as a going concern and therefore it may be unable to realise its assets and discharge its liabilities in the normal course of business.

* *For identification purpose only*

BASIS FOR DISCLAIMER OF OPINION (Continued)

(a) Multiple fundamental uncertainties relating to going concern (Continued)

As explained in Note 2(d) to the consolidated financial statements, the consolidated financial statements have been prepared by the Administrator on a going concern basis, the validity of which depends on the outcome of the measures as described in Note 2(d), which are subject to material uncertainties. We are unable to determine whether the use of the going concern assumption in the preparation of the consolidated financial statements is proper and appropriate.

Should the going concern assumption be inappropriate, adjustments would be necessary to reclassify all non-current assets to current assets, write-down the value of assets to their recoverable amounts and to provide for further liabilities which might arise. The consolidated financial statements have not incorporated any of these adjustments. However, the uncertainty surrounding the results of the Group's Bankruptcy Restructuring Proposal, its ability to maintain the sustainable future operation and generate sufficient future cash flows raises significant doubt about the Group's ability to continue as a going concern. 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 is material uncertainty relating to going concern basis.

(b) Limitation of scope on accuracy and completeness of the indebtedness of the Group

As at 31 December 2022, the Group has total indebtedness of approximately RMB3,842,268,000 (the "**2022 Indebtedness**"). Because certain managements and staffs have left the Group since 2023 and have not been replaced, the Administrator has difficulties in obtaining complete records of the 2022 Indebtedness. Also, certain creditors may fail to declare their debts due to legitimate reasons during the debt declaration period. Thus, the 2022 Indebtedness is subject to final determination and adjudication by the Administrator and the Administrator cannot guarantee the completeness of the 2022 Indebtedness until the completion of the Bankruptcy Restructuring Proposal.

In addition, as disclosed in Notes 25 and 32 to the consolidated financial statements, given that the People's Court of He County, Anhui Province, the PRC (中國安徽省和縣人民法院) has accepted the application for bankruptcy restructuring against Anhui Huaxing Chemical Industry Company Limited* (安徽華星化工有限公司) ("**Anhui Huaxing**") on 13 August 2021, the Group no longer had the power to govern the financial and operating policies of Anhui Huaxing and its subsidiaries ("**Anhui Huaing Group**") and thus the Group lost the control over Anhui Huaxing Group on the same date. As such, the financial results of Anhui Huaxing Group were deconsolidated from the Group's financial results ("**Anhui Huaxing Deconsolidation**") since 13 August 2021 (the "**Deconsolidation Date**").

Under such circumstances, during the years ended 31 December 2021 and 2022, we were unable to carry out necessary audit procedures on the books and records of Anhui Huaxing Group to satisfy ourselves as to the existence, ownership, completeness, accuracy, valuation and classifications of (i) its total assets and liabilities as at the Deconsolidation Date; and (ii) its profit for the period from 1 January 2021 to the Deconsolidation Date. Consequently, we were unable to satisfy ourselves as to whether the loss on the Anhui Huaxing Deconsolidation of approximately RMB700,402,000 for the year ended 31 December 2021 was fairly stated for the year ended 31 December 2021. There were no other satisfactory audit procedures that we could perform to obtain sufficient appropriate evidence in this regard.

During the year ended 31 December 2022, the Group received several court decisions in relation to the claims from Anhui Huaxing/the creditors of Anhui Huaxing Group as a result of bankruptcy restructuring of Anhui Huaxing and a loss of approximately RMB1,408,105,000 has been recognised (the "**Recognised Loss**") in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2022 and the corresponding payables of approximately RMB1,408,105,000 (included in the 2022 Indebtedness) were recorded on the consolidated statement of financial position as at 31 December 2022.

* *For identification purpose only*

BASIS FOR DISCLAIMER OF OPINION (Continued)

(b) Limitation of scope on accuracy and completeness of the indebtedness of the Group (Continued)

Given the circumstances as mentioned above, there were no practicable audit procedure we could perform to satisfy ourselves the accuracy and completeness of (1) the amounts recorded in the consolidated statement of profit or loss and other comprehensive income in respect of the Anhui Huaxing Group for the period from 1 January 2021 to the Deconsolidation Date, with a corresponding effect on the loss on the deconsolidation of Anhui Huaxing Group of approximately RMB700,402,000 for the year ended 31 December 2021; (2) the indebtedness of the Group of approximately RMB2,210,233,000 as at 31 December 2021; (3) the Recognised Loss of approximately RMB1,408,105,000 for the year ended 31 December 2022; and (4) the 2022 Indebtedness of the Group of approximately RMB3,842,268,000 as at 31 December 2022.

Any adjustments found to be necessary to the above matters might have significant consequential effects on the consolidated financial performance of the Group for the years ended 31 December 2021 and 2022, the consolidated financial position of the Group as at 31 December 2021 and 31 December 2022 and the related disclosures thereof in the consolidated financial statements.

(c) Lack of representation from the Administrator, Directors and management

We were unable to obtain representation from the Administrator, the directors of the Company (the "**Directors**") and management whether these consolidated financial statements present a true and fair view of the state of affairs of the Group as at 31 December 2022 and the results of the Group for the year then ended. As explained in Note 2(c) to the consolidated financial statements, following the appointment of the Administrator, the powers of the Directors were suspended with regard to the affairs and business of the Company. The Administrator prepared the consolidated financial statements for the year ended 31 December 2022 based on books and records made available to them. The Administrator made no representation as to the completeness and accuracy of the books and records make available to us. Therefore, we cannot perform any audit procedure to satisfy ourselves (i) the completeness and accuracy of the financial information and the related disclosures in these consolidated financial statements; (ii) the completeness of the disclosure of commitments, contingent liabilities and related party transactions and balances in the consolidated financial statements as at 31 December 2022; and (iii) the completeness of the disclosure of events from the end of the reporting period up to the date of this report. As a consequence, the Administrator is not making any representation that these consolidated financial statements of the Group presented a true and fair view of the state of affairs of the Group as at 31 December 2022 and the results of the Group for the year then ended. The lack of representation from the Administrator, Directors and management on the completeness and accuracy of the information contained in these consolidated financial statements constitutes a limitation of the scope of our audit.

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

RESPONSIBILITIES OF THE DIRECTORS, ADMINISTRATOR AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors and the Administrator are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the Directors and the Administrator determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Group's financial reporting process.

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

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

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

Asian Alliance (HK) CPA Limited
Certified Public Accountants (Practising)
Lam Chik Tong
Practising Certificate Number: P05612

8/F., Catic Plaza
8 Causeway Road
Causeway Bay
Hong Kong

31 July 2023

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
Continuing operations			
Revenue	6		
— Contracts with customer		—	936,940
Cost of sales		—	(747,864)
Gross profit		—	189,076
Other income	8	1,179	33,501
Other gains and losses, net	8	(1,454,546)	(3,587)
Distribution costs		—	(35,000)
Administrative and other expenses		(11,366)	(224,747)
Reversal of impairment loss (impairment loss),net	9	3,998	(150,832)
Share of loss of associates	22	(1,330)	(3,034)
Loss on deconsolidation of subsidiaries	32	—	(700,402)
Loss on disposal of subsidiaries	31	—	(36,566)
Finance costs	10	(173,748)	(183,651)
Loss before tax		(1,635,813)	(1,115,242)
Income tax expenses	11	(6)	(10,238)
Loss for the year from continuing operations	13	(1,635,819)	(1,125,480)
Discontinued operations			
Gain for the year from discontinued operations, net of income tax	12	—	572
Loss for the year		(1,635,819)	(1,124,908)
Other comprehensive expense			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		(1,312)	(567)
Other comprehensive expense for the year, net of income tax		(1,312)	(567)
Total comprehensive expense for the year		(1,637,131)	(1,125,475)

Consolidated Statement of Profit or Loss and Other Comprehensive Income (Continued)

For the year ended 31 December 2022

	Note	2022 RMB'000	2021 RMB'000
(Loss) profit for the year attributable to owners of the Company			
— from continuing operations		**(1,635,927)**	(1,125,599)
— from discontinued operations		**—**	457
		(1,635,927)	(1,125,142)
Profit for the year attributable to non-controlling interests			
— from continuing operations		**108**	119
— from discontinued operations		**—**	115
		108	234
		(1,635,819)	(1,124,908)
Total comprehensive (expense) income for the year attributable to:			
— Owners of the Company		**(1,637,239)**	(1,125,709)
— Non-controlling interests		**108**	234
		(1,637,131)	(1,125,475)
Loss per share	*18*		
From continuing and discontinued operations			
— Basic (RMB)		**(0.171)**	(0.118)
— Diluted (RMB)		**N/A**	N/A
From continuing operations			
— Basic (RMB)		**(0.171)**	(0.118)
— Diluted (RMB)		**N/A**	N/A

Consolidated Statement of Financial Position

At 31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	19	**23**	21
Right-of-use assets	20	**—**	—
Intangible assets	21	**—**	—
Interests in associates	22	**2,293**	3,623
		2,316	3,644
CURRENT ASSETS			
Trade and other receivables	23	**—**	—
Restricted bank deposits	24	**64**	43
Cash and cash equivalents	24	**483**	4,272
		547	4,315
CURRENT LIABILITIES			
Trade and other payables	25	**2,549,235**	891,372
Contract liabilities	26	**—**	108,101
Borrowings	27	**1,238,428**	1,156,155
Tax liabilities		**54,605**	54,605
		3,842,268	2,210,233
NET CURRENT LIABILITIES		**(3,841,721)**	(2,205,918)
TOTAL ASSETS LESS CURRENT LIABILITIES		**(3,839,405)**	(2,202,274)
NON-CURRENT LIABILITIES			
Deferred tax liabilities	28	**—**	—
NET LIABILITIES		**(3,839,405)**	(2,202,274)

Consolidated Statement of Financial Position (Continued)

At 31 December 2022

	Note	2022 RMB'000	2021 RMB'000
CAPITAL AND RESERVES			
Share capital	29	**955,108**	955,108
Reserves		**(4,794,137)**	(3,156,898)
Equity attributable to owners of the Company		**(3,839,029)**	(2,201,790)
Non-controlling interests		**(376)**	(484)
TOTAL DEFICIT		**(3,839,405)**	(2,202,274)

The consolidated financial statements on pages 45 to 133 were approved and authorised for issue by the Board of Directors on 31 July 2023 and are signed on its behalf by:

Lan Huasheng
Director

Wang Liguo
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2022

	Share capital RMB'000	**Capital reserve** RMB'000	**Statutory reserve fund** RMB'000 *(Note (a))*	**Currency translation reserve** RMB'000	**Fair value through other comprehensive income reserve** RMB'000	**Accumulated losses** RMB'000	**Equity attributable to owners of the Company** RMB'000	**Non-controlling interests** RMB'000	**Total** RMB'000
At 1 January 2021	955,108	2,148,957	172,199	1,422	4,554	(4,358,321)	(1,076,081)	15,607	(1,060,474)
(Loss) profit for the year	—	—	—	—	—	(1,125,142)	(1,125,142)	234	(1,124,908)
Other comprehensive expense for the year, net of income tax	—	—	—	—	—	—	—	—	—
Items that may be reclassified subsequently to profit or loss:									
Exchange differences arising on translation of foreign operations	—	—	—	(567)	—	—	(567)	—	(567)
Total comprehensive expense for the year	—	—	—	(567)	—	(1,125,142)	(1,125,709)	234	(1,125,475)
Disposal of investment in equity investments at fair value through other comprehensive income	—	—	—	—	(4,554)	4,554	—	—	—
Deconsolidation of subsidiaries	—	—	(46,105)	—	—	46,105	—	26	26
Disposal of subsidiaries	—	—	—	—	—	—	—	(16,351)	(16,351)
At 31 December 2021	955,108	2,148,957	126,094	855	—	(5,432,804)	(2,201,790)	(484)	(2,202,274)

Consolidated Statement of Changes in Equity (Continued)

For the year ended 31 December 2022

	Share capital RMB'000	Capital reserve RMB'000	Statutory reserve fund RMB'000 *(Note (a))*	Currency translation reserve RMB'000	Accumulated losses RMB'000	Equity attributable to owners of the Company RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 January 2022	955,108	2,148,957	126,094	855	(5,432,804)	(2,201,790)	(484)	(2,202,274)
(Loss) profit for the year	—	—	—	—	(1,635,927)	(1,635,927)	108	(1,635,819)
Other comprehensive expense for the year, net of income tax								
Items that may be reclassified subsequently to profit or loss:								
Exchange differences arising on translation of foreign operations	—	—	—	(1,312)	—	(1,312)	—	(1,312)
Total comprehensive expense for the year	—	—	—	(1,312)	(1,635,927)	(1,637,239)	108	(1,637,131)
At 31 December 2022	**955,108**	**2,148,957**	**126,094**	**(457)**	**(7,068,731)**	**(3,839,029)**	**(376)**	**(3,839,405)**

Note:

Pursuant to the relevant People Republic of China ("**PRC**") Laws and regulations, each of the PRC companies within the Group is required to transfer 10% of its net profits, as determined under the PRC accounting regulations, to a statutory reserve fund until the fund aggregates to 50% of its registered capital. The transfer to this reserve shall be made before distribution of dividends to shareholders.

The statutory reserve fund shall only be used to make good previous years' losses, to expand its production operations, or to increase its capital. Upon approval by a resolution of the shareholders' general meeting, each of the PRC companies within the Group may convert its statutory reserve fund into share capital and issue bonus shares to existing shareholders in proportion to their original shareholdings, or to increase the nominal value of each share currently held by the shareholders, provided that the balance of the statutory reserve fund after such issue is not less than 25% of the registered capital.

Consolidated Statement of Cash Flows

For the year ended 31 December 2022

	2022 RMB'000	2021 RMB'000
OPERATING ACTIVITIES		
Loss for the year		
— continuing operations	**(1,635,819)**	(1,125,480)
— discontinuing operations	**—**	572
Adjustments for:		
Income tax expenses	**6**	10,238
Interest income	**(19)**	(262)
Finance costs	**173,748**	183,651
Other losses	**1,454,546**	—
Amortisation of intangible assets	**—**	736
Depreciation of property, plant and equipment	**8**	46,781
Loss on disposal of property, plant and equipment	**—**	1,292
Depreciation of right-of-use assets	**—**	1,260
Share of loss of associates	**1,330**	3,034
Gain on disposal of associate	**—**	(3,509)
(Reversal of impairment loss) impairment loss on trade other receivables, net	**(3,998)**	150,832
Written off of trade and other receivables	**—**	5,804
Loss on disposal of subsidiaries, net	**—**	36,566
Losses on deconsolidation of subsidiaries	**—**	700,402
Operating (loss) profit before working capital changes	**(10,198)**	11,917
Decrease in inventories	**—**	126,741
Decrease (increase) in trade and other receivables	**3,998**	(98,946)
Increase in trade and other payables	**3,779**	154,435
Decrease in contract liabilities	**—**	(177,270)
Cash (used in) generated from operations	**(2,421)**	16,877
Interest paid	**—**	(1,168)
Income taxes paid	**(6)**	(5,279)
NET CASH (USED IN) FROM OPERATING ACTIVITIES	**(2,427)**	10,430

Consolidated Statement of Cash Flows (Continued)

For the year ended 31 December 2022

	2022 RMB'000	2021 RMB'000
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	**(10)**	(22,878)
Net cash outflow on disposal of subsidiaries	—	(664)
Net cash outflow on deconsolidation of subsidiaries	—	(14,044)
Purchase of intangible asset	—	(551)
Proceeds from disposal of associates	—	6,000
Proceeds from disposal of property, plant and equipment	—	189
Interest received	**19**	262
(Increase) decrease in restricted bank deposits	**(21)**	10,598
NET CASH FROM (USED IN) INVESTING ACTIVITIES	**(12)**	(21,088)
NET CASH USED IN FINANCING ACTIVITY		
Repayment of borrowings	**(38)**	(39,765)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(2,477)**	(50,423)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**4,272**	55,262
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**(1,312)**	(567)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	**483**	4,272

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

1. GENERAL

Shanghai Dasheng Agriculture Finance Technology Co., Ltd. (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") are principally engaged in (i) trading of petrochemical and agricultural products, (ii) financial services and (iii) agrochemical products supply chain services in the People's Republic of China (the "**PRC**"). Its parent is Shenzhen Dasheng Agricultural Group Co., Ltd. ("**Shenzhen Dasheng**") and its ultimate parent is Shenzhen Qianhai Dasheng Equity Investment Fund Co., Ltd., both are incorporated in the PRC. Its ultimate controlling party is Mr. Lan Huasheng, an executive director of the Company. The shares of the Company are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

The Group offers "one-stop" solutions to customers ranging from procurement, storage and transportation of mass agricultural products, chemical fertilizers and petrochemical products. The Group's agricultural and petrochemical products supply chain service geographically covers the mass agricultural products procurement overseas as well as certain provinces and cities in downstream region of the Yangtze River and certain provinces and cities in Middle and Western China. The financial services that the Group provided include financial leasing and commercial factoring.

The Group discontinued the agricultural big-data services since year 2020 and completed the disposal during the year ended 31 December 2021 (Note 12).

The Company is a joint stock limited company incorporated in the PRC. The address of the Company's registered office is 706 Renhe Building, No. 2056 Pudong Road, Pudong New Area, Shanghai, the PRC. Its principal place of business is located at 20/F, Building G, Gateway International Plaza, No. 327 Tian Yao Qiao Road, Xuhui District, Shanghai, the PRC.

The consolidated financial statements are presented in Renminbi ("**RMB**"), which is the same as the functional currency of the Company.

2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

(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**") 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 (the "**Listing Rules**").

2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(b) Suspension of trading in the H shares of the Company

Since 11 February 2022, the trading of the H shares of the Company (the "**H Shares**") has been suspended. On 27 April 2022 and 29 March 2023, the Company received the first and second resumption guidance (the "**Resumption Guidance**") from the Stock Exchange for the resumption of trading in the H Shares, in which the Stock Exchange has set out the following guidance:

(i) address the issues giving rise to the disclaimer of opinion on the annual results of the Company for the year ended 31 December 2021, provide comfort that the disclaimer of opinion in respect of such issues would no longer be required, and disclose sufficient information to enable investors to make an informed assessment of the Company's financial positions as required under Rule 13.50A of the Listing Rules;

(ii) have the bankruptcy restructuring application against the Company withdrawn or dismissed (or the bankruptcy restructuring completed) and the appointment of the Administrator (defined in below) discharged;

(iii) demonstrate the Company's compliance with Rule 13.24 of the Listing Rules; and

(iv) announce all material information for the Company's shareholders and investors to appraise the Company's position.

If the Company fails to remedy the issue(s) causing its trading suspension, fulfill the Resumption Guidance and fully comply with the Listing Rules to the Stock Exchange's satisfaction and resume trading in its shares by 10 August 2023, the Listing Division of the Stock Exchange will recommend the Listing Committee of the Stock Exchange to proceed with the cancellation of the Company's listing. Under Rules 6.01 and 6.10 of the Listing Rules, the Stock Exchange also has the right to impose a shorter specific remedial period, when appropriate.

(c) The bankruptcy restructuring of the Company (the "Bankruptcy Restructuring")

On 29 September 2022, the Company received a notice issued by the Shanghai Third Intermediate People's Court* (上海市第三中級人民法院) of the PRC (the "**Shanghai Third Court**") in relation to an application for bankruptcy restructuring (the "**Application**") filed against the Company by Shanghai Tingdong Industrial Co., Ltd.* (上海庭棟實業有限公司) (the "**Shanghai Tingdong**") on the ground that the Company is unable to repay the debts falling due. The Application against the Company involved an outstanding amount of approximately RMB71.84 million.

The Company was informed that the Shanghai Third Court has given a civil ruling on 19 January 2023. According to the civil ruling, the Shanghai Third Court has accepted the Application against the Company with the outstanding amount due to Shanghai Tingdong of approximately RMB71.84 million.

* *For identification purpose only*

2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(c) The bankruptcy restructuring of the Company (the "Bankruptcy Restructuring") (Continued)

The Company was then informed that the Shanghai Third Court has given a decision on 3 February 2023 regarding the appointment of BDO China Shu Lun Pan Certified Public Accountants LLP as the administrator (the "**Administrator**") for the Bankruptcy Restructuring. According to the Enterprise Bankruptcy Law of the PRC (企業破產法) (the "**Enterprise Bankruptcy Law**"), the Administrator shall perform the following duties: (1) taking over the property, seals, account books, documents and other data of the debtor; (2) investigating into the financial position of the debtor and preparing a report on such position; (3) deciding on matters of internal management of the debtor; (4) deciding on the day-to-day expenses and other necessary expenditures of the debtor; (5) deciding, before the first creditors' meeting is held, to continue or suspend the debtor's business; (6) managing and disposing of the debtor's property; (7) participating in legal actions, arbitrations or any other legal procedure on behalf of the debtor; (8) proposing to hold creditors' meetings; and (9) performing other duties that the Shanghai Third Court deems that it should. Upon the appointment of the Administrator, the powers of the directors of the Company (the "Directors") were suspended with regard to the affairs and business of the Company. The debt declaration period is from the date of the approval of Application by the Shanghai Third Court to 3 April 2023.

The Administrator is responsible for the accuracy and completeness of the contents of the annual report and the audited consolidated financial statements for the year ended 31 December 2022 in relation to (i) the affairs of the Group after the appointment of the Administrator; and (ii) the preparation of the contents of the audited consolidated financial statements for the year ended 31 December 2022 based on the books and records made available to the Administrator.

Save as addressed above, the Administrator make no representation as to the completeness and accuracy of the information contained in these consolidated financial statements.

The Administrator has conducted a public recruitment of potential bankruptcy restructuring investors under the supervision of the Shanghai Third Court. On 10 May 2023, the Administrator has confirmed the qualification of a joint potential bankruptcy restructuring investors (the "**Bankruptcy Restructuring Investors**") which had completed the registration, submitted its bankruptcy restructuring proposal (the "Bankruptcy Restructuring Proposal"), and settled the required registration deposit, and the Administrator has proposed the Bankruptcy Restructuring Proposal to creditors.

The Bankruptcy Restructuring Proposal includes an investment from the Bankruptcy Restructuring Investors to the Company for the settlement of debts. Creditors of secured claims and ordinary claims of the Company would be entitled to elect between cash consideration or loan capitalisation of H Shares on a pro rata basis based on the amounts of their claims which confirmed by the Shanghai Third Court under the Bankruptcy Restructuring. Pursuant to Article 94 of the Enterprise Bankruptcy Law with the reduction of debt in accordance with the implementation of the Bankruptcy Restructuring Proposal, the Company will no longer bear its responsibility for the repayment of debts relieved by the Bankruptcy Restructuring upon the completion of Bankruptcy Restructuring Proposal.

The Administrator proposed the Bankruptcy Restructuring Proposal to creditors at the first creditors' meeting held on 18 April 2023.

On 31 May 2023, a special resolution is duly passed by the shareholders of the Company (the "**Shareholders**") to approve the Bankruptcy Restructuring Proposal involving issue of H Shares under specific mandate.

2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(c) The bankruptcy restructuring of the Company (the "Bankruptcy Restructuring") (Continued)

On 2 June 2023, the Administrator applied to the Shanghai Third Court for its approval of the Bankruptcy Restructuring Proposal in accordance with the result of the above creditors' meeting. On 9 June 2023, the Company received a civil ruling dated 9 June 2023 from the Shanghai Third Court which confirmed the approval of the Bankruptcy Restructuring Proposal by the Shanghai Third Court, and the bankruptcy restructuring procedure is therefore terminated in accordance with Clauses 2 and 3 of Article 87 of the Enterprise Bankruptcy Law.

The Bankruptcy Restructuring Proposal will be implemented by the Company and its implementation will be monitored by the Administrator. The implementation period of the Bankruptcy Restructuring Proposal will last from the date of the approval of the Bankruptcy Restructuring Proposal by the Shanghai Third Court to the date of the completion of the Bankruptcy Restructuring Proposal (i.e. the fulfillment of all the conditions of the Bankruptcy Restructuring Proposal).

The implementation and supervision period of the Bankruptcy Restructuring Proposal is 18 months from the date of approval of such Bankruptcy Restructuring Proposal by the Shanghai Third Court. Upon the end of such 18 months, the Administrator shall submit a supervision report to the Shanghai Third Court in relation to the implementation of the Bankruptcy Restructuring Proposal by the Company. The Administrator will be discharged on the date of the submission of such report. All claims against the Company shall be released and discharged in full by virtue of the implementation of the Bankruptcy Restructuring Proposal.

For details of the development of the Bankruptcy Restructuring, please refer to the announcements of the Company dated 29 September 2022, 1 February 2023, 9 March 2023, 15 March 2023, 10 April 2023, 31 May 2023 and 12 June 2023 and the circular of the Company dated 16 May 2023.

(d) Going concern assessment

The Group's operations had been suspended due to the Bankruptcy Restructuring and incurred loss attributable to owners of the Company of approximately RMB1,635,927,000 for the year ended 31 December 2022. As at 31 December 2022, the Group had net current liabilities and net liabilities of approximately RMB3,841,721,000 and approximately RMB3,839,405,000, respectively. The Group's total borrowings of approximately RMB1,238,428,000 were classified as current liabilities as at 31 December 2022 while its cash and cash equivalents amounted to approximately RMB483,000 as at the same date.

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

The Group's ability to continue as a going concern largely depends on the sufficiency of financial resources available to the Group. The Administrator is of the view that the Group will have sufficient working capital to meet its financial obligations as and when they fall due in the next 12 months from 31 December 2022 due to the following reasons:

(1) the Bankruptcy Restructuring Investors had agreed to provide approximately RMB12 million for the Bankruptcy Restructuring pursuant to the Bankruptcy Restructuring Proposal within 90 days after the resumption of trading of the shares of the Company on the Stock Exchange;

(2) the Bankruptcy Restructuring Investors had agreed to provide up to RMB100 million for the Company to implement any further steps as required for the operation of the Group's business;

2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(d) Going concern assessment (Continued)

(3) the settlement of the debts will be implemented according to the Bankruptcy Restructuring Proposal. Upon the completion of the Bankruptcy Restructuring Proposal with the reduction of debt in accordance with the implementation of the Bankruptcy Restructuring Proposal, the Company will no longer bear its responsibility for the repayment of debts relieved by the Bankruptcy Restructuring;

(4) the Group has entered into (a) long-term contracts with four customers at an aggregate amount of approximately RMB182 million (value-added tax inclusive) per annum; and (b) short-term contracts with two customers at an aggregate amount of approximately RMB7 million (value-added tax inclusive), respectively. It is expected to generate revenue from September 2023; and

(5) the Group is expected to be profitable and be able to generate net operating cash inflows from its future business operations.

As such, the Group will have sufficient financial resources to continue its business on a going concern basis subject to the investment from the Bankruptcy Restructuring Investors, the completion of the Bankruptcy Restructuring Proposal, and the operation of the Group's principal business.

The consolidated financial statements have been prepared on a going concern basis on the basis that the Bankruptcy Restructuring of the Company will be successfully completed, and that, following the Bankruptcy Restructuring, the Group will continue to meet in full its financial obligations as they fall due in the foreseeable future.

Should the Group be unable to complete the Bankruptcy Restructuring and therefore be unable to continue its business as a going concern, adjustments would have to be made to reclassify all non-current assets to current assets, write-down the value of assets to their recoverable amount and to provide for further liabilities which might arise. The effect of these adjustments has not been reflected in the consolidated financial statements.

3. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for the Group's annual period beginning on 1 January 2022 for the preparation of the consolidated financial statements:

Amendment to HKFRS 3	Reference to the Conceptual Framework
Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021
Amendment to HKAS 16	Property, Plant and Equipment — Proceeds before Intended Use
Amendment to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020

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

3. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs (Continued)

Amendments to HKFRSs that are mandatorily effective for the current year (Continued)

Impacts on application of Amendments to HKFRS 3 *Reference to the Conceptual Framework*

The Group has applied the amendments to business combinations for which the acquisition date was on or after 1 January 2022. The amendments update a reference in HKFRS 3 *Business Combinations* so that it refers to the *Conceptual Framework for Financial Reporting 2018* issued in June 2018 (the "**Conceptual Framework**") instead of *Framework for the Preparation and Presentation of Financial Statements* (replaced by the *Conceptual Framework for Financial Reporting 2010* issued in October 2010), add a requirement that, for transactions and events within the scope of HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets* or HK(IFRIC) - Int 21 *Levies*, an acquirer applies HKAS 37 or HK(IFRIC) - Int 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination and add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

The application of the amendments in the current year has had no impact on the Group's consolidated financial statements.

Impacts on application of Amendments to HKFRSs *Annual Improvements to HKFRSs 2018–2020*

The Group has applied the amendments for the first time in the current year. The annual improvements make amendments to the following standards:

HKFRS 9 Financial Instruments

The amendment clarifies that for the purpose of assessing whether modification of terms of original financial liability constitutes substantial modification under the "10 per cent" test, a borrower includes only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or the lender on the other's behalf.

In accordance with the transitional provisions, the Group applies the amendment to financial liabilities that are modified or exchanged as at the date of initial application, 1 January 2022.

HKFRS 16 Leases

The amendment to Illustrative Example 13 accompanying HKFRS 16 removes from the example the illustration of reimbursement relating to leasehold improvements by the lessor in order to remove any potential confusion.

The application of the amendments in the current year has had no impact on the Group's consolidated financial statements.

3. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs (Continued)

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 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback[3]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[3]
Amendments to HKAS 1	Non-current Liabilities with Covenants (2022)[3]
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies[1]
Amendments to HKAS 8	Definition of Accounting Estimates[1]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[1]

1 Effective for annual periods beginning on or after 1 January 2023.
2 Effective for annual periods beginning on or after a date to be determined.
3 Effective for annual periods beginning on or after 1 January 2024.

Except for the new and amendments to HKFRSs mentioned below, the Administrator anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

Amendments to HKAS 1 *Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)*

The amendments provide clarification and additional guidance on the assessment of right to defer settlement for at least twelve months from reporting date for classification of liabilities as current or non-current, which:

- specify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Specifically, the amendments clarify that:

  (i) the classification should not be affected by management intentions or expectations to settle the liability within 12 months; and

  (ii) if the right is conditional on the compliance with covenants, the right exists if the conditions are met at the end of the reporting period, even if the lender does not test compliance until a later date; and

- clarify that if a liability has terms that could, at the option of the counterparty, result in its settlement by the transfer of the entity's own equity instruments, these terms do not affect its classification as current or non-current only if the entity recognises the option separately as an equity instrument applying HKAS 32 *Financial Instruments: Presentation*.

In addition, Hong Kong Interpretation 5 was revised as a consequence of the Amendments to HKAS 1 to align the corresponding wordings with no change in conclusion.

3. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs (Continued)

New and Amendments to HKFRSs in issue but not yet effective (Continued)

Amendments to HKAS 1 *Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)* (Continued)

Based on the Group's outstanding liabilities as at 31 December 2022, the application of the amendments will not result in reclassification of the Group's liabilities.

Amendments to HKAS 1 *Non-current Liabilities with Covenants (2022) ('the 2022 Amendments')*

The 2022 Amendments modify the requirements introduced by the amendments to HKAS 1 issued in 2020, *Classification of Liabilities as Current or Non-current* ("**the 2020 Amendment**") on how an entity classifies debt and other financial liabilities with covenants as current or non-current. The amendments specify that only covenants with which the entity is required to comply with on or before the end of the reporting period affect the entity's right to defer settlement of a liability for at least twelve months after the reporting date. Covenants which are required to comply with only after the reporting period do not affect whether that right exists at the end of the reporting period.

The amendments also specify the disclosure requirements about information that enables users of financial statements to understand the risk that the liabilities could become repayable within twelve months after the reporting period, if the entity classify liabilities arising from loan arrangements as non-current when the entity's right to defer settlement of those liabilities is subject to the entity complying with covenants within twelve months after the reporting period.

The amendments also defer the effective date of the 2020 Amendments to annual reporting periods beginning on or after 1 January 2024. The amendments, together with the 2020 Amendments, are effective for annual reporting periods beginning on or after 1 January 2024, with early application permitted. If an entity applies the 2020 Amendments for an earlier period after the issue of the 2022 Amendments, the entity should also apply the 2022 Amendments for that period.

Based on the Group's outstanding liabilities as at 31 December 2022, the application of the amendments will not result in reclassification of the Group's liabilities.

Amendments to HKAS 1 and HKFRS Practice Statement 2 *Disclosure of Accounting Policies*

HKAS 1 is amended to replace all instances of the term "significant accounting policies" with "material accounting policy information". Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

HKFRS Practice Statement 2 *Making Materiality Judgements* (the "**Practice Statement**") is also amended to illustrate how an entity applies the "four-step materiality process" to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

The application of the amendments is not expected to have significant impact on the financial position or performance of the Group but may affect the disclosures of the Group's significant accounting policies. The impacts of application, if any, will be disclosed in the Group's future consolidated financial statements.

3. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs (Continued)

New and Amendments to HKFRSs in issue but not yet effective (Continued)

Amendments to HKAS 8 *Definition of Accounting Estimates*

The amendments define accounting estimates as "monetary amounts in financial statements that are subject to measurement uncertainty". An accounting policy may require items in financial statements to be measured in a way that involves measurement uncertainty — that is, the accounting policy may require such items to be measured at monetary amounts that cannot be observed directly and must instead be estimated. In such a case, an entity develops an accounting estimate to achieve the objective set out by the accounting policy. Developing accounting estimates involves the use of judgements or assumptions based on the latest available, reliable information.

In addition, the concept of changes in accounting estimates in HKAS 8 is retained with additional clarifications.

The application of the amendments is not expected to have significant impact on the Group's consolidated financial statements.

4. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Listing Rules and by the disclosure requirements of the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 *Share-based Payment*, leasing transactions that are accounted for in accordance with HKFRS 16, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 *Inventories* or value in use in HKAS 36 *Impairment of Assets*.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of consolidation

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

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

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

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

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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

Changes in the Group's interests in existing subsidiaries

Changes in the Group's interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including reattribution of relevant reserves between the Group and the non-controlling interests according to the Group's and the non-controlling interests' proportionate interests.

Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Changes in the Group's interests in existing subsidiaries (Continued)

When the Group loses control of a subsidiary, the assets and liabilities of that subsidiary and non-controlling interests (if any) are derecognised. A gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKFRS 9 *Financial Instruments* or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Investments in associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of associates used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. Changes in net assets of the associate other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The Group assesses whether there is an objective evidence that the interest in an associate may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments in associates (Continued)

When the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. When the Group retains an interest in the former associate and the retained interest is a financial asset within the scope of HKFRS 9, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of the associate and the fair value of any retained interest and any proceeds from disposing the relevant interest in the associate is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) upon disposal/partial disposal of the relevant associate.

When a group entity transacts with an associate of the Group, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

Changes in the Group's interests in associates

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

When the Group reduces its ownership interest in an associate but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

Acquisition of additional interests in associates

When the Group increases its ownership interest in an associate but the Group continues to use the equity method, goodwill is recognised at acquisition date if there is excess of the consideration paid over the share of carrying amount of net assets attributable to the additional interests in associates. Any excess of share of carrying amount of net assets attributable to the additional interests in associates acquired over the consideration paid are recognised in the profit or loss in the period in which the additional interest are acquired.

Revenue from contracts with customers

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

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

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue from contracts with customers (Continued)

- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or

- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

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

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

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

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

Principal versus agent

When another party is involved in providing goods or services to a customer, the Group determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. the Group is a principal) or to arrange for those goods or services to be provided by the other party (i.e. the Group is an agent).

The Group is a principal if it controls the specified good or service before that good or service is transferred to a customer.

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

Leases

Definition of a lease

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases (Continued)

The Group as a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Non-lease components are separated from lease component and are accounted for by applying other applicable standards.

Short-term leases

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

Right-of-use assets

The cost of right-of-use asset includes:

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

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

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

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

Refundable rental deposits

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

Lease liabilities

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases (Continued)

The Group as a lessee (Continued)
Allocation of consideration to components of a contract (Continued)
Lease liabilities (Continued)
The lease payments include:

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

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

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

The Group as a lessor
Classification and measurement of leases
Leases for which the Group is a lessor are operating leases.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and such costs are recognised as an expense on a straight-line basis over the lease term.

Allocation of consideration to components of a contract
When a contract includes both leases and non-lease components, the Group applies HKFRS 15 *Revenue from Contracts with Customers* to allocate consideration in a contract to lease and non-lease components. Non-lease components are separated from lease component on the basis of their relative stand-alone selling prices.

Refundable rental deposits
Refundable rental deposits received are accounted for under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies (Continued)

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's operations are translated into the presentation currency of the Group (i.e. RMB) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of "Currency translation reserve" (attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates or joint arrangements that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income.

Borrowing costs

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

Government grants

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

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

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable. Such grants are presented under "other income".

Retirement benefit costs

Payments to the state-managed retirement benefit schemes are recognised as an expense when employees have rendered service entitling them to the contributions.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Short-term and other long-term employee benefits

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

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

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date. Any changes in the liabilities' carrying amounts resulting from service cost, interest and remeasurements are recognised in profit or loss except to the extent that another HKFRS requires or permits their inclusion in the cost of an asset.

Taxation

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

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

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

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

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 requirements to right-of-use assets and lease liabilities separately. Temporary differences on initial recognition of the relevant right-of-use assets and lease liabilities are not recognised due to application of the initial recognition exemption. Temporary differences arising from subsequent revision to the carrying amounts of right-of-use assets and lease liabilities, resulting from remeasurement of lease liabilities and lease modifications, that are not subject to initial recognition exemption are recognised on the date of remeasurement or modification.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied the same taxable entity by the same taxation authority.

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

In assessing any uncertainty over income tax treatments, the Group considers whether it is probable that the relevant tax authority will accept the uncertain tax treatment used, or proposed to be use by individual group entities in their income tax filings. If it is probable, the current and deferred taxes are determined consistently with the tax treatment in the income tax filings. If it is not probable that the relevant taxation authority will accept an uncertain tax treatment, the effect of each uncertainty is reflected by using either the most likely amount or the expected value.

Property, plant and equipment

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

Buildings in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, including costs of testing whether the related assets is functioning properly and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

When the Group makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition. To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land is presented as "right-of-use assets" in the consolidated statement of financial position. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property, plant and equipment.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment (Continued)

Depreciation is recognised so as to write off the cost of assets other than construction in progress less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less any subsequent accumulated impairment losses.

Internally-generated intangible assets — research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development activities (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses (if any), on the same basis as intangible assets that are acquired separately.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Intangible assets (Continued)

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are reported at costs less accumulated amortisation and any accumulated impairment losses, on the same basis as intangible assets that are acquired separately. Intangible assets acquired in a business combination with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

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

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use assets and intangible assets with finite useful lives to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any). Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

The recoverable amount of property, plant and equipment, right-of-use assets and intangible assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Cash and cash equivalents

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

(a) cash, which comprises of cash on hand and demand deposits, excluding bank balances that are subject to regulatory restrictions that result in such balances no longer meeting the definition of cash; and

(b) cash equivalents, which comprises of short-term (generally with original maturity of three months or less), highly liquid investments that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

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

Provisions

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

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

Provisions for the expected cost of assurance-type warranty obligations under the relevant sale of goods legislation are recognised at the date of sale of the relevant products, at the Administrator best estimate of the expenditure required to settle the Group's obligation.

Contingent liabilities

A contingent liability is a present obligation arising from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

Where the Group is jointly and severally liable for an obligation, the part of the obligation that is expected to be met by other parties is treated as a contingent liability and it is not recognised in the consolidated financial statements.

The Group assesses continually to determine whether an outflow of resources embodying economic benefits has become probable. If it becomes probable that an outflow of future economic benefits will be required for an item previously dealt with as a contingent liability, a provision is recognised in the consolidated financial statements in the reporting period in which the change in probability occurs, except in the extremely rare circumstances where no reliable estimate can be made.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss ("**FVTPL**")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

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

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

Financial assets

Classification and subsequent measurement of financial assets

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

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

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income ("**FVTOCI**"):

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

All other financial assets are subsequently measured at FVTPL, except that at initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 *Business Combinations* applies.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets (Continued)

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

Amortised cost and interest income

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

Impairment of financial assets and other items subject to impairment assessment under HKFRS 9

The Group performs impairment assessment under expected credit loss ("**ECL**") model on financial assets (including trade receivables and other receivables, restricted bank deposits and bank balances) and financial guarantee contracts, which are subject to impairment under HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("**12m ECL**") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessments are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless there has been a significant increase in credit risk since initial recognition, in which case the Group recognised lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets and other items subject to impairment assessment under HKFRS 9 (Continued)

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

- an actual or expected significant deterioration in the operating results of the debtor;

- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the aforegoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if i) it has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of 'investment grade' as per globally understood definitions.

For financial guarantee contracts, the date that the Group becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of financial guarantee contracts, the Group considers the changes in the risk that the specified debtor will default on the contract.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets and other items subject to impairment assessment under HKFRS 9 (Continued)

(i) Significant increase in credit risk (Continued)

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

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

(e) the disappearance of an active market for that financial asset because of financial difficulties.

(iv) Write-off policy

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets and other items subject to impairment assessment under HKFRS 9 (Continued)

(v) Measurement and recognition of ECL

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

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition. For a lease receivable, the cash flows used for determining the ECL is consistent with the cash flows used in measuring the lease receivable in accordance with HKFRS 16.

For a financial guarantee contract, the Group is required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed. Accordingly, the ECL is the present value of the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the Group expects to receive from the holder, the debtor or any other party.

Lifetime ECL for trade receivables are considered on a collective basis taking into consideration past due information and relevant credit information such as toward looking macroeconomic information.

For collective assessment, the Group takes into consideration the following characteristic when formulating the grouping:

- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Derecognition of financial assets

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

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

Financial liabilities and equity

Classification as debt or equity

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

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

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

Financial liabilities

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

Financial liabilities at amortised cost

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

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument. Financial guarantee contract liabilities are measured initially at their fair values. It is subsequently measured at the higher of:

- the amount of the loss allowance determined in accordance with HKFRS 9; and
- the amount initially recognised less, where appropriate, cumulative amortisation recognised over the guarantee period.

Derecognition of financial liabilities

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

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 4, the Administrator are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgments in applying accounting policies

The following is the critical judgement, apart from those involving estimations (see below), that the Administrator have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Going concern and liquidity

As explained in Note 2(d) to the consolidated financial statements, the financial position of the Group indicates the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. The assessment of the going concern assumptions involves making judgement by the Administrator, at a particular point of time, about the future outcome of events or conditions which are inherently uncertain. The Administrator considers that the Group has ability to continue as a going concern and the major conditions that may cast significant doubt on the going concern assumptions are set out in Note 2(d) to the consolidated financial statements.

Key sources of estimation uncertainty

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

Deferred tax asset

As at 31 December 2022, no deferred tax asset has been recognised on the tax losses of approximately RMB2,674,996,000 (2021: approximately RMB1,210,919,000) due to the unpredictability of future profit streams. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future, which is a key source of estimation uncertainty. In cases where the actual future taxable profits generated are less or more than expected, or change in facts and circumstances which result in revision of future taxable profits estimation, a material reversal or further recognition of deferred tax assets may arise, which would be recognised in profit or loss for the period in which such a reversal or further recognition takes place.

6. REVENUE

(i) Disaggregation of revenue from contracts with customers

For the year ended 31 December 2022
The Group did not generate any revenue during the year ended 31 December 2022.

For the year ended 31 December 2021

Segments	Agrochemical products supply chain services RMB'000
Types of goods or services	
Pesticide	815,191
Chemical products	121,749
Total	936,940
Geographical markets	
Mainland China	686,650
India	94,594
Brazil	34,885
Canada	53,737
Pakistan	4,018
Thailand	11,876
Others	51,180
Total	936,940
Timing of revenue recognition	
A point in time	936,940
Sales channel	
Wholesale	936,940

Set out below is the reconciliation of the revenue from contracts with customers with the amounts disclosed in the segment information.

For the year ended 31 December 2021

Segment	Segment revenue RMB'000
Agrochemical products supply chain services	936,940

6. REVENUE (Continued)

(ii) Performance obligations for contracts with customers

Agrochemical products supply chain services

The performance obligation is satisfied upon delivery of the agrochemical products supply chain services and payment is generally due within 30 days from delivery.

(iii) Transaction price allocated to the remaining performance obligation for contracts with customers

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

7. SEGMENT INFORMATION

Information reported to the board of Directors (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

Operating segments regarding the agricultural big-data services were discontinued since the year ended 31 December 2020 and completed the disposal during the year ended 31 December 2021. The segment information reported below does not include any amounts for these discontinued operations, which are described in more details in Note 12 to the consolidated financial statements.

7. SEGMENT INFORMATION (Continued)

(a) Segment revenues and results and segment assets and liabilities

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

For the year ended 31 December 2022

Continuing operations

	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 revenue from external customers	—	—	—	—
Reportable segment loss	(1,635,816)	(3)	—	(1,635,819)
Reportable segment assets	2,860	3	—	2,863
Reportable segment liabilities	(3,821,662)	(20,606)	—	(3,842,268)

For the year ended 31 December 2021

Continuing operations

	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 revenue from external customers	—	—	936,940	936,940
Reportable segment loss	(463,739)	(27)	(661,714)	(1,125,480)
Reportable segment assets	7,956	3	—	7,959
Reportable segment liabilities	(2,189,627)	(20,606)	—	(2,210,233)

7. SEGMENT INFORMATION (Continued)

(b) Other information

For the year ended 31 December 2022

Continuing operations

	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
Amounts included in the measure of segment profits or loss or segment assets:				
Depreciation of property plant and equipment	(8)	—	—	(8)
Capital expenditure	(10)	—	—	(10)
Reversal of impairment of trade and other receivables	3,998	—	—	3,998
Finance costs	(173,748)	—	—	(173,748)
Interest income	19	—	—	19
Share of loss of associates	(1,330)	—	—	(1,330)

7. SEGMENT INFORMATION (Continued)

(b) Other information (Continued)

For the year ended 31 December 2021

Continuing operations

	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
Amounts included in the measure of segment profits or loss or segment assets:				
Amortisation of intangible assets	—	—	(736)	(736)
Depreciation of property plant and equipment	(98)	—	(46,683)	(46,781)
Depreciation of right-of-use assets	—	—	(1,260)	(1,260)
Capital expenditure	—	—	(23,429)	(23,429)
Impairment loss recognised on trade and other receivables	(150,900)	—	—	(150,900)
Reversal of impairment of trade and other receivables	68	—	—	68
Written-off of trade and other receivables	(5,804)	—	—	(5,804)
Finance costs	(168,195)	—	(15,456)	(183,651)
Interest income	50	—	212	262
Loss on disposals of property plant and equipment	—	—	(1,292)	(1,292)
Share of loss of associates	(2,634)	—	(400)	(3,034)
Losses on deconsolidation of subsidiaries	—	—	(700,402)	(700,402)
Loss on disposals of subsidiaries	(36,566)	—	—	(36,566)
Gain on disposal of an associate	—	—	3,509	3,509

(c) Geographical information

(i) The PRC is the country of domicile of the Company.

(ii) All of the Group's revenue from external customers is attributed to the PRC.

(iii) The Group's non-current assets are located in the PRC.

(d) Information about major customers

No sales to a single customer contributed 10% or more of the Group's revenue during the current year and prior year.

8A. OTHER INCOME

	2022 RMB'000	2021 RMB'000
Continuing operations		
Rental income *(Note (a))*	—	542
Supply of utilities	—	27,555
Sales of scrap and other materials	—	1,132
Interest income	19	262
Compensation income	350	—
Government grants *(Note (b))*	—	2,616
Others	810	1,394
	1,179	33,501

Notes:

(a) Leases

	2022 RMB'000	2021 RMB'000
For operating leases:		
Lease payments that are fixed or depend on an index or a rate	—	542

(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.

8B. OTHER GAINS OR LOSSES, NET

	2022 RMB'000	2021 RMB'000
Continuing operations		
Loss on disposals of property, plant and equipment	—	(1,292)
Gain on disposal of an associate	—	3,509
Written-off of trade and other receivables	—	(5,804)
Other losses *(Notes 25 (d) to (g))*	(1,454,546)	—
	(1,454,546)	(3,587)

9. REVERSAL OF IMPAIRMENT LOSS (IMPAIRMENT LOSS), NET

	2022 RMB'000	2021 RMB'000
Continuing operations		
Impairment losses recognised (reversed) under ECL model:		
Reversal of impairment on trade and other receivables	**(3,998)**	(68)
Impairment loss recognised on trade and other receivables	**—**	150,900
	(3,998)	150,832

10. FINANCE COSTS

	2022 RMB'000	2021 RMB'000
Continuing operations		
Interest expense on borrowings	**110,655**	110,966
Interest expense on other payables	**63,093**	72,685
	173,748	183,651

11. INCOME TAX EXPENSES

	2022 RMB'000	2021 RMB'000
Continuing operations		
Current income tax:		
PRC enterprise income tax ("**EIT**")	**6**	7,039
Under-provision in prior years, net		
EIT	**—**	3,159
	6	10,198
Deferred tax	**—**	40
	6	10,238

11. INCOME TAX EXPENSES (Continued)

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

One of the Company's subsidiaries has obtained the qualification of High and New Technology Enterprise from the relevant PRC government authorities and subject to a preferential tax rate of 15% for 2022 and 2021. The subsidiary has been deconsolidated from the consolidated financial statement of the Group during the year ended 31 December 2022. For details, please refer to Note 32.

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 Administrator considered the amount involved upon implementation of the two-tiered profits tax rates regime as insignificant to the consolidated financial statements. No provision for taxation in Hong Kong has been made for both years ended 31 March 2022 and 2021 as the Group did not generate any assessable profits arising in Hong Kong.

The income tax expense for the year can be reconciled to the loss before tax from continuing operations per the consolidated statement of profit or loss and other comprehensive income as follows:

	2022 RMB'000	2021 RMB'000
Loss before tax (from continuing operations)	(1,635,813)	(1,115,242)
Tax calculated at tax rate of 25% (2021: 25%)	(408,953)	(278,811)
Effect of different tax rates for subsidiaries operating in other jurisdiction	296	211
Tax effect of preferential tax rate granted to a PRC subsidiary	—	(5,089)
Tax effect of income and expense items that are not subject to tax, net	42,976	288,091
Tax effect of share of loss of associates	(332)	(518)
Tax effect of tax losses not recognised	366,019	3,195
Under-provision in respect of prior years, net	—	3,159
Income tax expense for the year (relating to continuing operations)	6	10,238

12. DISCONTINUED OPERATIONS AND DISPOSAL GROUP

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

		2021 RMB'000
Agricultural big-data services operation	*Note*	572

Note:

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**") (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 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) ("**Shanghai Runtong**") (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 RMB28,840,000. 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 the auction was not successful.

The assets and liabilities attributable to this business, which were 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 as at 31 December 2020.

By 5 July 2021, the Company received an execution ruling issued by the Shanghai Second Court dated 20 April 2021 in relation to the disposal of the Shanghai Runtong Shares to the pledgee in partial settlement of the debts at the prior agreed reserve price for the auction of RMB28,840,000 during the execution process of the Shanghai Second Court for the Zhiying Legal Proceedings. Shanghai Runtong ceased to be a subsidiary of the Company upon the issue of the execution ruling against the Company.

* *For identification purpose only*

12. DISCONTINUED OPERATIONS AND DISPOSAL GROUP (Continued)

Note: (Continued)

The Company amounts of the assets and liabilities of Shanghai Runtong as at the date of disposal are disclosed in Note 31.

The results from the discontinued agricultural big-data services operation for the period from 1 January 2021 to 20 April 2021 are set out below:

	2021 RMB'000
Revenue	3,279
Cost of sales	(373)
Other income	71
Administrative and other expenses	(2,405)
Profit before tax	572
Income tax expenses	—
Profit for the year from discontinued operation	572
Auditor's remuneration	40

During the year ended 31 December 2021, the discontinued agricultural big-data services operation used approximately RMB11,822,000 in respect of the Group's net operating cash flows, used approximately RMB210,000 in respect of investing activities and had no impact in respect of financing activities.

13. LOSS FOR THE YEAR

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

	2022 RMB'000	2021 RMB'000
Continuing operations		
Auditor's remuneration	560	1,370
Cost of inventories recognised as expenses	—	745,694
Amortisation of intangible assets	—	736
Depreciation of property, plant and equipment	8	46,781
Depreciation of right-of-use assets	—	1,260
Loss on disposals of property, plant and equipment	—	1,292
Research and development costs recognised as expense	—	32,177
Operating lease rental expenses in respect of:		
— Land and buildings	362	606

14. STAFF COSTS

	2022 RMB'000	2021 RMB'000
Continuing operations		
Employee costs (including Directors) comprise (from continuing operations):		
Wages and salaries	5,719	88,820
Social security costs	562	8,895
Retirement scheme contributions	378	3,979
	6,659	101,694
Capitalised in inventories	—	(25,464)
	6,659	76,230

15. DIRECTORS', CHIEF EXECUTIVE'S AND SUPERVISORS' EMOLUMENTS

Directors' and supervisors' remuneration for the year, disclosed pursuant to the applicable Listing Rules and Companies Ordinance, is as follows:

For the year ended 31 December 2022

Name	Fees RMB'000	Basic salaries and allowances RMB'000	Discretionary bonus RMB'000	Retirement scheme contributions RMB'000	Total RMB'000
Executive directors:					
Mr. Lan Huasheng	—	917	—	67	984
Mr. Wang Liguo *(Chief Executive Officer)*	—	739	—	56	795
Mr. Li Wenming *(note (a))*	—	—	—	—	—
	—	1,656	—	123	1,779

The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group.

Name	Fees RMB'000	Basic salaries and allowances RMB'000	Discretionary bonus RMB'000	Retirement scheme contributions RMB'000	Total RMB'000
Non-executive directors:					
Mr. Lu Tingfu	—	—	—	—	—

The non-executive director's emolument shown above was for his service as the Directors.

Name	Fees RMB'000	Basic salaries and allowances RMB'000	Discretionary bonus RMB'000	Retirement scheme contributions RMB'000	Total RMB'000
Independent non-executive directors:					
Mr. Chung Cheuk Ming	104	—	—	—	104
Mr. Wang Yanlong *(note (d))*	50	—	—	—	50
Mr. Yang Gaoyu	86	—	—	—	86
	240	—	—	—	240

The independent non-executive directors' emoluments shown above were for their services as the Directors.

Name	Fees RMB'000	Basic salaries and allowances RMB'000	Discretionary bonus RMB'000	Retirement scheme contributions RMB'000	Total RMB'000
Supervisors:					
Mr. Zheng Yong	—	—	—	—	—
Ms. Ye Mingzhu	55	—	—	—	55
Mr. Wang Bin	—	179	—	41	220
Ms. Sun Ting	—	194	—	45	239
Mr. Zhao Xufeng	66	—	—	—	66
	121	373	—	86	580

The supervisors' emoluments shown above were for their services as supervisors of the Company.

Name	Fees RMB'000	Basic salaries and allowances RMB'000	Discretionary bonus RMB'000	Retirement scheme contributions RMB'000	Total RMB'000
Total:	361	2,029	—	209	2,599

15. DIRECTORS', CHIEF EXECUTIVE'S AND SUPERVISORS' EMOLUMENTS (Continued)

For the year ended 31 December 2021

Name	Fees RMB'000	Basic salaries and allowances RMB'000	Discretionary bonus RMB'000	Retirement scheme contributions RMB'000	Total RMB'000
Executive directors:					
Mr. Lan Huasheng	—	954	—	54	1,008
Mr. Wang Liguo *(Chief Executive Officer)*	—	722	—	88	810
Mr. Yan Zebin *(note (b))*	—	39	39	5	83
Mr. Li Wenming *(note (a))*	—	175	72	15	262
	—	1,890	111	162	2,163

The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group.

Name	Fees RMB'000	Basic salaries and allowances RMB'000	Discretionary bonus RMB'000	Retirement scheme contributions RMB'000	Total RMB'000
Non-executive directors:					
Mr. Lu Tingfu	—	—	—	—	—

The non-executive director's emolument shown above was for his service as the Directors.

Name	Fees RMB'000	Basic salaries and allowances RMB'000	Discretionary bonus RMB'000	Retirement scheme contributions RMB'000	Total RMB'000
Independent non-executive directors:					
Mr. Chung Cheuk Ming	100	—	—	—	100
Mr. Liu Jun *(note (c))*	72	—	—	—	72
Mr. Yang Gaoyu	86	—	—	—	86
	258	—	—	—	258

The independent non-executive directors' emoluments shown above were for their services as the Directors.

Name	Fees RMB'000	Basic salaries and allowances RMB'000	Discretionary bonus RMB'000	Retirement scheme contributions RMB'000	Total RMB'000
Supervisors:					
Mr. Zheng Yong	—	—	—	—	—
Ms. Ye Mingzhu	55	—	—	—	55
Mr. Wang Bin	36	183	—	71	290
Ms. Sun Ting	36	199	—	77	312
Mr. Zhao Xufeng	66	—	—	—	66
	193	382	—	148	723

The supervisors' emoluments shown above were for their services as supervisors of the Company.

	Fees RMB'000	Basic salaries and allowances RMB'000	Discretionary bonus RMB'000	Retirement scheme contributions RMB'000	Total RMB'000
Total:	451	2,272	111	310	3,144

15. DIRECTORS', CHIEF EXECUTIVE'S AND SUPERVISORS' EMOLUMENTS (Continued)

Notes:

(a) Mr. Li Wenming was appointed as executive director on 18 June 2021 and resigned on 30 March 2022.

(b) Mr. Yan Zebin resigned as executive director on 15 January 2021.

(c) Mr. Liu Jun resigned as independent non-executive director on 3 December 2021.

(d) Mr. Wang Yanlong was appointed as independent non-executive director on 17 June 2022.

The discretionary bonuses for both years were determined with reference to the performance against corporate objectives, the profit of the Group and the achievement of individual performance targets.

There was no arrangement under which a director or the chief executive or supervisors waived or agreed to waive any remuneration during the years ended 31 December 2022 and 2021.

16. FIVE HIGHEST PAID EMPLOYEES

The five highest employees of the Group during the year included two (2021: two) Directors, details of whose emoluments are set out in Note 15 above. Details of the remuneration for the year of the remaining three (2021: three) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2022 RMB'000	2021 RMB'000
Basic salaries and allowances	1,185	1,024
Retirement scheme contributions	219	225
	1,404	1,249

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

	2022 Number of Individuals	2021 Number of Individuals
Nil to HK$1,000,000	3	3

During the years ended 31 December 2022 and 2021, no emoluments were paid by the Group to any of the Directors, chief executive and supervisors or any of the five highest paid individuals as an inducement to join or upon joining the Group, or as compensation for loss of office.

17. DIVIDENDS

No dividend was paid or proposed for ordinary shareholders of the Company during the year ended 31 December 2022, nor has any dividend been proposed since the end of the reporting period (2021: Nil).

18. 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:

	2022	2021
	RMB'000	RMB'000
Loss for the year attributable to owners of the Company for the purpose of basic and diluted loss per share	**(1,635,927)**	(1,125,142)

Number of shares

	2022	2021
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**9,551,079,812**	9,551,079,812

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:

	2022	2021
	RMB'000	RMB'000
Loss for the year attributable to owners of the Company	**(1,635,927)**	(1,125,142)
Less: Profit for the year from discontinued operations	**—**	457
Loss for the purpose of basic and diluted loss per share from continuing operations	**(1,635,927)**	(1,125,599)

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

18. LOSS PER SHARE (Continued)

For discontinued operations

During the year ended 31 December 2021, basic and diluted profit per share for the discontinued operations is profit of RMB0.00005 per share, based on the profit for the year from the discontinued operations of RMB457,000 and the denominators detailed above for both basic and diluted earnings per share.

No diluted earnings per share for both 2022 and 2021 were presented as there were no potential ordinary shares in issue for both 2022 and 2021.

19. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Leasehold improvement	Machinery	Storage facilities	Furniture, fixtures and testing equipment	Transportation facilities	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
COST								
At 1 January 2021	465,276	370	599,460	2,059	10,337	8,930	33,244	1,119,676
Additions	—	—	4,591	—	1,134	—	17,153	22,878
Disposals	—	—	(2,042)	—	(43)	—	—	(2,085)
Deconsolidation of subsidiaries	(491,840)	(370)	(610,959)	(2,059)	(11,915)	(8,275)	(14,347)	(1,139,765)
Transfer	26,564	—	8,950	—	536	—	(36,050)	—
At 31 December 2021	—	—	—	—	49	655	—	704
Additions	—	—	—	—	10	—	—	10
Written off	—	—	—	—	—	(655)	—	(655)
At 31 December 2022	**—**	**—**	**—**	**—**	**59**	**—**	**—**	**59**
ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSS								
At 1 January 2021	54,927	370	148,408	1,881	5,081	3,641	—	214,308
Provided for the year	8,774	—	36,298	—	965	744	—	46,781
Eliminated on disposals	—	—	(567)	—	(37)	—	—	(604)
Deconsolidation of subsidiaries	(63,701)	(370)	(184,139)	(1,881)	(5,981)	(3,730)	—	(259,802)
At 31 December 2021	—	—	—	—	28	655	—	683
Provided for the year	—	—	—	—	8	—	—	8
Written off	—	—	—	—	—	(655)	—	(655)
At 31 December 2022	**—**	**—**	**—**	**—**	**36**	**—**	**—**	**36**
NET BOOK VALUE								
At 31 December 2022	**—**	**—**	**—**	**—**	**23**	**—**	**—**	**23**
At 31 December 2021	—	—	—	—	21	—	—	21

19. PROPERTY, PLANT AND EQUIPMENT (Continued)

The above items of property, plant and equipment (except for construction in progress), are depreciated on a straight-line basis over their estimated useful life as follows:

Buildings	20 to 42 years
Leasehold improvement	over the lease term
Machinery	5 to 10 years
Storage facilities	12 to 20 years
Furniture, fixtures and testing equipment	5 to 10 years
Transportation facilities	2 to 20 years

During the year, no carrying amounts of property, plant and equipment have been written down to their recoverable amounts.

20. RIGHT-OF-USE ASSETS

	Leasehold lands RMB'000
As at 1 January 2021	90,876
Depreciation charges	(1,260)
Deconsolidation of subsidiaries	(89,616)
As at 31 December 2021 and 2022	—

	2022 **RMB'000**	2021 RMB'000
Expense relating to short-term leases and other leases with lease terms end within 12 months	**362**	606
Total cash outflow for leases	**362**	606

During the year ended 31 December 2021, the Group owns several industrial buildings where its manufacturing facilities are primarily located on office buildings. The Group is the registered owner of these property interests, including the underlying leasehold lands. Lump sum payments were made upfront to acquire these property interests. The leasehold land components of these owned properties are presented separately only if the payments made can be allocated reliably.

The Group regularly entered into short-term leases for offices. As at 31 December 2022 and 2021, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expense disclosed above.

21. INTANGIBLE ASSETS

	Payment business license *(Note (a))* RMB'000	Patent *(Note (b))* RMB'000	Computer software *(Note (c))* RMB'000	Total RMB'000
COST				
At 1 January 2021	225,786	7,332	2,631	235,749
Additions	—	92	459	551
Deconsolidation of subsidiaries	(225,786)	(7,424)	(2,524)	(235,734)
At 31 December 2021	—	—	566	566
Written-off	—	—	(566)	(566)
At 31 December 2022	**—**	**—**	**—**	**—**
ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSS				
At 1 January 2021	225,786	2,820	1,230	229,836
Provided for the year	—	550	186	736
Deconsolidation of subsidiaries	(225,786)	(3,370)	(850)	(230,006)
At 31 December 2021	—	—	566	566
Written-off	—	—	(566)	(566)
At 31 December 2022	**—**	**—**	**—**	**—**
CARRYING VALUES				
At 31 December 2022	**—**	**—**	**—**	**—**
At 31 December 2021	—	—	—	—

Notes:

(a) The payment business license with an indefinite useful life represents qualification for non-bank financial institution to provide third party payment services.

(b) Patent, which has finite useful lives, is amortised on a straight-line basis over 10 years.

(c) Computer software, which has finite useful lives, is amortised on a straight-line basis over 5 years.

22. INTERESTS IN ASSOCIATES

	2022 RMB'000	2021 RMB'000
Cost of investment in associates	**9,600**	9,600
Share of post-acquisition profits and other comprehensive income, net of dividends received	**(7,307)**	(5,977)
	2,293	3,623
Impairment loss on investments in associate	**—**	—
	2,293	3,623
Share of net assets	**2,293**	3,623

22. INTERESTS IN ASSOCIATES (Continued)

The details of the Group's associates at the end of the reporting periods are as follows:

Name	Place of incorporation and type of legal entity	Principal activities and place of operation	Proportion of ownership interest held by the Group		Proportion of voting rights held by the Group	
			2022	2021	**2022**	2021
眉山大生聖豐科技有限公司 Meishan Dasheng Shengfeng Technology Co., Ltd.* ("**Meishan Dasheng**")	PRC, limited liability company	Agricultural big-data service in the PRC	**—** ***(note (a))***	— *(note (a))*	**—**	—
鎮江農批數據服務有限公司 Zhenjiang Agricultural Data Service Co., Ltd.* ("**Zhenjiang Agricultural**")	PRC, limited liability company	Agricultural big-data service in the PRC	**—** ***(note (a))***	— *(note (a))*	**—**	—
安徽博洋潤滑科技有限公司 Anhui Boyang Lubrication Technology Co., Ltd.* ("**Anhui Boyang**")	PRC, limited liability company	Agricultural products supply chain service in the PRC	**—** ***(note (c))***	— *(note (c))*	**—**	—
中農普惠金服科技股份有限公司 Zhongnong Puhui Jinfu Technology Ltd.* ("**Zhongnong Puhui**")	PRC, limited liability company	Finance lease business in the PRC	**12%**	12%	**12%**	12%
安徽飛時達化工科技有限公司 Anhui Feishida Chemical Industry Technology Co., Ltd.* ("**Anhui Feishida**")	PRC, limited liability company	Agricultural products supply chain service in the PRC	**—** ***(note (b))***	— *(note (b))*	**—**	—
南京生澤資訊科技有限公司 Nanjing Shengze information Technology Co., Ltd.* ("**Nanjing Shengze**")	PRC, limited liability company	Agricultural big-data service in the PRC	**—** ***(note (a))***	— *(note (a))*	**—**	—
和縣星泰能源科技有限公司 Hexian Xingtai Energy Technology Co., Ltd.*	PRC, limited liability company	Agricultural products supply chain service in the PRC	**—** ***(note (c))***	— *(note (c))*	**—**	—
濰坊市國維大生供應鏈有限公司 Weifang Guowei Dasheng Supply Chain Co., Ltd.* ("**Weifang Guowei**")	PRC, limited liability company	Supply chain service in the PRC	**—** ***(note (d))***	— *(note (d))*	**—**	—

* *For illustrative purposes only.*

22. INTERESTS IN ASSOCIATES (Continued)

Notes:

(a) During the year ended 31 December 2021, the interests in these associates were disposed of through the disposal of the Shanghai Runtong Shares, as detailed in Note 31 to the consolidated financial statements.

(b) The interests in Anhui Feishida were disposed of during the year ended 31 December 2021.

(c) The interests in these associates were derecognised through the deconsolidation of Anhui Huaxing (Defined in Note 25(e)) during the year ended 31 December 2021.

(d) Weifang Guowei was deregistered during the year ended 31 December 2021.

Summarised financial information of material associates

Summarised financial information in respect of each of the Group's material associates is set out below. The summarised financial information below represents amounts shown in the associate's financial statements prepared in accordance with HKFRSs.

(a) Anhui Feishida

	2021 RMB'000
Current assets	N/A
Non-current assets	N/A
Current liabilities	N/A
Non-current liabilities	N/A
Revenue	—
Loss for the year	(813)
Other comprehensive income for the period/year	—
Total comprehensive income for the period/year	(813)
Dividends received from the associate during the period/year	—

Note:

As per the terms of acquisition, the Group does not share profit or loss for post-acquisition of Anhui Feishida. The interests in Anhui Feishida were disposed during the year ended 31 December 2021.

22. INTERESTS IN ASSOCIATES (Continued)

Summarised financial information of material associates (Continued)

(b) Anhui Boyang

	2021 RMB'000
Current assets	N/A
Non-current assets	N/A
Current liabilities	N/A
Non-current liabilities	N/A
Revenue	1,810
Loss for the period/year	(1,026)
Other comprehensive income for the period/year	—
Total comprehensive income for the period/year	(1,026)
Dividends received from the associate during the period/year	—

Reconciliation of the above summarised financial information to the carrying amount of the interest in the associate recognised in the consolidated financial statements:

	2021 RMB'000
Net assets of Anhui Boyang	N/A
Proportion of the Group's ownership interest in Anhui Boyang	39%
The Group' share of net assets of Anhui Boyang	—

22. INTERESTS IN ASSOCIATES (Continued)

Summarised financial information of material associates (Continued)

(c) Zhongnong Puhui

	2022 RMB'000	2021 RMB'000
Current assets	**10,093**	19,582
Non-current assets	**10,994**	13,387
Current liabilities	**1,978**	2,780
Non-current liabilities	**—**	—
Revenue	**1,306**	8,076
Loss for the year	**(11,080)**	(21,949)
Other comprehensive income for the year	**—**	—
Total comprehensive income for the year	**(11,080)**	(21,949)
Dividends received from the associate during the year	**—**	—

Reconciliation of the above summarised financial information to the carrying amount of the interest in the associate recognised in the consolidated financial statements:

	2022 RMB'000	2021 RMB'000
Net assets of Zhongnong Puhui	**19,109**	30,189
Proportion of the Group's ownership interest in Zhongnong Puhui	**12%**	12%
The Group' share of net assets of Zhongnong Puhui	**2,293**	3,623

23. TRADE AND OTHER RECEIVABLES

	2022 RMB'000	2021 RMB'000
Trade receivables	—	626,969
Other receivables	751,783	1,690,326
	751,783	2,317,295
Less: Impairment loss recognised on trade and other receivables	(751,783)	(2,317,295)
	—	—

The aging analysis of trade and notes receivables for agricultural and petrochemical products supply chain services are prepared based on invoice dates. The detailed aging analysis that are before impairment loss are as follows:

	2022 RMB'000	2021 RMB'000
2 years to less than 3 years	—	610
Over 3 years	—	626,359
	—	626,969

Note:

The credit terms granted to individual customers vary on a customer-by-customer basis which is determined by management with reference to the creditability of respective customers. Normally the credit period ranges from 30 days to 180 days.

Details of impairment assessment of trade and other receivables are set out in Note 35.

24. RESTRICTED BANK DEPOSITS AND CASH AND CASH EQUIVALENTS

Cash and cash equivalents include demand deposits for the purpose of meeting the Group's short term cash commitments, which carry interest at market rates which range from 0.1% to 0.35% (31 December 2021: 0.01% to 0.35%) per annum.

The Group's restricted bank deposits were denominated in RMB, United States Dollars ("**USD**") and Hong Kong Dollars ("**HK$**"), and as collateral for legal proceedings, bank borrowings and receipt in advance from customer related to payment card business. The effective interest rates on restricted bank deposits were ranging from 0.25% to 2.7% per annum as at 31 December 2022 (2021: from 1.1% to 3.6%per annum).

Included in the restricted bank deposits and bank balances are the following amounts denominated in currencies other than the group entities' functional currencies:

	2022 RMB'000	2021 RMB'000
HK$	**61**	328

Included in the restricted bank deposits and bank balances are the following amounts which are subject to foreign exchange control regulations and not freely transferable:

	2022 RMB'000	2021 RMB'000
Amounts denominated in RMB	**486**	3,987

Details of impairment assessment of restricted bank deposits and bank balances are set out in Note 35.

25. TRADE AND OTHER PAYABLES

	2022 RMB'000	2021 RMB'000
Trade payables	**27,781**	27,781
Amounts due to related companies *(note (a))*	**73,963**	72,698
Other payables and accruals *(notes (b) to (g))*	**2,447,491**	549,793
Financial guarantee contracts	**—**	241,100
	2,549,235	891,372

Notes:

The other payables and accruals of the Group as at 31 December 2022 and 31 December 2021 comprised the followings:

(a) The amounts are interest-free, unsecured and repayable on demand.

(b) An amount due to a former shareholder of a subsidiary of the Company of approximately RMB100,327,000 (2021: approximately RMB100,327,000) with outstanding overdue penalty of approximately RMB41,555,000 (2021: approximately RMB33,529,000), which was unsecured, interest-free, repayable on 10 October 2018, and subject to an overdue penalty of 8% per annum.

25. TRADE AND OTHER PAYABLES (Continued)

Notes: (Continued)

(c) An amount due to a creditor of approximately RMB36,674,000 (2021: approximately RMB36,674,000) with outstanding overdue penalty of approximately RMB57,326,000 (2021: approximately RMB50,633,000), which is unsecured, interest-free, is repayable from February to August 2018 and subject to an overdue penalty of 0.05% per day.

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

On 16 January 2020, the Company received a civil judgement 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 judgement, 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. Details, please refer to the Company's announcement dated 16 January 2020.

On 15 August 2022, the Company received a copy of a civil complaint from the Shanghai Railway Transportation Court* (上海鐵路運輸法院) in the PRC 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 RMB373,149,700, including the repurchase consideration of RMB217,580,000 and the accrued interests of RMB155,569,700. Up to the date of this financial statements, the Company had not received any judgement in relation to such proceedings. Details of the above proceedings are set out in the Company's announcement dated 15 August 2022.

The Company received an execution ruling issued by the Gansu Provincial Lanzhou Intermediate People's Court* (甘肅省蘭州市中級人民法院) dated 23 September 2022, which reinstated the civil judgement dated 19 December 2019, and that in the event that there are insufficient bank deposits for the Company to fulfil its payment obligations, assets of the Company of equivalent value shall be seized, impounded, auctioned, or sold.

A bankruptcy restructuring application was filed by Shanghai Tingdong against the Company on 29 September 2022. On 6 June 2023, the Company received a civil ruling dated 6 June 2023 from the Shanghai Third Court in relation to the Table of No Objections of Creditors' Claims of Shanghai Dasheng Agriculture Finance Technology Co., Ltd.* (《上海大生農業金融科技股份有限公司無異議債權表》). According to such civil ruling, it was confirmed that the claims from CEFC Securities amounted to RMB401,761,470. Pursuant to Article 94 of the Enterprise Bankruptcy Law with the reduction of debt in accordance with the implementation of the Bankruptcy Restructuring Proposal, the Company will no longer bear the responsibility for the repayment of debts relieved by the Bankruptcy Restructuring upon the completion of the Bankruptcy Restructuring Proposal.

* *For identification purpose only*

25. TRADE AND OTHER PAYABLES (Continued)

Notes: (Continued)

(e) Litigation with Anhui Huaxing Chemical Industry Company Limited* (安徽華星化工有限公司) ("**Anhui Huaxing**")

(i) On 11 August 2021, the Company was notified that an application for bankruptcy restructuring ("**Huaxing Bankruptcy Restructuring**") against Anhui Huaxing, a then wholly owned subsidiary of the Company, was filed with the People's Court of He County, Anhui Province (the "**Anhui Court**") in the PRC by a creditor on 4 August 2021 on the ground that Anhui Huaxing was unable to repay the debt falling due. On 8 March 2022, the Company received a notification letter from Anhui Huaxing, stating that a change of shareholder of Anhui Huaxing was completed on 3 March 2022. The entire equity interest of Anhui Huaxing was transferred to the restructuring investor of Anhui Huaxing ("**Huaxing Bankruptcy Restructuring Investor**") on 3 March 2022.

For details of the development, 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.

(ii) On 22 March 2022, the Company received a civil ruling dated 17 March 2022 issued by the Anhui Court in relation to the statement of claim filed by the administrator of Anhui Huaxing ("**Huaxing Administrator**") on 24 January 2022 against the Company under the Anhui 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**"). Pursuant to such civil ruling, the Company shall, within ten days from the effective date of the ruling, repay Anhui Huaxing (1) aggregate principal amount of RMB35.5 million; (2) interest of approximately RMB3.8 million for the period from 23 February 2021 up to the date of actual payment, which is calculated on the basis of the principal amount of RMB35.5 million at 1.5 times the prevailing prime lending rate of 3.7% for 1-year loans promulgated by the National Interbank Funding Center; (3) case acceptance fee of RMB286,866; and (4) preservation fee of RMB5,000. In the event that the Company fails to fulfill the payment obligation within the period as specified in the ruling, additional interest on the amount due will be levied on the Company for the period of late payment concerned in accordance with Article 260 of the Civil Procedure Law of The People's Republic of China (the "**Civil Procedure Law**"). As a result, additional interest of approximately RMB1.7 million has arisen. The Company received an execution ruling dated 30 October 2022 issued by the Anhui Court, which according to the execution ruling, the Company was not found to have any assets available for the execution of the civil ruling dated 17 March 2022 and the execution procedure was thereby terminated.

(iii) The Company received a civil ruling dated 25 July 2022 issued by the Anhui Court. According to the civil ruling, during the period between March to December 2018, a series of debt assignment and assumption agreements and assignment of claim agreements have been executed among the Company, Anhui Huaxing, Shenzhen Dasheng and three independent third parties for the assignment of debts and claims, and ordered the Company for the repayment of debts under the agreements in an aggregate principal amount of approximately RMB713.8 million. Pursuant to such civil ruling, the Company shall, within ten days from the effective date of the ruling, repay Anhui Huaxing the aggregated principal amount of approximately RMB713.8 million. In the event that the Company fails to fulfill the payment obligation within the period as specified in the ruling, additional interest on the amount due will be levied on the Company for the period of late payment concerned in accordance with Article 260 of the Civil Procedure Law. As a result, additional interest of approximately RMB18.4 million has arisen. The case acceptance fee of RMB3.6 million shall also be borne by the Company. The Company received an execution ruling dated 30 October 2022 issued by the Anhui Court, which according to the execution ruling, the Company was not found to have any assets available for the execution of the civil ruling dated 25 July 2022 and the execution procedure was thereby terminated.

(iv) The Company received a civil ruling dated 19 August 2022 issued by the Anhui Court. According to the civil ruling, during the period between April 2018 to July 2021, Anhui Huaxing provided financial assistance to the Company in an aggregate principal amount of approximately RMB66.9 million. Pursuant to such civil ruling, the Company shall, within ten days from the effective date of the ruling, repay Anhui Huaxing the principal amount of approximately RMB66.9 million. In the event that the Company fails to fulfill the payment obligation within the period as specified in the ruling, additional interest on the amount due would be levied on the Company for the period of late payment concerned in accordance with Article 260 of the Civil Procedure Law. As a result, additional interest of approximately RMB1.4 million has arisen. The case acceptance fee of RMB376,448 shall be borne by the Company. The Company received an execution ruling dated 30 October 2022 issued by the Anhui Court, which according to the execution ruling, the Company was not found to have any assets available for the execution of the civil ruling dated 19 August 2022 and the execution procedure was thereby terminated.

* *For identification purpose only*

25. TRADE AND OTHER PAYABLES (Continued)

Notes: (Continued)

(e) Litigation with Anhui Huaxing (Continued)

As set out in the statement of claim dated 6 March 2023, Anhui Huaxing claimed against the Company for a sum of approximately RMB841.5 million, purported to be the balance of original claims of approximately RMB816.2 million (being the sum of the principal amounts as described in (ii), (iii) and (iv) above), interest of approximately RMB3.8 million (being the interest as described in (ii) above), yield claims of approximately RMB21.5 million (being the sum of additional interest as described in (ii), (iii) and (iv) above), and other claims of RMB5,000 (being the preservation fee as described in (ii) above). Since the Bankruptcy Restructuring Proposal has been approved by the Shanghai Third Court, pursuant to Article 94 of the Enterprise Bankruptcy Law with the reduction of debt in accordance with the implementation of the Bankruptcy Restructuring Proposal, the Company will no longer bear its responsibility for the repayment of debts relieved by the Bankruptcy Restructuring upon the completion of Bankruptcy Restructuring Proposal.

(f) Creditor's claim by Jiujiang Bank Co., Ltd. Guangdong Free Trade Zone Nansha Sub-branch

Jiujiang Bank Co., Ltd. Guangdong Free Trade Zone Nansha Sub-branch (九江銀行股份有限公司廣東自貿試驗區南沙支行) ("**Jiujiang Bank**") entered into multiple loan borrowing agreements and extension agreements with Anhui Huaxing on 13 April 2018, 17 April 2018, 15 April 2019 and 16 April 2019; and the Company thereafter entered into with Jiujiang Bank a maximum guarantee contract and a maximum pledge amount contract on 8 April 2018 and 11 April 2018, respectively, and a deed of guarantee in relations to the abovementioned loans on 1 April 2018. The Huaxing Bankruptcy Restructuring was completed in 2022 and the Anhui Court determined that the claims of Jiujiang Bank, being one of the creditors of Anhui Huaxing, were non-preferential claims. Therefore, Jiujiang Bank was unable to recover its claims from the sale of fixed assets of Anhui Huaxing. As Anhui Huaxing failed to repay such loans, Jiujiang Bank subsequently submitted a creditor's claim to the Administrator based on the deed of guarantee, the maximum guarantee contract and the maximum pledge amount contract, the declaration for initial claims was RMB253,871,785.58 and interest-bearing claims was RMB56,372,242.74, with a total amount of RMB310,244,028.32. The final amount so confirmed by the Administrator was RMB276,685,014.24.

(g) Creditor's claim by Minsheng Financial Leasing Co., Ltd.

Minsheng Financial Leasing Co., Ltd. (民生金融租賃股份有限公司) ("**Minsheng Financial**") entered into a finance lease agreement and supplemental agreements with Anhui Huaxing on 24 August 2016, 13 June 2018, 11 September 2019 and 12 March 2020, respectively; and the Company thereafter entered into a legal person guarantee contract and two pledge agreements with Minsheng Financial on 13 June 2018, 11 September 2019 and 21 April 2021, respectively. The Huaxing Bankruptcy Restructuring was completed in 2022 and the Anhui Court determined that Minsheng Financial, being one of the creditors of Anhui Huaxing, as non-preferential claims. Therefore, Minsheng Financial was unable to recover its claims from the sale of fixed assets of Anhui Huaxing. As Anhui Huaxing failed to repay such loans, Minsheng Financial subsequently submitted a creditor's claim to the Administrator based on the finance lease agreement and supplemental agreement, the declaration for initial claims was RMB220,316,203.02. The Administrator has confirmed and Minsheng Financial has agreed that the total amount of such claims was RMB220,316,203.02.

The following is an aged analysis of trade payable presented based on the invoice dates:

	2022 **RMB'000**	2021 RMB'000
Agricultural and petrochemical products supply chain services:		
Over 3 years	**27,781**	27,781

26. CONTRACT LIABILITIES

	Notes	**2022 RMB'000**	2021 RMB'000
Agricultural and petrochemical products supply chain services	*(i)*	—	108,101

As at 1 January 2021, contract liabilities amounted to approximately RMB303,574,000.

The following table shows how much of the revenue recognised relates to carried-forward contract liabilities and the amount related to performance obligations that were satisfied in prior periods.

	Agricultural and petrochemical products supply chain services RMB'000	**Agrochemical products supply chain services** RMB'000
For the year ended 31 December 2022		
Revenue recognised that was included in the contract liability balance at the beginning of the year	—	—
For the year ended 31 December 2021		
Revenue recognised that was included in the contract liability balance at the beginning of the year	—	(195,073)
Deconsolidation of subsidiaries *(Note 32)*	—	18,203

26. CONTRACT LIABILITIES (Continued)

Notes:

Typical payment terms which impact on the amount of contract liabilities recognised are as follows:

(i) Agricultural and petrochemical products supply chain services

The Group requires customers to made full upfront payments within 90 days after they entered into the sales contracts. The upfront payments are being recognised as contract liabilities until the Group delivered the finished goods to the customer, which is typically performed within 3 months after they entered into the sales contracts.

During the year ended 31 December 2022, the management considered that certain sale contracts signed in prior years is expired and approximately HK$108,101,000 received by the Group is reclassified from contract liabilities to other payables.

(ii) Agrochemical products supply chain services

Depending on market conditions, the Group may offer customers a discount compared to the listed sales price, provided that the customers agree to make advance payments while production is still ongoing. The advance payment schemes result in contract liabilities being recognised throughout the production period until the customer obtains control of the finished goods.

The Group considers the advance payments contain significant financing component and applies the practical expedient of not adjusting the transaction price for any significant financing component as the period between payments and transfer of the associated goods is less than one year.

27. BORROWINGS

	Notes	2022 RMB'000	2021 RMB'000
Bank borrowings:			
Secured	(a) & (b)	**218,555**	232,313
Other borrowings:			
Secured	(a) & (c)	**1,019,873**	923,842
		1,238,428	1,156,155

	2022 RMB'000	2021 RMB'000
The carrying amounts of the above borrowings are repayable*:		
On demand or within one year	**1,238,428**	1,156,155

* *The amounts due are based on scheduled repayment dates set out in the loan agreements.*

27. BORROWINGS (Continued)

Notes:

As at the end of reporting period, the summary of assets pledged and guaranteed borrowings are as follows:

(a) The borrowings are secured by:

	2022 RMB'000	2021 RMB'000
Restricted bank deposits *(Note 24)*	**64**	43

As at 31 December 2022 and 2021, equity interests of Shanghai Agro-chemical has been pledged to obtain certain borrowings.

(b) The secured borrowings of the Group to the extent of approximately RMB218,555,000 (2021: RMB232,313,000) were guaranteed by certain director of the Company and its subsidiaries.

(c) All other borrowings of the Group are secured and bearing interest rates ranging from 12.33% to 15.00% (2021: 12.33% to 15.00%).

(d) The exposure of the Group's borrowings are as follows:

	2022 RMB'000	2021 RMB'000
Fixed-rate borrowings	**435,925**	499,014
Variable-rate borrowings	**346,515**	341,616
	782,440	840,630

The floating rate borrowings carried interest at rates up to over 20% to 100% of the benchmark rate of People's Bank of China (2021: over 20% to 100% over the benchmark rate of People's Bank of China).

The ranges of effective interest rates (which are also equal to contracted interest rates) on the Group's borrowings are as follows:

	2022 RMB'000	2021 RMB'000
Effective interest rates:		
Fixed-rate borrowings	**8.22% to 18%**	8.22% to 18%
Variable-rate borrowings	**4.35% to 5.22%**	4.35% to 5.22%

The Group's borrowings are denominated in RMB.

As at 31 December 2022 and 2021, no banking facilities of the Group were subject to the fulfilment of covenants relating to the Company's financial ratios.

28. DEFERRED TAX

The following is the analysis of the deferred tax balances for financial reporting purposes:

	2022 **RMB'000**	2021 RMB'000
Deferred tax liabilities	**—**	—

Details of the deferred tax liabilities recognised and movements thereon during the current and prior years:

	Fair value surplus in respect of business combination RMB'000
At 1 January 2021	(3,128)
Deconsolidation of subsidiaries	3,168
Credit to profit or loss	(40)
At 31 December 2021 and 2022	—

At the end of the reporting period, the Group has unused tax losses for PRC subsidiaries of approximately RMB2,674,996,000 (2021: RMB1,210,919,000) available for offset against future profits. No deferred tax asset has been recognised in respect of the unused tax losses due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of approximately RMB2,674,996,000 (2021: RMB1,210,919,000) with expiry period from one year to five years. Other losses of approximately RMB43,812,000 (2021: RMB43,812,000) arising in Hong Kong can be carried forward indefinitely.

Under the EIT Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

29. SHARE CAPITAL

	Number of shares	Amount
		RMB'000
Ordinary shares of RMB0.1 each		
Authorised, issued and fully paid:		
At 31 December 2021 and 31 December 2022 *(Note)*	9,551,079,812	955,108

Note:

The shares rank *pari passu* in all respects.

30. RETIREMENT BENEFITS PLANS

The Group operates a Mandatory Provident Fund Scheme (the "**MPF Scheme**") for all qualifying employees in Hong Kong. The assets of the MPF Schemes are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5% of relevant payroll costs capped at HK$1,500 (2021: HK$1,500) per month to the MPF Scheme, in which is matched by employees.

The Company and the Company's subsidiaries in the PRC are members of the state-managed retirement benefits scheme operated by the government of PRC. The retirement scheme contributions, which are based on a certain percentage of the basic salaries of the relevant subsidiary's employees, are charged to the profit or loss in the period to which they relate and represent the amount of contributions payable by the subsidiary to the scheme. The only obligation of the Group with respect to the retirement benefits scheme operated by the government of PRC is to make the required contributions under the scheme.

The total expense recognised in profit or loss of approximately RMB378,000 (2021: RMB4,048,000) represents contributions paid or payable to these plans by the Group at rates specified in the rules of the plans. As at 31 December 2022, contributions of approximately RMB2,000 (2021: RMB2,000) due in respect of the year ended 31 December 2022 had not been paid over to the plans. The amounts were paid subsequent to the end of the reporting period.

31. DISPOSAL OF INTERESTS IN SUBSIDIARIES

For the year ended 31 December 2021

Disposal of Shanghai Rutong

As disclosed in Note 12, the Company received an execution ruling issued by the Shanghai Second Court dated 20 April 2021 in relation to the disposal of the Shanghai Runtong Shares to the Pledgee in partial settlement of the debts at the prior agreed reserve price for the auction of RMB28,840,000 during the execution process of the Shanghai Second Court for the Zhiying Legal Proceedings. Shanghai Runtong ceased to be a subsidiary of the Company upon the issue of the execution ruling against the Company.

The net assets of the Shanghai Runtong as at the date of disposal were as follows:

Analysis of assets and liabilities over which control was lost:	**20 April 2021** RMB'000
Property, plant and equipment	6,928
Intangible assets	3,950
Equity instruments at FVTOCI	4,422
Deferred tax assets	376
Inventories	68
Restricted bank deposits	79,807
Cash and cash equivalents	664
Trade and other receivables	63,239
Deferred tax liabilities	(1)
Trade and other payables	(76,096)
Tax liabilities	(1,600)
Net assets disposed of	81,757
Loss on disposal:	
Consideration	28,840
Non-controlling interest	16,351
Net assets disposed of	(81,757)
Loss on disposal	(36,566)
Net cash outflow arising on disposal:	
Cash received	—
Less: cash and cash equivalents disposed of	(664)
	(664)

32. DECONSOLIDATION OF SUBSIDIARIES

For the year ended 31 December 2021

Deconsolidation of the Anhui Huaxing and its subsidiaries ("Anhui Huaxing Group")

On 4 August 2021, an application for Huaxing Bankruptcy Restructuring was filed with the Anhui Court by a creditor on the ground that Anhui Huaxing is unable to repay the debt falling due. Anhui Huaxing is a wholly-owned subsidiary of the Company which engages in agrochemical products supply chain services in the PRC. On 13 August 2021, the Anhui Court accepted the Huaxing Bankruptcy Restructuring Application against Anhui Huaxing.

The Anhui Court has given a decision on 24 August 2021 regarding the establishment and appointment of the liquidation team as the Huaxing Administrator for the Huaxing Bankruptcy Restructuring. The Group considered that the control over Anhui Huaxing has been lost on 13 August 2021 and accordingly, the financial results of Anhui Huaxing Group were deconsolidated from the consolidated financial statements of the Group since 13 August 2021.

The following is a list of the subsidiaries which have been deconsolidated from 13 August 2021:

Name	Place of incorporation and type of legal entity	Principal activities and place of operation	Issued share capital/ registered capital	Proportion of ownership interest held by the Company before deconsolidation	
				Directly	Indirectly
安徽華星化工有限公司 Anhui Huaxing Chemical Industry Company Limited*	PRC, limited liability company	Agricultural products supply chain service in the PRC	RMB180,000,000	100%	—
安徽中成農業科技有限公司 Anhui Zhongcheng Agriculture Technology Company Limited*	PRC, limited liability company	Agricultural technology development service in the PRC	RMB100,000,000	—	100%
麥道石油(合肥)有限公司 Mai Dao Petroleum (Hefei) Co., Ltd.*	PRC, limited liability company	Agricultural products supply chain service in the PRC	RMB10,000,000	—	100%
南京華工農化研究院有限公司 Nanjing Huagong Agrochemical Research Institute Co., Ltd.*	PRC, limited liability company	Agricultural products supply chain service in the PRC	RMB2,000,000	80%	—

* *For illustrative purposes only*

32. DECONSOLIDATION OF SUBSIDIARIES (Continued)

For the year ended 31 December 2021 (Continued)

Deconsolidation of the Anhui Huaxing Group (Continued)

The net assets of the Anhui Huaxing Group as at the date of deconsolidation were as follows:

Net assets deconsolidated:	RMB'000
Property, plant and equipment	879,963
Right-of-use assets	89,616
Intangible assets	5,728
Interests in associates	21,003
Inventories	192,482
Cash and cash equivalents	14,044
Trade and other receivables	278,578
Amount due from the Group	33,200
Contract liabilities	(18,203)
Borrowings	(499,297)
Trade and other payables	(286,021)
Tax liabilities	(7,549)
Deferred tax liabilities	(3,168)
Net assets deconsolidated of	700,376
Loss on deconsolidation of subsidiaries:	
Non-controlling interest	(26)
Net assets deconsolidated of	(700,376)
Loss on deconsolidation	(700,402)
Net cash outflow arising on deconsolidation:	
Cash received	—
Less: cash and cash equivalents deconsolidation of	(14,044)
	(14,044)

33. LITIGATIONS AND CONTINGENT LIABILITIES

Other than as disclosed in Note 25 (d) to (g) to the consolidated financial statements, the Group has following litigations and contingent liabilities:

(a) Bank of Shanghai Company Limited Pudong Branch

On 23 April 2018, Bank of Shanghai Company Limited Pudong Branch ("**Bank of Shanghai**") issued and filed three statements of claim (the "**Statements of Claim**"), one of which against Shanghai Dasheng Agricultural Products Co., Ltd. and two of which against Shanghai Agro-chemical both are wholly-owned subsidiaries of the Company (collectively the "**Subsidiaries**"), under the People's Court of Pudong New Area of Shanghai (the "**Shanghai Pudong Court**") for a breach of loan agreements due to default in repayments of loans in an aggregate principal amount of RMB89,900,000 and all related interests (the "**Loans**") (collectively, the "**Legal Proceedings**"). Shenzhen Dasheng and the Company, both being the guarantors to the Loans, were named as defendants in the Statements of Claim. On 30 October 2018, the Company received three civil judgements dated 30 September 2018 by the Shanghai Pudong Court in relations to the Legal Proceedings (collectively, the "**Civil Judgements**"). According to the Civil Judgements, (i) the Subsidiaries shall repay Bank of Shanghai of approximately RMB90,171,000 (including the principal amounts and related interests) within 10 days from the effective date of the Civil Judgments (the "**Effective Date**"), being the date after 15 days upon the Civil Judgments were served on and no appeal application is made, (ii) the Subsidiaries shall pay Bank of Shanghai the overdue interests/advance interests during the period from the settlement due date to the actual settlement date within 10 days from the Effective Date, (iii) the Subsidiaries shall pay Bank of Shanghai its legal fee in a total amount of RMB150,000 within 10 days from the Effective Date, and (iv) the guarantors to the Loans (including the Company) shall undertake joint guarantee for the repayment obligations of Shanghai Dasheng Agricultural Products Co., Ltd. and Shanghai Dasheng Agro-chemical Co., Ltd. under (i) to (iii) mentioned above of not more than RMB22,000,000 and RMB88,000,000, respectively, and the guarantors to the Loans were entitled the right to claim the Subsidiaries for such cost of repayment after performing the guarantee obligations. On 14 March 2019, the Company was informed by Bank of Shanghai that, Shenzhen Dasheng has repaid RMB40,000,000 to Bank of Shanghai pursuant to one of the Civil Judgement against Shanghai Agro-chemical. The Company has made a repayment of approximately RMB9,312,000 during the year ended 31 December 2020.

As at 31 December 2022, the outstanding payable of the principal payment and the relevant interest accrued of approximately RMB79,714,000 (2021: RMB65,537,000) in aggregate.

(b) Shanghai Pudong Development Bank Co., Ltd., Hongkou Branch

(i) On 25 July 2018, Shanghai Pudong Development Bank Co., Ltd., Hongkou Branch (the "**PD Bank**") issued and filed three statements of claim (the "**PD Statements of Claim**"), all of which against Shanghai Agro-chemical, a wholly-owned subsidiary of the Company, under Shanghai Hongkou District People's Court (the "**Hongkou Court**") for a breach of agreements for the opening bank acceptance bills business due to default in repayment of the principal and interest and the payables (the "**PD Financing**") (collectively, the "**PD Legal Proceedings**") in an aggregate amount of approximately RMB44,400,000 and all related penalty interests. The Company, Anhui Huaxing, Shenzhen Dasheng, Mr. Lan Huasheng, are the guarantors to the PD Financing and were also named as defendants in the PD Statements of Claim. Please refer to the Company's announcement date 14 September 2018 for details. PD Bank also applied for property preservation on the Company's equity interest in Nantong Road and Bridge, Anhui Huaxing and Bao Ze amounting to approximately RMB547,885,000, RMB180,000,000 and RMB207,634,000, respectively.

On 15 January 2019, the Company received three civil judgement by Hongkou Court in relation to the PD Legal Proceedings (collectively, the "**PD Civil Judgements**"). According to the PD Civil Judgements, Shanghai Agrochemical shall (i) repay PD Bank of approximately RMB43,219,000 (including the principal amounts and related interests) before 31 January 2019; and (ii) Shanghai Agro-chemical shall pay PD Bank the overdue interests/advance interests during the period from the settlement due date to the actual settlement date.

As at 31 December 2022, the outstanding payable of the principal payment and the relevant interest accrued of approximately RMB50,108,000 (2021: RMB57,788,000) in aggregate.

33. LITIGATIONS AND CONTINGENT LIABILITIES (Continued)

(b) Shanghai Pudong Development Bank Co., Ltd., Hongkou Branch (Continued)

(ii) On 2 November 2018 and 8 November 2018, PD Bank issued and filed a statement of claim (collectively, the "**Second PD Statements of Claim**"), both of which against the Company, under Hongkou Court for a breach of agreements for the breach of agreements for the opening bank acceptance bills business due to default in repayment of the principal and interest and the payables (the "**Second PD Financing**") (collectively, the "**Second PD Legal Proceedings**") in an aggregate amount of approximately RMB79,587,365.94 and all related penalty interests. Anhui Huaxing, Shenzhen Dasheng and Mr. Lan Huasheng, are the guarantors to the Second PD Financing and were also named as defendants in the Second PD Statements of Claim.

On 15 January 2019, the Company received three civil judgement by Hongkou Court in relation to the Second PD Legal Proceedings (collectively, the "**Second PD Civil Judgements**"). According to the PD Civil Judgements, Shanghai Agro-chemical shall (i) repay PD Bank approximately RMB76,851,000 (including the principal amounts and related interests) before 31 January 2019; and (ii) Shanghai Agro-chemical shall pay PD Bank the overdue interests/advance interests during the period from the settlement due date to the actual settlement date.

As at 31 December 2022, the outstanding payable of the principal payment and the relevant interest accrued of approximately RMB64,113,000 (2021: RMB88,849,000) in aggregate, in which extra interest amounting RMB3,246,000 (2021: RMB3,246,000) was accrued.

(c) Zhenjiang Zhiying Investment Management Center (Limited Partnership)* (鎮江市智贏投資管理中心(有限合夥))

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.

* *For identification purpose only*

33. LITIGATIONS AND CONTINGENT LIABILITIES (Continued)

(c) Zhenjiang Zhiying Investment Management Center (Limited Partnership)* (鎮江市智贏投資管理中心(有限合夥)) (Continued)

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.

By 5 July 2021, the Company received an execution ruling issued by the Shanghai Second Court dated 20 April 2021 in relation to the disposal of the Shanghai Runtong Shares to the Pledgee in partial settlement of the debts at the prior agreed reserve price for the auction of RMB28,840,000 during the execution process of the Shanghai Second Court for the Zhiying Legal Proceedings. Shanghai Runtong ceased to be a subsidiary of the Company upon the receipt of the execution ruling by the Company.

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.

As at 31 December 2022, the outstanding payable of the principal payment and the relevant interest accrued of approximately RMB141,882,000 (2021: RMB132,333,000) in aggregate.

(d) Litigation between Ever Fortune Financial Leasing Co., Ltd.* (瑞盈信融(深圳)融資租賃有限公司) ("Ever Fortune") and Jiujiang Bank Co., Ltd. Guangdong Free Trade Zone Nansha Sub-branch (the "Jiujiang Bank") (the "Jiujiang Legal Proceedings")

On 15 January 2020, 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 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 report, 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.

Subsequently on 20 August 2020, a civil judgment dated 9 July 2020 made by the People's Court of Nanshapian District, Guangdong Free Trade Zone* (廣東自由貿易區南沙片區人民法院) (the "**Guangdong Free Trade Zone Court**") was uploaded to the PRC judgments publication online platform (中國裁判文書網). According to such civil judgement, the Guangdong Free Trade Zone Court ordered that Ever Fortune shall repay the Jiujiang Bank (i) the principal amount of the loan of RMB3,710,800; (ii) relevant overdue interest of RMB115,544.93; and (iii) relevant penalty interest of RMB4,737.81. The guarantors to the loan, namely, Chen Fangxing, Chen Hao, Chen Xiong and Shenzhen Dasheng, shall undertake joint and several guarantee liabilities for the repayment obligations of Ever Fortune under (i) to (iii) mentioned above and bear the litigation fee of RMB18,725. Jiujiang Bank shall also be entitled to the priority of compensation claims against proceeds from the realisation of the properties of Chen Fangxing, Chen Hao and Chen Xiong. In the event that Ever Fortune fails to fulfil its repayment obligations set out above, the interest to be repaid to Jiujiang Bank shall be doubled.

As confirmed by the Administrator, since the Company was not named as one of the defendants of such proceedings, the creditor's claim submitted by Jiujiang Bank did not cover the claims under the Jiujiang Legal Proceedings.

* *For identification purpose only*

34. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The 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 about possible cooperation opportunities.

The Group also monitors the current and expected liquidity requirements regularly to ensure that sufficient working capital and adequate committed lines of funding are maintained to meet its liquidity requirements. Upon the discovery of any default, the Group would negotiate immediately with the relevant lenders for proper arrangement in order to maintain sufficient working capital. Upon the expectation of any cash insufficiency, the Company would seek new source of funding so as to maintain sufficient working capital. The capital structure of the Group consists of net debts (which include amounts due to related companies and borrowings), net of restricted bank deposits and cash and cash equivalents and (deficit) equity attributable to owners of the Company, comprising issued share capital and reserves. Details of which are disclosed in respective notes.

The Administrator review the capital structure on a regular basis. As part of this review, the Administrator consider the cost of capital and the risks associated with each class of capital. Based on the recommendations of the Administrator, the Group will balance its overall capital structure through new share issues as well as issue of new debt or redemption of the existing debts. The Group's overall strategy remains unchanged from prior year.

35. FINANCIAL INSTRUMENTS

(a) Categories of Financial Instruments

	2022 RMB'000	2021 RMB'000
Financial assets		
Loan and receivables (including cash and cash equivalents)	**547**	4,315
Financial liabilities		
Amortised cost	**3,787,663**	1,806,427
Financial guarantee at fair value	**—**	241,100
	3,787,663	2,047,527

(b) Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, restricted bank deposits, cash and cash equivalents, trade and other payables, financial guarantee contract and borrowings. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include interest rate risk, credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate borrowings as set out in Note 27. The Group is also exposed to cash flow interest rate risk in relation to variable-rate restricted bank deposits, variable-rate bank balances and variable rate borrowings as detailed in Note 24 and Note 27 respectively. The Group currently does not have an interest rate hedging policy. However, the manager monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

Total interest income from financial assets that are measured at amortised cost:

	2022 RMB'000	2021 RMB'000
Financial assets at amortised cost	**19**	262

Interest expense on financial liabilities not measured at FVTPL:

	2022 RMB'000	2021 RMB'000
Financial liabilities at amortised cost	**173,748**	183,651

35. FINANCIAL INSTRUMENTS (Continued)

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

Interest rate risk (Continued)

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates at the end of the reporting period. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 100 basis point (2021: 100 basis points) increase or decrease in variable-rate borrowings are used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates. Bank balances are excluded from sensitivity analysis as the Administrator consider that the exposure of cash flow interest rate risk arising from variable-rate bank balances is insignificant.

If interest rates on variable-rate borrowings had been 100 basis points (2021: 100 basis points) higher/lower and all other variables were held constant, the Group's post-tax loss for the year ended 31 December 2022 would increase/decrease approximately by RMB3,465,000 (2021: increase/decrease by RMB3,416,000).

Credit risk and impairment assessment

Credit risk refers to the risk that the Group's counterparties default on their contractual obligations resulting in financial losses to the Group. The Group's credit risk exposures are primarily attributable to trade and other receivables, financial guarantee contracts, restricted bank balances and bank balances. The Group does not hold any collateral or other credit enhancements to cover its credit risk associated with its financial assets.

Trade receivables

Before accepting any new customer, the Group uses an internal credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts. In this regard, the Administrator consider that the Group's credit risk is significantly reduced.

The Group's concentration of credit risk by geographical locations is mainly in PRC, which accounted for 100% of the total trade receivables as at 31 December 2021. In order to minimise the credit risk, the management of the Group are responsible for determination of credit limits and credit approvals.

In addition, the Group performs impairment assessment under ECL model on trade receivables with significant balances and credit-impaired individually and/or collectively. Impairment of RMB34,457,000 is recognised during the year ended 31 December 2021. Details of the quantitative disclosures are set out below in this note.

Restricted bank deposits/bank balances

Credit risk on restricted bank deposits/bank balances is limited because the counterparties are reputable banks with high credit ratings assigned by international credit agencies. The Group assessed 12m ECL for restricted bank deposits/bank balances by reference to information relating to probability of default and loss given default of the respective credit rating grades published by external credit rating agencies. Based on the average loss rates, the 12m ECL on restricted bank deposits/bank balances is considered to be insignificant.

Other receivables

For other receivables, the Administrator make periodic individual assessment on the recoverability of other receivables based on historical settlement records, past experience, and also quantitative and qualitative information that is reasonable and supportive forward-looking information.

Impairment of approximately RMB116,443,000 has been recognised during the year ended 31 December 2021.

35. FINANCIAL INSTRUMENTS (Continued)

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

Credit risk and impairment assessment (Continued)

Financial guarantee contracts

Except for the financial guarantees given by the Group as set out in Note 25, the Group does not provide any other financial guarantees which would expose the Group to credit risk. The maximum exposure to credit risk in respect of these financial guarantees at the end of the reporting period is disclosed in Note 25.

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Trade receivables	Other financial assets
Low risk	The counterparty has a low risk of default and does not have any past-due amounts	Lifetime ECL — not credit-impaired	12m ECL
Watch list	Debtor frequently repays after due dates but usually settle in full	Lifetime ECL — not credit-impaired	12m ECL
Doubtful	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL — not credit-impaired	Lifetime ECL — not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL — credit-impaired	Lifetime ECL — credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

35. FINANCIAL INSTRUMENTS (Continued)

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

Credit risk and impairment assessment (Continued)

The table below details the credit risk exposures of the Group's financial assets, which are subject to ECL assessment:

	Note	**External credit rating**	**Internal credit rating**	**12m or lifetime ECL**	**2022 Gross carrying amount RMB'000**	2021 Gross carrying amount RMB'000
Trade receivables — contracts with customers	*23*	N/A	Loss *(Note 1)*	Lifetime ECL — credit-impaired	**—**	626,969
Restricted bank deposits	*24*	Baa2-A1	N/A	12-month ECL	**64**	43
Bank balances	*24*	Baa2-A1	N/A	12-month ECL	**547**	4,272
Other receivables	*23*	N/A	Loss *(Note 2)*	Lifetime ECL — credit-impaired	**751,783**	1,690,326
Financial guarantee contracts		N/A	Loss *(Note 3)*	Lifetime ECL — credit-impaired	**—**	—

Note 1:

For trade receivables, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. Except for debtors with significant outstanding balances or credit-impaired, the Group determines the excepted credit losses on these items by using a provision matrix, grouped by past due status.

As part of the Group's credit risk management, the Group uses debtors' aging to assess the impairment for its customers in relation to its businesses of agricultural and petrochemical products supply chain services and agrochemical products supply chain services. Their customers consist of a large number of small customers with common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms.

Trade receivables of RMB626,969,000 was credit-impaired as at 31 December 2021 have been assessed individually. Those trade receivables are related to debtors that were in financial difficulties or were in default in interest and/or principal payments and only a portion of the receivables is expected to be recovered. The Group is still under negotiation with those trade debtors about the settlement arrangement, and will consider will take legal action against those trade debtors if necessary.

35. FINANCIAL INSTRUMENTS (Continued)

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

Credit risk and impairment assessment (Continued)

Note 1: (Continued)

The following tables show reconciliation of loss allowances that has been recognised for trade receivables:

	Lifetime ECL (not credit impaired) RMB'000	Lifetime ECL (credit impaired) RMB'000	Total RMB'000
As at 1 January 2021	2,324	683,613	685,937
Changes due to financial instruments recognised as at 1 January:			
— Impairment losses recognised	—	34,457	34,457
Reclassified as assets held for sale	(2,324)	—	(2,324)
Amounts written-off	—	(91,101)	(91,101)
As at 31 December 2021	—	626,969	626,969
Changes due to financial instruments recognised as at 1 January:			
— Impairment losses reversed	—	(2,859)	(2,859)
Amounts written-off	—	(624,110)	(624,110)
As at 31 December 2022	—	—	—

Change in loss allowance for trade receivables are mainly due to:

	2022 Increase (decrease) in lifetime ECL	
	Not credit-impaired RMB'000	**Credit-impaired RMB'000**
Amounts written-off since there is no realistic prospect of recovery	**—**	**(624,110)**

	2021 Increase (decrease) in lifetime ECL	
	Not credit-impaired RMB'000	Credit-Impaired RMB'000
Amounts written-off since there is no realistic prospect of recovery	—	(91,101)
Further impairment made for credit-impaired trade receivables	—	34,457

35. FINANCIAL INSTRUMENTS (Continued)

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

Credit risk and impairment assessment (Continued)

Note 2:

The following tables show reconciliation of loss allowances that has been recognised for other receivables:

	Lifetime ECL (not credit impaired) RMB'000	Lifetime ECL (credit impaired) RMB'000	Total RMB'000
As at 1 January 2021	13,116	2,029,001	2,042,117
Changes due to financial instruments recognised as at 1 January:			
— Transfer to credit-impaired	(13,116)	13,116	—
— Impairment losses recognised	—	116,443	116,443
— Impairment loss reversed	—	(68)	(68)
Reclassified as assets held for sale	—	(187,072)	(187,072)
Amounts written-off	—	(281,094)	(281,094)
As at 31 December 2021	—	1,690,326	1,690,326
Changes due to financial instruments recognised as at 1 January:			
— Impairment loss reversed	—	(1,139)	(1,139)
Amounts written-off	—	(937,404)	(937,404)
As at 31 December 2022	—	751,783	751,783

Change in loss allowance for other receivables are mainly due to:

	2022 Increase (decrease) in lifetime ECL	
	Not credit-impaired RMB'000	**Credit-Impaired RMB'000**
Amounts written-off since there is no realistic prospect of recovery	**—**	**(937,404)**

	2021 Increase (decrease) in lifetime ECL	
	Not credit-impaired RMB'000	Credit-Impaired RMB'000
Further impairment made for credit-impaired trade receivables	—	116,443
Deconsolidation of subsidiaries	—	(187,072)
Amounts written-off since there is no realistic prospect of recovery	—	(281,094)

35. FINANCIAL INSTRUMENTS (Continued)

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

Credit risk and impairment assessment (Continued)

Note 3:

For financial guarantee contracts, the gross carrying amount represents the maximum amount the Group has guaranteed under the respective contracts.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank and other borrowings and ensures compliance with loan covenants.

The Group relies on bank and other borrowings as a significant source of liquidity.

The following table details the Group's remaining contractual maturity for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. Specifically, bank loans with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates.

The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curve at the end of the reporting period.

35. FINANCIAL INSTRUMENTS (Continued)

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

Liquidity risk (Continued)

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Total undiscounted cash flow RMB'000	Carrying amount RMB'000
Group				
At 31 December 2022				
Borrowings:				
— Fixed rate borrowings	694,657	—	694,657	694,657
— Variable rate borrowings	543,771	—	543,771	543,771
Trade and other payables	2,549,235	—	2,549,235	2,549,235
	3,787,663	—	3,787,663	3,787,663

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Total undiscounted cash flow RMB'000	Carrying amount RMB'000
Group				
At 31 December 2021				
Borrowings:				
— Fixed rate borrowings	645,254	—	645,254	645,254
— Variable rate borrowings	510,901	—	510,901	510,901
Trade and other payables	650,272	—	650,272	650,272
Financial guarantee contracts	241,100	—	241,100	241,100
	2,047,527	—	2,047,527	2,047,527

(c) Fair value measurements of financial instruments

The Administrator consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

36. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities:

	Borrowings RMB'000
At 1 January 2021	1,585,419
Changes from cash flows:	
Repayment of borrowings	(39,765)
Interest paid	(1,168)
Non-Cash Transaction:	
Deconsolidation of subsidiaries	(499,297)
Finance costs	110,966
At 31 December 2021 and 1 January 2022	1,156,155
Changes from cash flows:	
Repayment of borrowings	(38)
Non-Cash Transaction:	
Other losses	(1,828)
Others	(26,516)
Finance costs	110,655
At 31 December 2022	1,238,428

37. RELATED PARTY TRANSACTIONS

(a) Other than disclosed elsewhere in these financial statements, the Group did not have other significant related party balances as at the end of the reporting period and related party transactions during the reporting period.

(b) Key management compensation

Remuneration for key management personnel of the Group includes amounts paid to the Directors, supervisors and three (2021: three) senior management personnel of the Company. The remuneration of the Directors, supervisors and three senior management personnel are disclosed in Notes 15 and 16.

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

38. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Details of the subsidiaries directly and indirectly held by the Company at the end of the reporting period are set out below:

Name	Place of incorporation and type of legal entity	Principal activities and place of operation	Issued share capital/registered capital	Proportion of ownership interest held by the Company				Proportion of voting power held by the Company			
				Directly		Indirectly		Directly		Indirectly	
				2022	2021	**2022**	2021	**2022**	2021	**2022**	2021
上海大生農化有限公司 Shanghai Dasheng Agro-chemical Co., Ltd.	PRC, limited liability company	Petrochemical trading in the PRC	RMB200,000,000	**100%**	100%	**—**	—	**100%**	100%	**—**	—
上海泰華石油化工有限公司 Shanghai Taihua Petrochemical Co., Ltd.	PRC, limited liability company	Petrochemical trading in the PRC	RMB210,000,000	**100%**	100%	**—**	—	**100%**	100%	**—**	—
上海大生農產品有限公司 Shanghai Dasheng Agricultural Products Co., Ltd.	PRC, limited liability company	Agricultural product trading in the PRC	RMB350,000,000	**100%**	100%	**—**	—	**100%**	100%	**—**	—
香港大生實業發展有限公司 Hong Kong Dasheng Industrial Development Co., Ltd. ("**HK Dasheng Industrial**")	Hong Kong, limited liability company	Petrochemical trading in Hong Kong	HK$100,000,000 of 100,000,000 ordinary shares	**100%**	100%	**—**	—	**100%**	100%	**—**	—
深圳市大生金融控股有限公司 Shenzhen Dasheng Financial Holding Company Limited	PRC, limited liability company	Finance lease business in the PRC	RMB1,000,000,000	**100%**	100%	**—**	—	**100%**	100%	**—**	—
上海諧易企業管理諮詢有限公司 Shanghai Kaiyi Corporate Management Consultancy Co., Ltd.	PRC, limited liability company	Investment holding and agricultural big-data services in the PRC	RMB20,000,000	**100%**	100%	**—**	—	**100%**	100%	**—**	—
上海大生農產品投資控股有限公司 Shanghai Dasheng Agricultural Products Investment Holding Company Limited	PRC, limited liability company	Industrial investment and sale of agricultural products services in the PRC	RMB200,000,000	**100%**	100%	**—**	—	**100%**	100%	**—**	—
上海大生酒業有限公司 Shanghai Dasheng Wine Company Limited	PRC, limited liability company	Sale of agricultural products trading in the PRC	RMB1,000,000	**70%**	70%	**—**	—	**70%**	70%	**—**	—

None of the subsidiaries of the Company has issued any debt securities at the end of the years.

Note:

For the Company's subsidiaries established in the PRC, the English translation of the company names is for reference only.

39. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	2022 RMB'000	2021 RMB'000
NON-CURRENT ASSETS		
Property, plant and equipment	**21**	13
Investment in subsidiaries	**—**	—
Investment in associates	**2,293**	3,623
	2,314	3,636
CURRENT ASSETS		
Restricted bank deposits	**62**	—
Cash and cash equivalents	**7**	18
	69	18
CURRENT LIABILITIES		
Trade and other payables	**2,778,368**	695,378
Financial guarantee contracts	**—**	558,249
Borrowings	**649,595**	624,149
Tax liabilities	**14,868**	8,050
	3,442,831	1,885,826
NET CURRENT LIABILITIES	**(3,442,762)**	(1,885,808)
NET LIABILITIES	**(3,447,448)**	(1,882,172)
CAPITAL AND RESERVES		
Share capital	**955,108**	955,108
Reserves	**(4,395,556)**	(2,837,280)
CAPITAL DEFICIENCY	**(3,440,448)**	(1,882,172)

The Company's statement of financial position was approved and authorised for issue by the Board on 31 July 2023 and are signed on its behalf by:

Lan Huasheng *Director*	**Wang Liguo** Director

39. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (Continued)

Movement in the Company's reserves

	Capital reserve RMB'000	Statutory reserve fund RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2021	2,148,959	79,504	(4,120,716)	(1,892,253)
Loss for the year	—	—	(945,027)	(945,027)
At 31 December 2021	2,148,959	79,504	(5,065,743)	(2,837,280)
Loss for the year	—	—	(1,558,276)	(1,558,276)
At 31 December 2022	2,148,959	79,504	(6,624,019)	(4,395,556)

40. COMPARATIVE FIGURES

During the year ended 31 December 2022, for enhancing the relevance of the presentation of the consolidated financial statements, reclassifications have been made to certain comparative figures presented in the consolidated financial statements in respect of the prior year to achieve comparability with the current year's presentation. As a result, the following line items regarding comparative figures have been amended and adjusted, together with the related notes to conform to the current year's presentations:

Consolidated Statement of Financial Position	Previous reported RMB'000	Reclassification RMB'000	As restated RMB'000
Trade and other payables	1,304,889	(413,517)	891,372
Borrowings	742,638	413,517	1,156,155

41. EVENTS AFTER THE REPORTING PERIOD

Subsequent to the end of the reporting period, there are certain updates on the Group's Bankruptcy Restructuring in progress, and further details of which are stated in Note 2 to the consolidated financial statements.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