增強結構 發揮實力

PURSUIT OF STRONG STRUCTURE DEVELOPMENT

Annual Report 2018 年報

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

Contents

Summary of Financial Information

RESULTS

	For the year ended 31 December				
	2018	2017	2016	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Turnover	**2,011,870**	14,445,544	14,364,866	8,223,074	5,292,504
(Loss)/profit before income tax expense	**(1,989,731)**	(1,660,762)	449,673	382,487	264,929
(Loss)/profit for the year	**(2,166,379)**	(1,674,054)	344,609	284,182	202,523
(Loss)/profit attributable to owners of the Company	**(1,986,782)**	(1,520,116)	307,082	247,449	168,083
(Loss)/earnings per share (RMB) (basic and diluted)*	**(0.209)**	(0.179)	0.043	0.057	0.046

Notes:

* Basic and diluted earnings per share for the years ended 31 December 2016, 2015 and 2014 have been restated for the impact of the bonus issues of Shares in 2017.

ASSETS AND LIABILITIES

	As at 31 December				
	2018	2017	2016	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets	**1,131,913**	2,301,407	1,633,242	1,094,135	978,702
Current assets	**6,004,521**	6,102,203	7,791,319	5,228,491	2,962,655
Non-current liabilities	**(514,395)**	(639,481)	(70,606)	(63,098)	(81,196)
Current liabilities	**(6,325,620)**	(5,361,047)	(5,991,633)	(4,512,268)	(2,832,631)
Non-controlling interests	**(97,169)**	(360,560)	(290,461)	(267,547)	(134,934)
Capital and reserves attributable to owners of the Company	**199,250**	2,042,522	3,071,861	1,479,713	892,596

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Lan Huasheng *(Chairman)*
Wang Liguo *(Chief Executive Officer)*
Mo Luojiang *(Chief Executive Officer)*
(resigned on 27 December 2018)

Non-Executive Director

Zhu Tianxiang (resigned on 1 March 2019)

Independent Non-Executive Directors

Chung Cheuk Ming
Yang Gaoyu
Zhou Jianhao

SUPERVISORS

Lu Tingfu *(Chairman)*
Chen Yuanling
Ye Mingzhu
Sun Ting (appointed on 26 July 2018)
Wang Bin (appointed on 26 July 2018)
Jiang Feng (resigned on 26 July 2018)
Xu Miaojie (resigned on 26 July 2018)

AUDITOR

Asian Alliance (HK) CPA Limited

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 2605, 26/F
Convention Plaza Office Tower
No. 1 Harbour Road
Wanchai
Hong Kong

COMPANY WEBSITE

www.dsgd-sh.co

COMPLIANCE OFFICER

Mo Luojiang (resigned on 27 December 2018)

COMPANY SECRETARY

Qian Di (appointed on 1 February 2019)
Lo Suet Fan (resigned on 8 December 2018)

AUTHORISED REPRESENTATIVES

Lan Huasheng (appointed on 27 December 2018)
Wang Liguo (appointed on 8 December 2018)
Mo Luojiang (resigned on 27 December 2018)
Lo Suet Fan (resigned on 8 December 2018)

MEMBERS OF THE AUDIT COMMITTEE

Chung Cheuk Ming *(Chairman)*
Yang Gaoyu
Zhou Jianhao
Zhu Tianxiang (resigned on 1 March 2019)

MEMBERS OF THE REMUNERATION AND ASSESSMENT COMMITTEE

Zhou Jianhao
Chung Cheuk Ming
Yang Gaoyu

MEMBERS OF THE NOMINATION COMMITTEE

Lan Huasheng *(Chairman)* (appointed on 27 December 2018)
Chung Cheuk Ming
Yang Gaoyu
Zhou Jianhao
Mo Luojiang *(Chairman)* (resigned on 27 December 2018)

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 Communications
Bank of Shanghai
SPD Bank

STOCK CODE

1103

EXPLORING NEW OPPORTUNITY

Chairman's Statement

In 2018, the increasing efforts on "economic deleveraging" in China and the unexpectedly intensified trade tensions between China and the United States have caused China's macro-economy and financial market to both suffer substantial impact and the stock market, debt market and exchange rates were highly volatile in 2018. "Maintaining stability in turbulent conditions" has become the new normal trend for the Chinese economy, and the impact of the changing domestic and global situations has magnified the financing difficulties among Chinese private enterprises.

Under the new economy, there has been an increasing demand for agricultural modernisation in the People's Republic of China (the "**PRC**"), and agricultural production has entered into a new stage which put emphasis on both quality and quantity. On 2 January 2018, the CPC Central Committee and the State Council issued the No. 1 document "Opinions on Implementing the Rural Revitalization Strategy" (關於實施鄉村振興戰略的意見), setting out the general requirements of implementing rural revitalization strategy, ensuring "the optimization of the whole system of the agricultural industry chain and the pursuit of both quality and quantity in the agricultural development" as the fundamental state policy for agricultural development in the PRC, and demonstrating the importance of agriculture-related industry chain in the modernization of the PRC.

In 2018, Shanghai Dasheng Agriculture Finance Technology Co., Ltd. (the "**Company**", together with its subsidiaries the "**Group**") is affected by internal and external influences such as the overall tightness of funding, increased liquidity pressure and changes in the operating environment of major business markets, thus shifting the Group's operational strategy focus to "enhancing risks control, divesting non-core businesses, and concentrating core resources in the production segment of agriculture-related industrial chains."

The loss attributable to the owners of the Company in 2018 increased to approximately RMB1,986,782,000 (2017: approximately RMB1,520,116,000), representing a year-on-year increase of approximately 30.70%. The assets of the Company in 2018 amounted to approximately RMB7,136,434,000, representing a year-on-year decrease of approximately 15.08%.

PROSPECT

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

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

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

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, 29 March 2019

CONSOLIDATING THE MOMENTUM

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL AND BUSINESS REVIEW

Since March 2018, the Group has been adversely affected by external contingent events, which have impacted its existing major business segments. In view of this, the Group prudently reviewed the operating conditions of its existing businesses, largely adjusted its operating strategies and the layout of all business segments, reduced the problematic segments and shifted the focus of core business segment to the agricultural industrial chain production sector.

On 20 March 2018, the Group announced the acquisition of the entire equity interests in Anhui Huaxing Chemical Industry Company Limited* (安徽華星化工有限公司) ("**Anhui Huaxing**"). In order to provide investors with a clearer explanation on the Company's current business operation strategies, the Group will add a new business segment, namely "agrochemical products supply chain services business", to its existing business segments.

For the year ended 31 December 2018, the Group reported a loss attributable to the owners of the Company of RMB1,986,782,000 (2017: RMB1,520,116,000). The loss was mainly attributable to the impairment loss of approximately RMB2,179 million primarily in relation to the trade and other receivables for the year ended 31 December 2017 because certain customers of the Group are in financial difficulties and are unable to make repayments of the trade receivables, finance lease receivables and factoring loan receivables to the Group. Certain customers have been adversely affected by the events happened to China CEFC Energy Company Limited* (中國華信能源有限公司) ("**China CEFC**"), together with its related companies ("**China CEFC Group**") ("**CEFC Events**") and the liquidity shortage of Shenzhen Dasheng Agriculture Group Co., Ltd.* (深圳市大生農業集團有限公司) ("**Shenzhen Dasheng**") ("**Shenzhen Dasheng Events**"), details of which are set out in the announcements of the Company dated 30 April 2018, 28 May 2018 and 13 December 2018. The impact of the CEFC Events and Shenzhen Dasheng Events has continued to affect the Group's results for the year ended 31 December 2018.

The lenders of the Group consist of different banks and other financial institutions including trust companies, financial leasing companies and commercial factoring companies. Certain lenders requested immediate repayment of loans before their respective due dates due to the Group's default in repayments of other borrowings from those lenders which constitutes events of default under the respective borrowing agreements. Furthermore, a number of statements of claims were filed in 2018 against the subsidiaries of the Company in relation to default in repayment of loans and borrowings by the lenders. Apart from the above borrowings, certain undertaking given by the Company and Shenzhen Dasheng were breached during the year ended 31 December 2018.

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

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

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

BUSINESS OPERATIONS

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

AGROCHEMICAL PRODUCT SUPPLY CHAIN SERVICES BUSINESS

Our Group commenced agrochemical products supply chain services in 2018 through the acquisition of Anhui Huaxing and its subsidiary ("**Anhui Huaxing Group**"), which are new wholly-owned subsidiaries of the Company. Anhui Huaxing Group are engaged in development of bio-engineering products and sale of chemical products, pesticides, chemical fertilisers, packaged seeds and agricultural machinery, Anhui Huaxing Group has a history of more than 30 years. Since its establishment in 1984, Anhui Huaxing Group has been focusing on the field of basis pesticides and agrochemical products in the PRC domestic market. The self-owned production site of Anhui Huaxing with approximately 1,545 mu is located in Anhui, the PRC with around 1,200 employees. The annual production capacity of the self-operated production site can reach approximately 11,200 tonnes, 98,500 tonnes and 100,000 tonnes for herbicides, insecticide and chlor-alkali products, respectively. The product range comprises three main series, namely insecticides, herbicides and germicides, with over 40 original drugs and over 100 of varieties. Anhui Huaxing also owes more than 170 domestic and foreign registered trademarks in relation to the self-developed products. Anhui Huaxing is recognised as a National High and New Technology Enterprise. Pursuant to the Enterprise Income Tax Law, the Company enjoys preferential enterprise income tax rate of 15% during the period from October 2016 to October 2019. The domestic sales network of Anhui Huaxing Group covers around 30 cities in the PRC and the products are exported to around 40 overseas countries. It is the largest production base and export base for monosultap and bisultap in the PRC, and a globally major producer and supplier of herbicides, bisphosphane and glyphosate.

For the year ended 31 December 2018, revenue of the Group's agrochemical product supply chain services business was approximately RMB826,866,000, representing approximately 41.1% of the total revenue of the Group; gross profit was approximately RMB122,237,000.

The Company is planning to reinvest the retained profits of Anhui Huaxing Group, and will allocate more manpower to enhance the production efficiency and expand the customer base. The Group is planning to research and develop a range of pesticide and chemical products, which are eco-friendly to cater for the increasing awareness of eco-friendly farming. Considering that agriculture is a vital industry in China with a strong demand of pesticide, and the historical growth rate and size of national agricultural sector and the production of pesticide, the Company is of the view that there is room for increasing the Group's market share in the pesticide market in China.

The Group will further expand the production scale of Anhui Huaxing, enhance its core technologies and services so as to improve its results and establish Anhui Huaxing as a first-class enterprise engaging in agricultural means of production in both PRC and around the world.

AGRICULTURAL BIG DATA SERVICE BUSINESS

Agricultural big-data services are mainly engaged in provision of software related services, including installation and technical support of payment platform systems. The major customers are wholesalers of the agricultural products in different region of China. The major suppliers of this segment are POS machine manufacturers. For the year ended 31 December 2018, turnover of the Group's agricultural big data service business was approximately RMB14,974,000 (2017: approximately RMB21,614,000), representing approximately 0.74% of the total turnover of the Group. Gross profit was approximately RMB12,043,000 (2017: approximately RMB18,185,000), representing a year-on-year decrease of approximately 33.78%; and gross margin decreased from approximately 84.14% last year to approximately 80.42% during the reporting period. During the year, an impairment of goodwill and intangible assets approximately to RMB6,759,000 and RMB225,786,000 was recognised due to unpredictable future payment business market in Shanghai.

The Company is planning to expand the customer base and implement cost-controlling procedures in order to improve the segment profitability. In the meantime, the Directors will optimize the existing operation flow to advance the operating efficiency.

FINANCIAL LEASING AND COMMERCIAL FACTORING BUSINESS

As discussed in "Financial and Business Review" above in this section, the financial leasing and commercial factoring business encountered adverse operation difficulties because certain customers of this business segment are in financial difficulties and they are unable to settle the outstanding loan payments. For the year ended 31 December 2018, turnover of the Group's financial leasing and commercial factoring business was approximately RMB51,078,000 (2017: approximately RMB377,913,000), accounting for approximately 2.54% of the total turnover of the Group. Gross profit was approximately RMB13,955,000 (2017: approximately RMB290,102,000), representing a year-on-year decrease of approximately 95.19%, and gross margin decreased from approximately 76.76% last year to approximately 27.32% during the reporting period.

Having considered the recoverability of the trade and other receivables of these customers, the Company has recorded an impairment loss of approximately RMB2,473,000,000 in relation to their trade and other receivables as at 31 December 2018 (2017: approximately RMB1,289,000,000). In the meantime, the Directors have been taking actions against its debtors in relation to the trade and other receivables, which includes (i) discussing with its legal advisors in assessing the cost, time required and likelihood of success in commencing legal actions against those debtors; and (ii) closely monitoring the progress of repayment and/or legal actions. The Directors intend to carry out a restructuring of financial leasing and commercial factoring business by disposing of certain subsidiaries and associates of the Company because the principal business of these subsidiaries and associates are provision of financial leasing and commercial factoring and these businesses may continue to experience significant loss in the coming future. On 24 December 2018, Hong Kong Dasheng Agriculture Holding Company Limited ("**HK Dasheng Agriculture**"), a wholly-owned subsidiary of the Company, entered into a conditional sale and purchase agreement with Konsei Development Ltd (康賽發展有限公司) ("**Konsei**"), where HK Dasheng Agriculture agreed to dispose of its entire 44% equity interest in Guowei Ruiying (Weifang) Financial Leasing Co., Limited* (國維瑞盈(濰坊)融資租賃有限公司), which is a 44%-owned associate of the Company ("**Guowei Ruiying**") to Konsei (the "**Guowei Ruiying Disposal**"). As at the date of this report, the Guowei Ruiying Disposal has been completed and the Company ceased to have any equity interest in Guowei Ruiying. For further details, please refer to the Company's announcement dated 24 December 2018. Save as disclosed in this report, the Directors have not identified any potential buyers for other companies of this business segment.

AGRICULTURAL AND PETROCHEMICAL PRODUCT SUPPLY CHAIN SERVICE BUSINESS

Agricultural and petrochemical product supply chain services are mainly engaged in trading of the agricultural and petrochemical products and is mainly operated by three subsidiaries of the Company, including Dasheng Agro-chemical. For the year ended 31 December 2018, turnover of the Group's agricultural and petrochemical product supply chain service business was approximately RMB1,118,952,000 (2017: approximately RMB14,046,017,000), accounting for approximately 55.62% of the total turnover of the Group. Gross profit was approximately RMB35,542,000 (2017: approximately RMB299,617,000), representing a year-on-year decrease of approximately 88.14%, and gross margin increased from approximately 2.13% last year to approximately 3.18% during the reporting period.

These significant decrease of revenue are mainly attributable to the lack of working capital to run the business. During the year ended 31 December 2018, this segment maintains not more than 20 employees for daily operation. In light of the available working capital and the customer demand, the operation of this segment may continue and the management of the Company has no plan to expand the business as this business segment requests substantial amount of cash to procure inventories. The management of the Company will continue to implement cost controls and adjust the organisation structure (if necessary) from time to time in order to minimize the loss of this segment.

Recently, the Company's interest in the shares of Dasheng Agro-chemical which is under property preservation (the "**Shanghai Agro-chemical Shares**") have been put under an enforcement action of claims filed by CEFC under the legal proceedings where CEFC Shanghai Securities Limited* (上海華信證券有限責任公司) ("**Shanghai CEFC**") issued and filed a statement of claim against Dasheng Agro-chemical under Shanghai No.2 Intermediate People's Court* (上海市第二中級人民法院) ("**Shanghai Court**") for a breach of loan agreement due to default in repayment of loan in a principal amount of RMB300 million and all related interests (the "**CEFC Legal Proceedings**"). The Shanghai Agro-chemical Shares may be put under auction or realisation ordered by the court to settle the outstanding repayment to CEFC. On 18 April 2019, the Company received two enforcement notices (the "**Enforcement Notices**") dated 10 April 2019 and 12 April 2019 issued by the Shanghai Court in relation to an application for compulsory enforcement action of claims made by Shanghai CEFC. According to the Enforcement Notices, the Shanghai Court has ordered that the Company shall repay (i) principal amounts and related interests of RMB309,391,068.49; (ii) relevant overdue interests of RMB27,463,808.22; (iii) relevant compound interests of RMB895,489.40; (iv) legal fees in the amount of RMB350,000.00 and (v) guarantor fees in the amount of RMB311,413.00. The Company, Dasheng Agro-chemical, Shenzhen Dasheng, Dasheng (Fujian) Agricultural Ltd.* (大生(福建)農業有限公司) and Hong Kong Dasheng Investment Holdings Company Limited (香港大生投資控股有限公司) shall also jointly bear a total amount of RMB799,432.96 as the ancillary costs under the CEFC Legal Proceedings. For further details, please refer to the Company's announcements dated 29 June 2018, 18 July 2018, 1 March 2019, 8 March 2019 and 18 April 2019.

ROAD AND BRIDGE CONSTRUCTION BUSINESS

Nantong Road and Bridge is the second largest road and bridge engineering enterprise in Jiangsu Province, and the largest road and bridge enterprise in Nantong City. The Company is operating its road and bridge construction business in the PRC through Nantong Road and Bridge, which is a 91.302%-owned subsidiary of the Company including but not limited to road and bridge construction, municipal public utility construction, traffic safety facility construction, road maintenance, lease of construction machinery and consultancy of engineering technology. Nantong Road and Bridge holds various qualifications/ licenses, which enable it to participate in construction of highway engineering, municipal public works, bridge engineering, highway pavement projects and highway subgrade engineering in the PRC. In addition to construction contract tier-one qualification for national highways and municipal utility contract tier-one qualification, the Group has also obtained a number of professional contract qualifications, including specialised construction contract tier-one qualification for road foundations, road surfaces and bridges (路基、路面、橋樑工程專業承包壹級), construction testing and examination integrated class B qualification for highways (公路工程試驗檢測綜合乙級) and specialised maintenance work contract tier-two qualification for highways (公路養護工程專業承包貳級).

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

As discussed in "Financial and Business Review" above, although Nantong Road and Bridge, together with its subsidiaries and associates ("**Nantong Group**") has been generating profits during the two years ended 31 December 2018 and 2017, Nantong Group requires a relatively high level of working capital to support the daily operation and long-term banking facilities to support the tendering of construction contracts. The credit period of the construction fee payable by the customers of Nantong Group is at least six months and thus the time lag between the payment of project-related expenses and the receipt of construction fee imposed a significant cash flow pressure to Nantong Group. Any delay in the construction project may defer the construction fee payment schedule. Since the Group is currently facing undue cash flow pressure due to the customers' default on the trade receivables, finance lease receivables, other receivables and the factoring loan receivables as well as the immediate repayment of certain borrowings, the heavy working capital requirements of Nantong Group create additional cash flow burden to the Group.

In light of the Company is currently experiencing high debt level, liquidity shortage and material adverse change in its financial conditions, the Nantong Group may encounter difficulties to renew its borrowings when they fall due or obtain new loans to finance its new construction projects with the Company continues to act a guarantor or even without any guarantee from other third parties. Moreover, Nantong Group incurred approximately RMB3.1 million of interest expenses per month in relation to its borrowings. Even though the Directors recognise the profitability of Nantong Group, the Directors perceive that reducing the high level of indebtedness of the Group takes priority at this critical period of time. Having considered the difficulties in obtaining new borrowings or renewing the existing borrowings, the burden of interest expenses and the high working capital requirements of Nantong Group, the Directors are of the view that the proposed disposal of Nantong Group (the "**Disposal**") is the best available option to improve the Group's debt level and reduce the working capital pressure of the Group.

In view of the above events and the current financial position of the Group, the Directors, after careful consideration to the future liquidity and performance of the Group and available sources of financing, agreed to dispose of Nantong Group and utilise the proceeds of the Disposal to mitigate the liquidity problem and improve the Group's financial position. The Directors consider that the Disposal not only provides the Group with extra cash to repay the outstanding loans but also allows the Group to focus on the operation and development of the remaining business segments of the Group.

COLD CHAIN LOGISTICS SERVICE BUSINESS

The Group commenced its cold-chain logistics services since April 2017 through the acquisition of equity interest in Nanjing Bao Ze. For the year ended 31 December 2018, turnover of the Group's cold chain logistics service business was approximately RMB69,685,000 (2017: approximately RMB58,511,000). Gross profit was approximately RMB27,292,000 (2017: approximately RMB29,847,000), representing a year-on-year decrease of approximately 8.56%, and gross profit margin decreased from approximately 51.01% last year to approximately 39.16% during the reporting period.

Reference is made to the announcements of the Company dated 18 July 2018, 16 October 2018, 16 November 2018, 19 December 2018, 27 December 2018, 11 February 2019 and 19 February 2019. Nanjing Intermediate People's Court of Jiangsu Province* (江蘇省南京市中級人民法院) has published an auction announcement on the network platform of Alibaba Judicial Auction* (sf.taobao.com) ("**Ali Auction**") to put the Bao Ze Pledged Shares on auction through the network platform of Ali Auction for the repayment of borrowings due to Nanjing Dasheng.

After the successful auction of the Bao Ze Pledged Shares on 21 January 2019, the Company is no longer engaged in the cold chain logistics services.

OTHER INCOME AND EXPENSES

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

OTHER GAINS AND LOSSES

For the year ended 31 December 2018, the Group's other gains and losses were net losses approximately RMB34,919,000 (2017: net gain approximately RMB8,248,000), decreased by approximately 523.36%.

DISTRIBUTION COSTS

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

ADMINISTRATIVE EXPENSES

For the year ended 31 December 2018, the Group's administrative expenses were approximately RMB216,489,000 (2017: approximately RMB174,271,000).

FINANCE COSTS

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

LOSS ATTRIBUTABLE TO OWNERS OF THE COMPANY

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

Given the business relationship between China CEFC Group and/or Shenzhen Dasheng and those customers affected by the China CEFC Group and/or Shenzhen Dasheng, the Group's businesses, financial conditions, results of operations or future prospects has been adversely affected by risks and uncertainties directly or indirectly pertaining to the businesses and financial conditions of China CEFC Group and Shenzhen Dasheng. As a result, the Group's businesses, financial conditions and results of operations for the year ended 31 December 2018 or future prospects are differing materially from expected or historical results.

CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES

Capital Structure

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

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

Current Assets and Financial Resources

Liquidity and Financial Resources (for continued operations)

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

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

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

Foreign Exchange Risk

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

Pledge of assets (for continued operations)

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

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save as disclosed, 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 is appropriate.

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

On 9 March 2018, the Company (as purchaser) entered into the sale and purchase agreement with Anhui Dasheng Niannianfu Bio-technology Company Limited* (安徽大生年年富生物科技有限公司) (as vendor) in relation to the acquisition of 100% equity interest of Anhui Huaxing at a consideration of approximately RMB5,577,000. Upon the completion of the said acquisition, Anhui Huaxing would become a direct wholly-owned subsidiary of the Company. The acquisition was completed in March 2018. Details of the acquisition are set out in the announcements of the Company dated 23 March 2018 and 26 March 2018.

On 21 May 2018, the Company (as vendor) entered into the IF Agreement with Black Peony (as purchaser) and Nantong Road and Bridge (as target company), pursuant to which the Company has intended to sell and Black Peony has intended to purchase part of the equity interest in Nantong Road and Bridge held by the Company. Subsequently, five supplemental agreements have been entered into between the Company, Black Peony and Nantong Road and Bridge to extend the exclusivity period and the validity period of the IF Agreement. However, the validity period and the exclusivity period under the IF Agreement (as supplemented by the supplemental agreements) (the "**Agreements**") have expired on 20 February 2019 and the parties to the Agreements have neither extended the exclusivity period arrangement nor entered into any formal agreement in relation to the Disposal. Given the lapse of time since the entering into of the IF Agreement, the Board announces that the Company has decided not to extend it. The Company is currently seeking alternative methods to dispose of its equity interest in Nantong Road & Bridge.

USE OF PROCEEDS FROM THE PLACING AND THE SUBSCRIPTION OF SHARES

The net proceeds amounted to approximately HK$1,615 million from the subscription and placing of the Company's H shares pursuant to the shareholders' approval at the extraordinarily general meeting and class meetings held on 16 November 2015 has been fully utilised as at 30 June 2018. Please refer to the interim report of the Company for the six months ended 30 June 2018 (the "**2018 Interim Report**") for the details of use of such proceeds.

The net proceeds from the subscription of domestic shares and placing of H shares of the Company pursuant to the shareholders' approval at the extraordinary general meeting and class meetings held on 20 January 2017 amounted to HK$1,227.5 million. As at 30 June 2018, an aggregate sum of approximately HK$349.5 million of such net proceeds has not been utilised (the "**Remaining Proceeds**"). Please refer to the 2018 Interim Report for the details of the use of proceeds. The Remaining Proceeds were originally re-allocated to the Group's investment in agriculture-related industry investment funds. The Board had resolved to change the use of the Remaining Proceeds and has applied such amount towards repayment of the existing indebtedness of the Group. The Remaining Proceeds has been fully utilised as at the date of this annual report. Please refer to the announcement of the Company dated 18 April 2019 for details.

Biographical Details of Directors and Supervisors

BOARD OF DIRECTORS

Executive Directors

Mr. Lan Huasheng (蘭華升) ("Mr. Lan"), aged 47, 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. He is also a director of certain subsidiaries of the Group. Mr. Lan has extensive experience in finance and accounting. He was formerly a finance manager and financial controller of various companies from July 1995 to June 2006. He acted as the general manager of Fujian Dasheng Holdings Limited from June 2006 to May 2014 and the chairman of the board of directors and general manager of Dasheng (Fujian) Agricultural Ltd. ("**Fujian Dasheng**") from April 2010 to April 2014. He is currently the chairman of the board of directors of Dasheng Holdings Limited ("**Dasheng Holdings**") and Shenzhen Qianhai Dasheng Equity Investment Fund Co., Ltd. ("**Qianhai Dasheng**"). He is currently the chairman of the board and group general manager of Shenzhen Dasheng. Shenzhen Dasheng is owned as to 30% by Dasheng Holdings and 70% by Qianhai Dasheng, and Fujian Dasheng is owned as to 100% by 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" and was awarded the "Ninth Award of Business Celebrities in Shenzhen" in 2016. 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) ("Mr. Wang"), aged 57, 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 Branch 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 is currently a director and the general manager of Zhenjiang Runde Equity Investment Fund Ltd.. 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.

Independent Non-executive Directors

Mr. Chung Cheuk Ming (鍾卓明) ("Mr. Chung"), aged 56, 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. Zhou Jianhao (周建浩) ("Mr. Zhou"), aged 57, has served as an independent non-executive Director since December 2012. He is the chairman of the remuneration and assessment committee of the Company and a member of the audit committee and nomination committee of the Company. Mr. Zhou is currently the general manager of Shanghai Kunpu Electronics and Technology Co., Ltd. and Shanghai Pai Feng Industrial Co., Ltd. Mr. Zhou graduated from Nanjing Political College specialising in economic management in the PRC in June 2002 and completed an on-the-job postgraduate programme specialising in business administration from Shanghai Academy of Social Sciences in the PRC in December 2001.

Mr. Yang Gaoyu (楊高宇) ("Mr. Yang"), aged 51, 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 (企業法律顧問) in the PRC, a Judicial Accounting Appraiser (司法會計鑒定人) in the PRC. Mr. Yang is currently the principal of Beijing Zhongzheng Tiantong Certified Public Accountants (Shenzhen Branch) (Special General Partnership) since October 2012. He also is the independent directors of Shenzhen Evenwin Precision Technology Co., Ltd.* (深圳市長盈精密技術股份有限公司) (Shenzhen Stock Exchange: 300115) and Baolingbao Biology Co., Ltd.* (保齡寶生物技術股份有限公司) (Shenzhen Stock Exchange: 002286). Mr. Yang resigned as an independent director or New Trend International Logis-tech Co., Ltd.* (深圳市今天國際物流技術股份有限公司) on October 2016 and WWW.36.CN (Shenzhen) Technology Co., Ltd. (深圳市萬泉河科技股份有限公司) on September 2016, the securities of which are listed on the Shenzhen Stock and New OTC market, respectively. Mr. Yang obtained his master's degree of business administration from New York Institute of Technology in 2010.

SUPERVISORS

Mr. Lu Tingfu (盧挺富), aged 48, has served as a supervisor ("**Supervisor**") representing shareholders of the Company since June 2014. 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.

Ms. Chen Yuanling (陳媛玲), aged 47, has served as an independent Supervisor of the Company since June 2015. She has extensive experience in finance and auditing. She worked in Shenzhen Chinese Accountants Firm (深圳中華會計事務所) from August 1998 to September 2001 and has engaged in the auditing of annual financial statements as well as auditing of IPO issues of various listed companies. She worked in the audit department of Chunda Group (淳大集團) from September 2001 to January 2004 and was responsible for the audit work of the Group's external investment projects and providing management advice. From September 2006 to August 2014, Ms. Chen had held various positions including the financial controller of Shanghai Chunda Hotel Investment Management Co., Ltd (上海淳大酒店投資管理有限公司), the financial controller and the general manager of Shanghai Chunda Yuandi Industrial Co., Ltd (上海淳大源地實業有限公司) and the general manager of Taicang Chunda Greenwoods Properties Co., Ltd (太倉淳大景林置業有限公司). Ms. Chen has served as the vice general manager of Shanghai Greenwoods Investment and Development Co., Ltd (上海景林投資發展有限公司) since September 2014. She has served as the executive director of Shanghai Greenwoods Assets Management Company Ltd (景林資產管理有限公司) since July 2017 and has served a director of Greenwoods Jingsheng Capital Management Co., LTD (景林景盛資本管理有限公司) since May 2017. Ms. Chen obtained a bachelor degree in international accounting from Jiangxi University of Finance and Economics in 1994 and a master's degree in business administration from Shanghai University of Finance and Economics in 2004.

Ms. Sun Ting (孫婷), aged 33, has been elected as a staff representative supervisor of the Company in 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 51, has been elected as a staff representative supervisor of the Company in 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 73, 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 maximizing 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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") as its own code of corporate governance. The Company has complied with the code provisions of the CG Code throughout the year ended 31 December 2018.

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

The manner in which the code provisions in the CG Code are applied and implemented during the year ended 31 December 2018 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' securities transactions. Following a specific enquiry, all the Directors and the Supervisors confirmed that they have complied with the Model Code throughout the year ended 31 December 2018.

BOARD OF DIRECTORS

The Board, which currently comprises five 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 on pages 19 to 21 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 executive Directors, the Company has also appointed 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 members of the Board during the year ended 31 December 2018 and up to the date of this report are:

Executive Directors:
Mr. Lan Huasheng (Chairman)
Mr. Wang Liguo (Chief Executive Officer)
Mr. Mo Luojiang (Chief Executive Officer) (resigned on 27 December 2018)

Non-executive Director:
Mr. Zhu Tianxiang (resigned on 1 March 2019)

Independent non-executive Directors:
Mr. Chung Cheuk Ming
Mr. Yang Gaoyu
Mr. Zhou Jianhao

The Company has received written annual confirmation from each 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.

The Company is in the course of identifying appropriate candidates to fill the vacancy of the Board to fulfill the requirements under the Articles as soon as practicable and will make further announcement in due course.

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 2018, the Board convened a total of 33 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, Board committees and general meetings during the year ended 31 December 2018 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)	33/33				1/1
Mr. Wang Liguo (Chief Executive Officer)	33/33				1/1
Mr. Mo Luojiang (Chief Executive Officer) (resigned on 27 December 2018)	30/33		0/2		1/1
Non-executive Director:					
Mr. Zhu Tianxiang (resigned on 1 March 2019)	26/33			12/14	0/1
Independent Non-executive Directors:					
Mr. Chung Cheuk Ming	33/33	1/1	2/2	14/14	1/1
Mr. Yang Gaoyu	33/33	1/1	2/2	14/14	1/1
Mr. Zhou Jianhao	33/33	1/1	2/2	12/14	1/1

* *In 2018, the Company convened one annual general meeting.*

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Under code provision A.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 2018, the role of chairman and CEO was vested on Mr. Lan Huasheng and Mr. Mo Luojiang (who resigned on 27 December 2018), respectively. Mr. Qian Di, the current company secretary of the Company, was appointed as the acting CEO with effect from 27 December 2018 and resigned as the acting CEO with effect from 11 February 2019. Mr. Wang Liguo has been appointed as the CEO with effect from 11 February 2019. 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 DIRECTORS

Code provision A.4.1 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 the Articles. All Directors shall be elected and removed by the shareholders in general meeting according to the Articles. Code provision A.6.7 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 Directors confirmed that they have complied with code provision A.6.5 of the CG Code on directors' continuous professional development. During the year ended 31 December 2018, 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. Mo Luojiang (resigned on 27 December 2018)	A, B
Non-executive Director	
Mr. Zhu Tianxiang (resigned on 1 March 2019)	A, B
Independent Non-executive Directors	
Mr. Chung Cheuk Ming	A, B
Mr. Yang Gaoyu	A, B
Mr. Zhou Jianhao	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

BOARD COMMITTEES

Remuneration and Assessment Committee

The remuneration and assessment committee (the "**Remuneration and Assessment Committee**") was established in 2005 (originally known as the remuneration committee and was subsequently renamed as the Remuneration and Assessment Committee in 2012) and the terms of reference of Remuneration and Assessment Committee are aligned with the CG Code. The committee members are independent non-executive Directors. The chairman of the Remuneration and Assessment Committee is Mr. Zhou Jianhao and other members included Mr. Chung Cheuk Ming and Mr. Yang Gaoyu.

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 one meeting during the year ended 31 December 2018 and made recommendations to the Board on the remuneration packages of individual Directors and Supervisors with reference to the corporate objectives.

Senior management of the Group during the year ended 31 December 2018 comprised Ms. Lo Suet Fan and Mr. Qian Di. The remuneration of members of the senior management by band for the year ended 31 December 2018 is set out below:

Remuneration band(s)	Number of individuals
Nil to HK$1,000,000	2

Nomination Committee

The Company established the nomination committee (the "**Nomination Committee**") on 16 February 2012 and the terms of reference of Nomination Committee are aligned with the CG Code. The majority of committee members are independent non-executive Directors. As at 31 December 2018, the chairman of the committee is Mr. Lan Huasheng, the other members include Mr. Chung Cheuk Ming, Mr. Yang Gaoyu and Mr. Zhou Jianhao. Mr. Mo Luojiang was the chairman of the Nomination Committee before his resignation on 27 December 2018.

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 two meetings during the year ended 31 December 2018 where it reviewed the structure, size and composition of the Board, identified individuals suitably qualified to become Board members, and made recommendations to the Board on the selection of individuals nominated for directorships.

In assessing the Board composition, the Board has adopted a board diversity policy (the "**Policy**") which sets out the approach to achieve diversity on the Board. 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 Nomination Committee will monitor the implementation of the 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 seven Directors. As at the date of this report, the Board comprises five Directors. Three of them are independent non-executive Directors, thereby promoting critical review and control of the management process. The Company is in the course of identifying appropriate candidates to fill the vacancy of the Board to fulfill the requirements under the Articles as soon as practicable whilst having due regard for the Policy and will make further announcement in due course.

Audit Committee

The audit committee of the Company (the "**Audit Committee**") was formed in 2005 and the terms of reference of Audit Committee are aligned with the CG Code. The primary duties of the Audit Committee are to review and monitor the financial reporting process and internal controls system of the Group as well as overseeing the relationship with the Company's external auditor. The Audit Committee comprises three independent non-executive Directors, namely, Mr. Chung Cheuk Ming, Mr. Yang Gaoyu and Mr. Zhou Jianhao. Mr. Zhu Tianxiang was a member of the Audit Committee before his resignation on 1 March 2019. The chairman of the Audit Committee is Mr. Chung Cheuk Ming.

The Audit Committee held 14 meetings 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 2018 and the audited annual results for the year ended 31 December 2018 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 2018, the remuneration paid/ payable to the Company's external auditor for its statutory audit services and non-audit services were RMB5,057,000 and RMB50,000, respectively. The non-audit services mainly included the work on continuing connected transactions.

DIRECTORS' AND AUDITORS' RESPONSIBILITIES IN RESPECT OF THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities for preparing the consolidated financial statements of the Company. The Board is 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 has applied the Hong Kong Financial Reporting Standards and consistently followed the appropriate accounting policies and provisions of laws. The Board aims 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' responsibilities for the consolidated financial statements and the responsibilities of the external auditor to the shareholders are set out on page 57 of this report.

GOING CONCERN BASIS

The auditors of the Company does not express an opinion on the consolidated financial statements of the Group for the year ended 31 December 2018 due to the potential interaction of the multiple uncertainties and their possible cumulative effect on the consolidated financial statements. 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

Ms. Lo Suet Fan ("**Ms. Lo**") was appointed as the company secretary of the Company on 15 May 2013 and she resigned as the company secretary of the Company on 8 December 2018. Mr. Qian Di was appointed as the company secretary of the Company on 1 February 2019. He is responsible to the Board for advising the Board on corporate governance matters. As confirmed by Ms. Lo, she has taken no less than 15 hours of relevant professional training during the year ended 31 December 2018 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.

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 recognizes 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. Investors and analysts briefings, press conferences and media interviews are conducted on a regular basis in order to keep shareholders and potential investors informed of the latest development of the Company.

The Company endeavors to maintain an on-going dialogue with its shareholders, in particular, through AGMs 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 AGM to meet with the shareholders of the Company.

The forthcoming AGM will be held on 20 June 2019. 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 2605, 26/F, Convention Plaza Office Tower, No. 1 Harbour Road, Wanchai, 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.

AMENDMENTS TO THE ARTICLES OF ASSOCIATION

As approved as special resolutions at the extraordinary general meeting held on 20 January 2017, the Articles was amended. The amendments to the Articles included, among others, reflecting the changes in the registered capital of the Company as a result of subscription of shares and placing of shares. An up to-date consolidated version of the Articles has been published on the websites of the Company and of the Stock Exchange. Details of the amendments are set out in the announcement of the Company dated 26 January 2018.

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 2018.

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 in December 2007. A Risk Management Department is formed to further enhance the function of internal control and risk management of the Company in June 2014. 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, authorization 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 Board and the Audit Committee have reviewed the internal audit report and assessed the effectiveness of the Group's internal control and risk management system which covered all material controls, including financial, operational and compliance controls as well as risk management functions, during the year ended 31 December 2018. No major issue was raised but certain areas for improvement had been identified and considered for appropriate actions. 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 2018, 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

On 26 July 2018, Mr. Jiang Feng and Ms. Xu Miaojie resigned as staff representative Supervisors. Upon democratic election at the staff representative meeting of the Company held on 26 July 2018, Ms. Sun Ting and Mr. Wang Bin were elected as staff representative Supervisors of the fifth session of the Supervisory Committee with effect from the same day.

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

During the year ended 31 December 2018, the major work performed by the Supervisory Committee included attending Board meetings; carefully reviewing the report of the Directors and profit appropriation proposal 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 also reviewed the performance of the Directors, general manager and senior management in the daily operation of the Company by various means, and seriously examined the Company's financial position and its connected transactions. After the examination, the Supervisory Committee was of the view that:

1. the report of the Directors and the profit appropriation proposal 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 2018, the transaction price of the Group's asset acquisition and disposal were equitable and reasonable, and no insider transaction or behaviors causing damages to the shareholders' benefits have been found;

4. the consolidated financial statements of the Company for the year ended 31 December 2018 were audited by Asian Alliance (HK) CPA Limited, who do 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 of Disclaimer of Opinion in the independent auditor's report setout in this report and the auditors hare mat been provided with appropriate audit evidence to provide a basis for an audit opinion on the Company's consolidated financial statements for the year ended 31 December 2018. 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

Lu Tingfu
Chairman of the Supervisory Committee

Shanghai, PRC, 29 March 2019

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 2018.

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The principal activity of the Company is trading of petrochemical products. As at the date of this report, the principal activities of the Group are agrochemical products supply chain services business, agricultural big data services business, financial leasing and commercial factoring business and agricultural and petrochemical products supply chain service business. The business sectors, namely road and bridge construction business and cold chain service logistics business were deemed to be discontinued operations of the Group. The activities of its subsidiaries are set out in note 49 to the 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 2018 are set out in the consolidated statement of comprehensive income on pages 59 to 60.

The state of affairs of the Group and of the Company as at 31 December 2018 are set out in the consolidated statement of financial position, respectively, on pages 61 to 62 and page 217.

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

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

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, prepaid lease payments and investment properties 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 39 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 51 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 2018, 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 on page 2.

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. Mo Luojiang (resigned on 27 December 2018)

Non-executive Directors

Mr. Zhu Tianxiang (resigned on 1 March 2019)

Independent Non-executive Directors

Mr. Chung Cheuk Ming
Mr. Yang Gaoyu
Mr. Zhou Jianhao

The Company has received from each of the 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 23 August 2016. All members of the current session of the Board have a term of three years commencing from 23 August 2016.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SUPERVISORS

Brief biographical details of the Directors and the Supervisors are set out on pages 19 to 21.

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.

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 2018, 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 (Supervisor)	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. Mr. Wang Liguo (Executive Director)	Domestic shares	Interest in controlled corporation	1,530,986,460 (L) *(note 4 and 5)*	45.71%	16.03%

L = Long position

Notes:

(1) Shenzhen Dasheng and Hong Kong Dasheng Investment Holdings Company Limited ("**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.

(4) Zhenjiang Runde Equity Investment Fund Ltd. ("**Zhenjiang Runde**") is wholly owned by Mr. Wang Liguo. By virtue of the SFO, Mr. Wang Liguo is deemed to be interested in 1,530,986,460 domestic shares of the Company held by Zhenjiang Runde.

(5) 1,530,986,460 domestic shares are charged by Zhenjiang Runde in favour of a third party as security for a loan for Company, and the loan amount is for Company's own use.

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

As at 31 December 2018, 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	Domestic shares	Beneficial owner	1,530,986,460 (L) *(note 5)*	45.71%	16.03%
6. Xinzhong Stable Investment Fund Limited	H shares	Beneficial owner	1,732,000,000 (L) *(note 4)*	27.93%	18.13%
7. Zhong Hua	H shares	Interest in controlled corporation	1,732,000,000 (L) *(note 4)*	27.93%	18.13%

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.

(4) The interests refer to the same parcel of shares of the Company.

(5) 1,530,986,460 domestic shares are charged by Zhenjiang Runde in favour of a third party as security for a loan for Company, and the loan amount is for Company's own use.

CONTRACTS OF SIGNIFICANCE WITH CONTROLLING SHAREHOLDER

Save as disclosed in the section headed "Connected Transactions and Continuing Connected Transaction" in this report, no contract of significance has been entered into between the Company or any of its subsidiaries and the controlling shareholder or any of its subsidiaries during the year ended 31 December 2018.

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	15.02%
– five largest customers combined	30.84%
Purchases	
– the largest supplier	16.21%
– five largest suppliers combined	37.45%

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 2018.

PURCHASE, SALES OR REDEMPTION OF LISTED SECURITIES

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

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTION

During the year ended 31 December 2018, the Group had the following connected transactions and continuing connected transaction. The Company confirms that it has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

Connected Transactions

Pledge of Equity Interest

On 21 March 2018, Shanghai Kaiyi Corporate Management Consultancy Co., Limited* (上海諧易企業管理諮詢有限公司) ("**Shanghai Kaiyi**"), a direct wholly-owned subsidiary of the Company, Zhenjiang City Zhiying Investment Management Centre (Limited Partnership)* (鎮江市智贏投資管理中心(有限合夥)) (formerly known as Jiangxi Zhangshu City Zhiying Investment Management Centre* (江西樟樹市智贏投資管理中心)) (the "**Pledgee**") and the Company entered into an equity pledge agreement, pursuant to which Shanghai Kaiyi has agreed to pledge its 80% equity interest in Shanghai Runtong in favour of the Pledgee to secure the repayment obligation of the Company in respect of the outstanding debts due to the Pledgee by the Company in the sum of RMB148,825,000. Details of the said equity pledge agreement are set out in the announcement of the Company dated 21 March 2018.

Acquisition of Equity Interest in Anhui Huaxing

On 9 March 2018, the Company (as purchaser) entered into the sale and purchase agreement with Anhui Dasheng Niannianfu Bio-technology Company Limited* (安徽大生年年富生物科技有限公司) (as vendor) in relation to the acquisition of 100% equity interest of Anhui Huaxing at a consideration of approximately RMB5,577,000. Upon the completion of the said acquisition, Anhui Huaxing would become a direct wholly-owned subsidiary of the Company. The acquisition was completed in March 2018. Details of the said acquisition are set out in the announcements of the Company dated 23 March 2018 and 26 March 2018.

Continuing Connected Transactions

On 30 December 2015, Ever Fortune, an indirect non-wholly owned subsidiary of the Company, entered into the finance lease agreements with Nanjing Dasheng Vegetable Production Co., Ltd. ("**Nanjing Dasheng Vegetable**"), an indirectly non-wholly owned subsidiary of Shenzhen Dasheng, pursuant to which, Ever Fortune has conditionally agreed to purchase and lease back the assets to Nanjing Dasheng Vegetable for a consideration of RMB18,000,000 and Nanjing Dasheng Vegetable has conditionally agreed to sell and lease from Ever Fortune the assets for a term of 3 years. As Nanjing Dasheng Vegetable is an indirect non-wholly owned subsidiary of Shenzhen Dasheng, a substantial shareholder of the Company, which in turn is indirectly owned as to 70% and 30% by Mr. Lan Huasheng (the chairman of the Board and an executive Director) and Mr. Lu Tingfu (a supervisor of the Company) respectively, Nanjing Dasheng Vegetable is an associate of Shenzhen Dasheng, Mr. Lan Huasheng and Mr. Lu Tingfu. Nanjing Dasheng Vegetable is thus a connected person to the Company. As such, the finance lease agreements constitute continuing connected transactions for the Company. Relevant details were set out in the announcement of the Company dated 30 December 2015.

On 26 December 2016, Shanghai Runtong and Ever Fortune (Xiamen) Financial Leasing Co., Ltd.* (瑞盈信融(廈門)融資租賃有限公司) (“**Ruiying (Xiamen)**”), both indirect non-wholly owned subsidiaries of the Company, entered into the finance lease agreements with Nanjing Dasheng, pursuant to which, Ruiying (Xiamen) has conditionally agreed to purchase the asset from Shanghai Runtong and lease the asset to Nanjing Dasheng for a consideration of RMB9,800,000 and Nanjing Dasheng has conditionally agreed to lease and purchase from Ruiying (Xiamen) the asset for a term of three years. As Nanjing Dasheng is a non-wholly owned subsidiary of Shenzhen Dasheng, it is an associate of Shenzhen Dasheng, Mr. Lan Huasheng and Mr. Lu Tingfu. Therefore, Nanjing Dasheng is a connected person to the Company and the finance lease agreements constitute continuing connected transactions for the Company. Relevant details were set out in the announcement of the Company dated 26 December 2016.

On 2 March 2017, Ever Fortune entered into the finance lease agreements with Nanjing Dasheng, pursuant to which, Ever Fortune has conditionally agreed to purchase the asset from Nanjing Dasheng at a consideration of RMB55 million, which would then lease back to Nanjing Dasheng for a term of one year. As Nanjing Dasheng is an indirect non-wholly owned subsidiary of Shenzhen Dasheng, Nanjing Dasheng is an associate of Shenzhen Dasheng, Mr. Lan Huasheng and Mr. Lu Tingfu. Nanjing Dasheng is thus a connected person to the Company. As such, the finance lease agreements constitute continuing connected transactions for the Company. Relevant details were set out in the announcement of the Company dated 2 March 2017.

On 9 June 2017, Ever Fortune entered into a finance lease agreements with Nanjing Dasheng, pursuant to which Ever Fortune has conditionally agreed to purchase the asset from Nanjing Dasheng at a consideration of RMB17 million, which would then leaseback to Nanjing Dasheng for a term of three years. As Nanjing Dasheng is a non-wholly owned subsidiary of Shenzhen Dasheng, the substantial shareholder of the Company, Nanjing Dasheng is an associate of Shenzhen Dasheng, Mr. Lan Huasheng and Mr. Lu Tingfu. Therefore, Nanjing Dasheng is a connected person to the Company and the transactions contemplated under finance lease agreements constitute continuing connected transactions of the Company. Relevant details were set out in the announcement of the Company dated 9 June 2017.

Confirmations on Continuing Connected Transactions

The independent non-executive Directors have reviewed the continuing connected transaction set out above pursuant to Rule 14A.55 of the Listing Rules and have confirmed that the continuing connected transactions have been entered into (i) in the ordinary and usual course of business of the Company; (ii) on normal commercial terms or on terms no less favourable to the Group than terms available to independent third parties; and (iii) in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the Company and the shareholders as a whole.

Asian Alliance (HK) CPA Limited, the Company's external auditor, was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised), Assurance Engagements Other Than Audits or Reviews of Historical Financial Information and with reference to Practice Note 740, Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules issued by the HKICPA. Asian Alliance (HK) CPA Limited has issued its unqualified report containing its findings and conclusions in respect of the continuing connected transaction disclosed above in accordance with Rule 14A.56 of the Listing Rules. The auditor's letter confirmed that nothing has come to their attention that causes them to believe that the aforesaid continuing connected transactions (i) have not been approved by the Company's board of directors; (ii) were not entered into, in all material respects, in accordance with the pricing policy of the Group; (iii) were not entered into, in all material respects, in accordance with the relevant agreement governing the transaction; and (iv) the amount exceeded the annual cap being set in the relevant announcements of the Company.

RELATED PARTY TRANSACTIONS

A summary of related party transactions entered into by the Group during the year ended 31 December 2018 are disclosed in note 48 to the financial statements. Other than the transactions disclosed in the section headed "Connected Transactions and Continuing Connected Transaction" above, 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	
	2018	2017
Functions:		
Management	**80**	93
Sales and Marketing	**72**	80
Accounting and finance	**88**	82
Administration and human resources	**60**	66
Legal	**10**	13
Information system	**3**	3
Technical and quality control	**50**	39
Storage centre	**21**	28
Civil Engineer	**505**	199
Construction workers	**939**	245
Total	**1,828**	848

As at 31 December 2018, the Group had 1,828 staff (2017: 848 staff). Employees are remunerated 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. The annual staff costs (including directors) amounted to approximately RMB142,047,000 (2017: RMB123,825,000). Details of the emoluments of the Directors, supervisors and five highest paid individuals during the year ended 31 December 2018 are set out in note 16 to the consolidated financial statements.

The Group did not have a record of significant labour dispute or strike which disrupted daily operations. The Directors regarded that the relationship with the 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 2018 are set out in Note 4 and note 40 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.

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 2018.

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.

Macro-Control Risk

The Company's operating income mainly comes from such trading business as sale of fuel oil, chemical fertilizers and agricultural products. These products are cyclic and are sensitive to macro-economy, cyclic changes of regional and global economy, the changes of the production capacity and output, demand of consumers, prices and supply of the raw materials, as well as prices and supply of the alternative products, which will have an impact on the Company's operations. Economic fluctuations also directly affect the demand for energy products including fuel oil, in particular, the Company's operating results will be affected by economic downturn.

Market Competition Risk

The Company continues to expand its trading business of petrochemical products. However, the Company has a long distance to catch up with certain major domestic petroleum and petrochemical companies with integrated operation of exploration, production and sales in terms of scale of operation, profitability, resource reserves, sales terminals, crude oil import and export rights and industrial chain extension. In December 2006, the government promulgated the Administrative Measure on the Crude Oil Market (《原油市場管理辦法》) and the Administrative Measures on the Petroleum Products Market (《成品油市場管理辦法》). With gradual opening of the domestic petroleum and petrochemical market, the Company will face strong competition from domestic and foreign petroleum and petrochemical enterprises in many business areas.

Price Fluctuation Risk

The Company is mainly engaged in commodities trading of fuel oil, chemical fertilizers and agricultural products etc. In recent years, the international crude oil price significantly fluctuates due to various factors. According to the Administrative Measures for Crude Oil Prices (Trial) (《石油價格管理辦法(試行)》) implemented on 7 May 2009, the formation mechanism of domestic petroleum products price has a further tendency towards marketization, but is still properly managed by the government. Therefore, fluctuations in international crude oil price and fluctuations in domestic oil price may affect the Company's operating conditions, and have an impact on the operating results.

Industry Expansion Risk

The Company will continue to expand its business to financial services in the agricultural business sector, and will accelerate its business expansion mainly by way of acquisition or joint venture, which will bring significant challenges for the Company's resources and the management ability of group companies. If the Company cannot effectively address the uncertainties caused by the expansion activities, the Company's business profitability may be adversely affected.

Default and Late Payment Risk

The businesses of certain customers of the Company have been significantly affected by the CEFC Events and the Shenzhen Dasheng Events as detailed in the Note 30(f) to the consolidated financial statements. The Company is thus 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 46 to the consolidated financial statements headed "FINANCIAL INSTRUMENTS – Financial Risks Management Objectives and Policies".

Business Risk

Underlying Risks associated with the Business Relationship between China CEFC Group, Shenzhen Dasheng and the Affected Customers

Given the business relationship between China CEFC Group and/or Shenzhen Dasheng and certain customers of the Company's agricultural and petrochemical product supply chain service business (**"Trading Business"**) (the **"Affected Trading Customers"**) and the agricultural industry chain financial service business (**"Factoring Business"**) (the **"Affected Factoring Customers"**, together with the Affected Trading Customers, the **"Affected Customers"**) are in financial difficulties and are unable to make repayments of the trade receivables, finance lease receivables and factoring loan receivables to the Group, the Group's businesses, financial conditions, results of operations or future prospects may be affected by risks and uncertainties directly or indirectly pertaining to the businesses and financial conditions of China CEFC Group and Shenzhen Dasheng. The risk factors set out below are those that could result in the Group's businesses, financial conditions, results of operations or future prospects differing materially from expected or historical results. Such factors are by no means exhaustive or comprehensive, and there may be other risks in addition to those shown below which are not known to the Group or which may not be material now but could turn out to be material in the future.

High concentration on customers which are also business counterparties of China CEFC Group and Shenzhen Dasheng

The Group's customer base for the Trading Business and the Factoring Business is concentrated on companies which are also business counterparties of China CEFC Group and/or Shenzhen Dasheng. Any downturn of the operation condition of China CEFC Group and/or Shenzhen Dasheng or their respective ability to repay the debts due to the Group's customers has been or is likely to be lost, these may also affect the Group's customers, which may in turn affect their ability to make payments to the Group in a timely manner or at all. Due to the CEFC Events and the Shenzhen Dasheng Events, both the Trading Business and the Factoring Business encountered adverse operation difficulties because the Affected Customers are in financial difficulties and they are unable to settle the outstanding trade and loan payables, which led to a material adverse effect on the Group's financial conditions and results of operations.

Reliance on underlying receivables due from China CEFC Group for the Factoring Business

The accounts receivable factoring services provided by the Group to certain customers of the Factoring Business were based on the underlying account receivables of such factoring customers due from the members of China CEFC Group. The amount of factoring loan receivables arisen from transactions from customers/suppliers of China CEFC Group as at 31 December 2018 amounted to approximately RMB2,689 million. The high underlying debtor concentration may subject the Group to credit exposure to certain underlying debtors. The Group faces high concentration risk from credit exposure to the underlying debtors in the Factoring Business. Any deterioration in the financial conditions or results of operations of the underlying debtors could undermine the quality of the factoring assets and the Group's ability to grant new financing to customers, which in turn could materially and adversely affect the Group's business, financial conditions and results of operations. Due to the CEFC Events, the Affected Factoring Customers are in financial difficulties and unable to settle the outstanding loan payments, and the Group encountered difficulties to request the repurchase by the Affected Factoring Customers or to collect the underlying receivables from China CEFC Group.

Uncertainties on asset quality or impairment in the collectability of accounts receivable

The Group is subject to the credit risks of our customers and the underlying debtors, and may not receive full and/or timely repayment of trade and loan receivables. As the Affected Customers and/or the underlying debtors delayed or defaulted on their payments, the Company has to make additional provision for impairment, write off the relevant receivables, and/or incur additional legal costs in order to enforce its factoring assets. Any deterioration in the Group's asset quality or impairment in the collectability of its accounts receivable could have a material adverse effect on the Group's financial conditions, results of operations and future prospects. The quality of factoring assets has deteriorated due to the CEFC Events and the Shenzhen Dasheng Events which are beyond the Company's control and has caused operational, financial and liquidity problems to the Affected Customers.

Measures to Mitigate Such Risks

The Company is currently experiencing high debt level, liquidity shortage and material adverse change in its financial conditions, and both the Trading Business and the Factoring Business encountered adverse operation difficulties and significant decrease of revenue as compared to last year mainly attributable to the lack of working capital to run the businesses resulting from the failure of the Affected Customers to settle the outstanding trade and loan payments. Having considered the recoverability of the trade and other receivables of these customers, the Company has recorded an impairment loss of approximately RMB2,106 million and RMB4,873 million in relation to their trade and other receivables as at 31 December 2017 and 31 December 2018, respectively.

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

Apart from cessation of carrying out the cold chain logistics services business, the Company is also considering a possible disposal of its road and bridge construction business, details of which are set out in the announcements of the Company dated 21 May 2018, 4 July 2018, 5 September 2018, 7 November 2018, 12 December 2018, 14 January 2019 and 20 February 2019.

To the Company's best knowledge and belief, none of the customers and suppliers in the agricultural big-data services business and the Agrochemical Supply Business are related to China CEFC Group or Shenzhen Dasheng. As such, the Company is of the view that business risks as mentioned in "Underlying Risks associated with the Business Relationship between China CEFC Group, Shenzhen Dasheng and the Affected Customers" and their further impacts on the Group's business operation shall be able to be mitigated.

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

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.

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

During the year ended 31 December 2018 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.

Pursuant to Rule 14A.56 of the Listing Rules, the Company is required to engage its auditors, Asian Alliance (HK) CPA Limited (the "**Auditors**"), to report on the continuing connected transaction of the Company every year, and the Auditors must provide a letter (the "**CCT Confirmation**") to the Board to confirm whether the Company's continuing connected transactions (a) have been approved by the Board; (b) were, in all material respects, in accordance with the pricing policies of the Group; (c) were entered into, in all material respects, in accordance with the agreements governing the transactions; and (d) have not exceeded the proposed annual caps. Pursuant to Rule 14A.57 of the Listing Rules, the Company must provide a copy of the CCT Confirmation to the Stock Exchange at least 10 business days before the bulk printing of its annual report. The Company provided a copy of the CCT Confirmation to the Stock Exchange on 24 April 2019, being less than 10 business days before the bulk printing of this report and such delay constitutes non-compliance with Rule 14A.57 of the Listing Rules.

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 of the date of this report.

AUDIT QUALIFICATIONS FOR THE YEAR ENDED 31 DECEMBER 2017

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

Management's view on the 2017 Audit Qualifications

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

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

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

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

Status of legal proceedings

The change in the Group's total borrowings was due to the settlement of the outstanding repayment of the Group by Hong Kong Dasheng Investment Holdings Company Limited (香港大生投資控股有限公司) as guarantor under the legal proceedings where Tianjin Galaxy Commercial Factoring Co., Ltd.* (天津星河商業保理有限公司) issued and filed a statement of claim against Ruiying Xinrong (Shenzhen) Commercial Factoring Co., Limited* (瑞盈信融(深 圳)商業保理有限公司) ("**Ruiying Xinrong**"), a non-wholly owned subsidiary of the Company, and Shenzhen Dasheng under Tianjin Higher People's Court* (天津市高級人民法院) for a breach of refactoring agreements due to default in repayment of financing in a principal amount of RMB255 million and all related interests. For further details, please refer to the Company's announcements dated 18 July 2018 and 27 August 2018.

Further, the Bao Ze Pledged Shares have been successfully sold in an auction ordered by the court on 21 January 2019 under the legal proceedings where Nanjing Dasheng issued and filed a statement of claim against Dasheng Agro-chemical for a breach of working capital loan agreement due to default in repayment of loan in a principal amount of RMB209,405,219 and all related interests. For further details, please refer to the Company's announcements dated 18 July 2018, 16 October 2018, 16 November 2018, 19 December 2018, 21 December 2018, 27 December 2018, 11 February 2019 and 19 February 2019.

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

In May 2018, one plaintiff applied for property preservation on the Company's equity interest in Nantong Road and Bridge amounting to approximately RMB49,972,000, as well as the Company's equity interest in Anhui Huaxing amounting to approximately RMB10,024,000. In June 2018, another plaintiff applied for property preservation on the Company's equity interest in Nantong Road and Bridge amounting to approximately RMB547,885,000, as well as the Company's equity interest in Anhui Huaxing amounting to approximately RMB180,000,000.

In August 2018, Guangdong Yuecai Trust Co., Limited*（廣東粵財信託有限公司）(**"Guangdong Yuecai"**) filed a statement of claim against Ruiying Xinrong for a breach of refactoring agreement due to default in repayment of financing in a principal amount of RMB148,000,000 and all related interests (the **"First Refactoring Agreement"**) under Guangzhou Intermediate People's Court of Guangdong Province* (廣東省廣州市中級人民法院) (**"Guangzhou Court"**). Shenzhen Dasheng, Dasheng (Fujian) Agriculture Co., Ltd* (大生(福建)農業有限公司) (**"Dasheng Fujian"**), Mr. Lan Huasheng and Mr. Lu Tingfu were also named as defendants in the said statement of claim. According to the civil judgment of the Guangzhou Court dated 2 July 2018, the claim has been dismissed by the Guangzhou Court as the First Refactoring Agreement contains an arbitration clause and is currently pending the outcome of arbitration.

In August 2018, Guangdong Yuecai filed a statement of claim against Ruiying Xinrong (for a breach of refactoring agreement due to default in repayment of financing in a principal amount of RMB50,000,000 and all related interests (the **"Second Refactoring Agreement"**) under the Guangzhou Court. Shenzhen Dasheng, Dasheng Fujian, Shanghai CEFC International Group Co., Ltd (上海華信國際集團有限公司), Mr. Lan Huasheng and Mr. Lan Huasheng and Mr. Lu Tingfu were also named as defendants in the said statement of claim. According to the civil judgment of the Guangzhou Court dated 31 October 2018, the claim has been dismissed by the Guangzhou Court as the Second Refactoring Agreement contains an arbitration clause and is currently pending the outcome of arbitration.

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

Status of the Disposal

The Company entered into the IF Agreement and five supplemental agreements with Black Peony, as the possible purchaser and Nantong Road and Bridge, in relation to the Disposal. As disclosed in the 2017 Annual Report, the Management expected that the Disposal will be completed in December 2018 and the net proceeds received therefrom will improve the Group's liquidity.

However, the validity period and the exclusivity period under the IF Agreement (as supplemented by the supplemental agreements) have expired on 20 February 2019 and the parties to the Agreements have neither extended the exclusivity period arrangement nor entered into any formal agreement in relation to the Disposal. Given the lapse of time since the entering into of the IF Agreement, the Board announces that the Company has decided not to extend it. The Company is currently seeking alternative methods to dispose of its equity interest in Nantong Road & Bridge.

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

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

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

Audit Committee's view on the 2017 Audit Qualifications

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

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

Action plan of the Group to address the 2017 Audit Qualifications

The Company has taken actions to address the Audit Qualifications during the year ended 31 December 2017. However, the Company was unable to resolve the 2017 Audit Qualification prior to the publication of the Group's annual results announcement for the year ended 31 December 2018.

AUDIT QUALIFICATIONS FOR THE YEAR ENDED 31 DECEMBER 2018

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

Management's view on the 2018 Audit Qualifications

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

The Management has discussed with its auditors and confirmed that the qualified opinion on consolidated statement of profit or loss for the year ended 31 December 2017 will have carryforward effect for the year ended 31 December 2018 as a result of the comparability of the 2018 figures and the corresponding 2017 figures.

The qualification would not have any carryforward effect for the year ending 31 December 2019.

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

As described in the consolidated financial statements for the year ended 31 December 2018, the said limitation of scope is in relation to the one-off auction of the Bao Ze Pledged Shares. As Bao Ze Pledged Shares has been auction in January 2019, the Auditor could not perform audit on Nanjing Bao Ze for the year ended 31 December 2018 and thus issued qualified opinion on this matter. The Management is of the opinion that as the auction of the Bao Ze Pledged Shares have been completed in January 2019, however, if no sufficient financial information can be provided to the Auditor in relation to the completion of the auction, the Auditor is expected to issue qualified opinion on gain (loss) on the disposal of a subsidiary for the year ending 31 December 2019.

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

As described in the consolidated financial statements for the year ended 31 December 2018, the said limitation of scope is in relation to the disposal of a subsidiary (the "**Disposed Subsidiary**"). As the purchaser of the Disposed Subsidiary was not cooperated with the management of the Company and the Auditor could not perform audit on the Disposal Subsidiary up to the completion date of the disposal, therefore the Auditor has issued a qualified opinion on this matter. The Management is of the opinion that as the disposal had been completed during the year ended 31 December 2018, this scope limitation would only affect the opening balance and comparative figures on the consolidated financial statements of the Company for the year ending 31 December 2019.

(4) Limitation of scope on interest in an associate

As described in the consolidated financial statements for the year ended 31 December 2018, the said limitation of scope is in relation to the interest in an associate (the "**Associate**"). The Auditor was unable to obtain sufficient information and explanations from the management of the Associate that were considered as necessary to prepare the consideration financial statements of the Company.

The Management understands the view of the Auditor. The Management would delicate a staff in the finance department to have frequent communication with the Associate as soon as possible to provide sufficient documents to the Auditor for the year ending 31 December 2019.

(5) Multiple uncertainties in relation to going concern (the "**2018 Going Concern Qualification**")

As the following audit evidence will be considered by the auditors to assess the going concern qualification including (i) the financial position of the Group (including whether the Group has net current asset, net asset and profit for the year ending 31 December 2019); (ii) an assessment of the cash flow forecast of the Group for 18 months; and (iii) action plan with supporting documents of the Group to enhance the financial position of the Group, the Company is of the view that if the Company is in a certain financial position and provides the information required by the auditors to their auditors' satisfaction, the 2018 Going Concern Qualification may be removed for the year ending 31 December 2019.

Audit Committee's view on the 2018 Audit Qualifications

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

Action plan of the Group to address the 2018 Audit Qualifications

The Company has discussed the 2018 Audit Qualifications and its action plans (if applicable) with its auditors. The Company is taking actions to address the 2018 Audit Qualifications, and will continue to communicate and cooperate with its auditors, with the aim to removing all the 2018 Audit Qualifications as soon as possible.

SIGNIFICANT EVENTS DURING AND AFTER THE REPORTING PERIOD

(a) On 9 March 2018, the Company and Anhui Dasheng Niannianfu Bio-technology Company Limited* (the "**Vendor**") entered into a sale and purchase agreement, pursuant to which the Company conditionally agreed to acquire and the Vendor conditionally agreed to sell the entire equity interest in Anhui Huaxing, for a cash consideration of approximately RMB5,577,000. The transaction constitutes a connected transaction under the Listing Rules. Pursuant to the said sale and purchase agreement, the Vendor guarantees that the net profit (the "**Actual Net Profit**") of Anhui Huaxing for a period of five years from the date of the sale and purchase agreement (the "**Guaranteed Period**") shall be not less than RMB80,000,000 (the "**Guaranteed Net Profit**") per year, such that the Actual Net Profit in total for the Guaranteed Period shall be not less than RMB400,000,000, failing of which the Vendor shall pay the shortfall in cash.

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

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

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

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

AUDITOR OF THE COMPANY

The consolidated financial statements for the year ended 31 December 2018 have been audited by Asian Alliance (HK) CPA Limited who filled the causal vacancy following the resignation of BDO Limited as the auditors of the Group with effect from 6 November 2018 and to hold office until the conclusion of the next AGM. A resolution to approve the appointment of Asian Alliance (HK) CPA Limited and to authorize the Directors to fix their remuneration will be proposed at the forthcoming AGM.

On behalf of the Board

Lan Huasheng
Chairman

Shanghai, PRC, 29 March 2019

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 59 to 218, which comprise the consolidated statement of financial position as at 31 December 2018, 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 of 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

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

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

BASIS FOR DISCLAIMER OF OPINION *(continued)*

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

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

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

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

As described in Note 12 to the consolidated financial statements, the Company has been informed by the Nanjing Intermediate People's Court of Jiangsu Province* (江蘇省南京市中級人民法院) (the "**Nanjing Court**") that an auction announcement has been published on the network platform of Alibaba Judicial Auction* (sf.taobao.com) (the "**Ali Auction**") by the Nanjing Court on 15 November 2018 (the "**First Auction**") and, on 27 December 2018 (the "**Second Auction**") to put the Company's interest in the shares of Bao Ze on auction, which has not yet been completed as at 31 December 2018.

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

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

* For illustrative purpose only

BASIS FOR DISCLAIMER OF OPINION *(continued)*

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

As described in Note 42 to the consolidated financial statements, on 21 November 2018 (the "**Disposal Date**"), the Group completed the disposal of the 70% equity interest in a non-wholly owned subsidiary, Hong Kong Dasheng Agriculture & Food Limited ("**HK Dasheng A&F**"), to an independent third party at the consideration of HK$1,000,000.

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

4) Limitation of scope on interest in an associates

As described in Note 25 to the consolidated financial statements, the Group has equity accounted for its interest in Shanghai Yi He Xu Sheng Financial Leasing Co., Ltd* (上海伊禾旭生融資租賃有限公司) ("**Shanghai Yi He**"), the associate of the Group. As at 31 December 2018, the cost of investment in Shanghai Yi He and share of post-acquisition loss were approximately RMB30,000,000 and RMB1,436,000 respectively, and the Group's share of loss of Shanghai Yi He for the year ended 31 December 2018 was approximately RMB15,000. However, during the course of our audit, we have not been provided with sufficient information and explanations from the management of Shanghai Yi He that we considered necessary in order to enable us to satisfy ourselves as to whether the Group's share of results of Shanghai Yi He for the year and thus the carrying amount of the interest in Shanghai Yi He included in the Group's consolidated statement of financial position as at 31 December 2018 are fairly stated and whether the summarised financial information of Shanghai Yi He as shown in the consolidated financial statements are properly disclosed. There were no other satisfactory audit procedures that we could adopt to obtain sufficient appropriate audit evidence in this regard.

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

* For illustrative purpose only

BASIS FOR DISCLAIMER OF OPINION *(continued)*

5) Multiple uncertainties relating to going concern

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

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

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

OTHER MATTER

The consolidated financial statements of the Group for the year ended 31 December 2017, were audited by another auditor who expressed a modified opinion on those statements on 31 July 2018.

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

The Directors 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 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 determine 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 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 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. This report is made 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.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

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

Suites 313-316
3/F., Shui On Centre
6-8 Harbour Road
Wan Chai
Hong Kong

29 March 2019

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2018

	Notes	2018 RMB'000	2017 RMB'000 (Restated)
Continuing operations			
Revenue	6	**2,011,870**	14,445,544
Cost of sales		**(1,828,094)**	(13,837,640)
Gross profit		**183,776**	607,904
Other income	8	**56,820**	58,372
Other gains and losses	8	**(34,919)**	8,248
Distribution costs		**(60,118)**	(26,889)
Administrative and other expenses		**(216,489)**	(174,271)
Gain on bargain purchase	41	**532,069**	–
Impairment losses, net of reversal	9	**(2,279,627)**	(2,079,618)
Share of (loss) profit of associates	25	**(1,914)**	4,774
Loss on disposal of subsidiaries	42	**(18,080)**	–
Finance costs	10	**(151,249)**	(59,282)
Loss before tax		**(1,989,731)**	(1,660,762)
Income tax expense	11	**(15,362)**	(130,536)
Loss for the year from continuing operations	13	**(2,005,093)**	(1,791,298)
Discontinued operations			
(Loss) profit for the year from discontinued operations, net of income tax	12	**(161,286)**	117,244
Loss for the year		**(2,166,379)**	(1,674,054)
Other comprehensive (expense) income			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**(4,125)**	3,320
Fair value loss on available-for-sale financial assets		**–**	(3,265)
		(4,125)	55
Items that will not be reclassified to profit or loss:			
Fair value gain on equity instruments at fair value through other comprehensive income		**1,992**	–
Other comprehensive (expense) income for the year, net of income tax		**(2,133)**	55
Total comprehensive expense for the year		**(2,168,512)**	(1,673,999)

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2018

	Notes	2018 RMB'000	2017 RMB'000 (Restated)
Loss for the year attributable to owners of the Company			
– from continuing operations		**(1,915,535)**	(1,502,169)
– from discontinued operations		**(71,247)**	(17,947)
		(1,986,782)	(1,520,116)
(Loss) profit for the year attributable to non-controlling interests			
– from continuing operations		**(89,558)**	(289,131)
– from discontinued operations		**(90,039)**	135,193
		(179,597)	(153,938)
		(2,166,379)	(1,674,054)
Total comprehensive expense for the year attributable to:			
– Owners of the Company		**(1,988,881)**	(1,519,423)
– Non-controlling interests		**(179,631)**	(154,576)
		(2,168,512)	(1,673,999)
Loss per share	*18*		(Restated)
From continuing and discontinued operations			
– Basic and diluted (RMB)		**(0.209)**	(0.179)
From continuing operations			
– Basic and diluted (RMB)		**(0.202)**	(0.177)

Consolidated Statement of Financial Position

As at 31 December 2018

	Notes	2018 RMB'000	2017 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	19	**881,174**	129,084
Prepaid lease payments	20	**97,179**	8,728
Investment properties	21	**–**	594,362
Goodwill	22	**–**	74,363
Intangible assets	23	**13,105**	367,606
Interests in associates	25	**41,300**	90,315
Interest in a joint venture	26	**–**	1,601
Equity instruments at fair value through other comprehensive income	27	**10,776**	–
Available-for-sale financial assets	28	**–**	20,785
Trade and other receivables	30	**88,003**	965,543
Deferred tax assets	38	**376**	49,020
		1,131,913	2,301,407
CURRENT ASSETS			
Inventories	29	**282,604**	118,444
Prepaid lease payments	20	**2,657**	–
Trade and other receivables	30	**1,271,708**	4,624,325
Amounts due from customers for contract work	32	**–**	30,070
Restricted bank deposits	33	**211,351**	766,068
Bank balances and cash	34	**58,394**	563,296
		1,826,714	6,102,203
Assets classified as held for sales	12	**4,177,807**	–
		6,004,521	6,102,203
CURRENT LIABILITIES			
Trade and other payables	35	**1,258,597**	2,737,519
Amounts due to customers for contract work	32	**–**	60,473
Contract liabilities	36	**238,216**	–
Borrowings	37	**2,125,947**	2,423,199
Tax liabilities		**85,718**	139,856
		3,708,478	5,361,047
Liabilities associated with assets classified as held for sale	12	**2,617,142**	–
		6,325,620	5,361,047
NET CURRENT (LIABILITIES) ASSETS		**(321,099)**	741,156
TOTAL ASSETS LESS CURRENT LIABILITIES		**810,814**	3,042,563

Consolidated Statement of Financial Position

As at 31 December 2018

	Notes	2018 RMB'000	2017 RMB'000
NON-CURRENT LIABILITIES			
Other payables – non current	*35*	**6,346**	5,315
Borrowings	*37*	**447,745**	500,000
Deferred tax liabilities	*38*	**60,304**	134,166
		514,395	639,481
NET ASSETS		**296,419**	2,403,082
CAPITAL AND RESERVES			
Share capital	*39*	**955,108**	863,308
Reserves		**(755,858)**	1,179,214
Equity attributable to owners of the Company		**199,250**	2,042,522
Non-controlling interests	*49*	**97,169**	360,560
TOTAL EQUITY		**296,419**	2,403,082

The consolidated financial statements on pages 59 to 218 were approved and authorised for issue by the Board of Directors on 29 March 2019 and are signed on its behalf by:

Lan Huasheng
Director

Mo Luojiang
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2018

	Share capital RMB'000	Capital reserve RMB'000	Statutory reserve fund RMB'000 *(Note (a))*	Other reserve RMB'000 *(Note (b))*	Currency translation reserve RMB'000	Available-for-sale investments reserve RMB'000	Retained earnings/ accumulated losses RMB'000	Equity attributable to owners of the Company RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 January 2017	763,308	1,294,379	152,038	17,912	(7,868)	4,928	847,164	3,071,861	290,461	3,362,322
Loss for the year	–	–	–	–	–	–	(1,520,116)	(1,520,116)	(153,938)	(1,674,054)
Other comprehensive income (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	–	–	–	–	3,517	–	–	3,517	(197)	3,320
Fair value loss on available-for-sale financial assets	–	–	–	–	–	(2,824)	–	(2,824)	(441)	(3,265)
	–	–	–	–	3,517	(2,824)	–	693	(638)	55
Total comprehensive income (expense) for the year	–	–	–	–	3,517	(2,824)	(1,520,116)	(1,519,423)	(154,576)	(1,673,999)
Final dividends paid for 2016	–	–	–	–	–	–	(86,331)	(86,331)	–	(86,331)
Subscription of shares *(Note 39)*	100,000	470,800	–	–	–	–	–	570,800	–	570,800
Acquisition of a subsidiary *(Note 41)*	–	–	–	–	–	–	–	–	226,260	226,260
Capital injection from non-controlling interests	–	–	–	–	–	–	–	–	6,640	6,640
Deemed acquisition of additional equity interests in a subsidiary *(Note 49)*	–	–	–	–	–	911	4,704	5,615	(5,615)	–
Transfer to statutory reserve fund	–	–	16,296	–	–	–	(16,296)	–	–	–
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	(2,610)	(2,610)
At 31 December 2017	863,308	1,765,179	168,334	17,912	(4,351)	3,015	(770,875)	2,042,522	360,560	2,403,082

Consolidated Statement of Changes in Equity

For the year ended 31 December 2018

	Share capital RMB'000	Capital reserve RMB'000	Statutory reserve fund RMB'000 *(Note (a))*	Other reserve RMB'000 *(Note (b))*	Currency translation reserve RMB'000	Available-for-sale investments reserve/ FVTOCI reserve RMB'000	Retained earnings/ accumulated losses RMB'000	Equity attributable to owners of the Company RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 January 2018	863,308	1,765,179	168,334	17,912	(4,351)	3,015	(770,875)	2,042,522	360,560	2,403,082
Adjustments *(Note 3)*	–	–	–	–	–	–	(547,196)	(547,196)	(117,662)	(664,858)
At 1 January 2018 (Restated)	863,308	1,765,179	168,334	17,912	(4,351)	3,015	(1,318,071)	1,495,326	242,898	1,738,224
Loss for the year	–	–	–	–	–	–	(1,986,782)	(1,986,782)	(179,597)	(2,166,379)
Other comprehensive (expense) income 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	–	–	–	–	(4,734)	–	–	(4,734)	609	(4,125)
Item that will not be classified to profit or loss: Fair value (loss) gain on equity instruments at fair value through other comprehensive income	–	–	–	–	–	2,635	–	2,635	(643)	1,992
	–	–	–	–	(4,734)	2,635	–	(2,099)	(34)	(2,133)
Total comprehensive expense for the year	–	–	–	–	(4,734)	2,635	(1,986,782)	(1,988,881)	(179,631)	(2,168,512)
Subscription of shares *(Note 39)*	91,800	396,358	–	–	–	–	–	488,158	–	488,158
Transaction cost for subscription of shares	–	(12,578)	–	–	–	–	–	(12,578)	–	(12,578)
Loan waived by a shareholder of the Company	–	217,225	–	–	–	–	–	217,225	37,936	255,161
Disposal of subsidiaries	–	–	–	–	–	–	–	–	(4,034)	(4,034)
At 31 December 2018	955,108	2,366,184	168,334	17,912	(9,085)	5,650	(3,304,853)	199,250	97,169	296,419

Notes:

(a) Pursuant to the relevant PRC regulations and the Articles of Association of the PRC companies within the Group, each of the PRC companies within the Group is required to transfer 10% of its net profit, 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.

(b) The Group's other reserve represents its share of revaluation surplus recognised as a result of fair value change in identifiable asset and liabilities when the Group acquired additional equity interests of certain subsidiaries in 2008.

Consolidated Statement of Cash Flows

For the year ended 31 December 2018

	Notes	2018 RMB'000	2017 RMB'000
OPERATING ACTIVITIES			
Loss (profit) for the year			
– continuing operations		**(2,005,093)**	(1,791,300)
– discontinuing operations		**(161,286)**	117,246
Adjustments for:			
Income tax expenses		**31,201**	163,489
Interest income		**(8,477)**	(36,524)
Finance costs		**189,288**	71,868
Amortisation of intangible assets		**1,380**	181
Amortisation of prepaid lease payments		**2,119**	198
Depreciation of property, plant and equipment		**74,681**	17,623
Gain on disposal of property, plant and equipment, net		**6,573**	(406)
Depreciation of investment properties		**57,216**	23,019
Gain on disposal of investment properties		**(11,807)**	–
Share of loss (profit) of associates		**1,914**	(4,774)
Share of loss (profit) of a joint venture		**2,121**	(501)
Impairment loss, net of reversal			
– property, plant and equipment		**(2,493)**	2,491
– intangible asset		**247,786**	–
– interests in associates		**12,101**	10,262
– goodwill		**6,759**	64,298
– asset classified as held for sale		**188,877**	–
– other items subject to expected credit loss		**2,037,474**	2,178,654
Written off of trade and other receivables		**42,182**	–
Written off of property, plant and equipment		**295**	–
Loss on disposal of subsidiaries		**18,080**	–
Gain on bargain purchase		**(532,069)**	–
Gain on disposal of assets classified as held for sales		**(2,412)**	–
Gain on disposals of associates		**–**	(8,243)
Operating profit before working capital changes		**196,410**	807,581
Increase in inventories		**(12,095)**	(68,790)
Increase in trade and other receivables		**(991,474)**	(945,145)
Decrease in trade and other payables		**(753,668)**	(1,482,739)
Decrease in amounts due from (to) customers for contract work		**–**	26,670
Increase in contract assets		**(66,567)**	–
Increase in contract liabilities		**287,449**	–
Cash used in operations		**(1,339,945)**	(1,662,423)
Interest paid		**(67,863)**	(75,152)
Income taxes paid		**(70,560)**	(121,786)
NET CASH USED IN OPERATING ACTIVITIES		**(1,478,368)**	(1,859,361)

Consolidated Statement of Cash Flows

For the year ended 31 December 2018

	Notes	2018 RMB'000	2017 RMB'000
INVESTING ACTIVITIES			
Purchase of intangible asset		**(28,385)**	(9,301)
Purchase of property, plant and equipment		**(70,358)**	(13,402)
Purchase of investment properties		**(23,230)**	–
Purchase of financial assets at fair value through profit or loss		**(32,000)**	–
Proceeds on disposal of investment properties		**20,000**	–
Proceeds on disposal of property, plant and equipment		**7,485**	695
Proceeds on disposal of associates		**15,000**	1,602
Proceeds from disposal of equity instruments at fair value through other comprehensive income		**7,000**	–
Decrease (increases) in restricted bank deposits		**447,343**	(346,213)
Interest received		**8,479**	36,524
Net cash outflow on disposal of subsidiaries	*42*	**(4,172)**	–
Net cash inflow (outflow) on acquisition of a subsidiary	*41*	**5,937**	(108,342)
Net cash outflow on assets classified as held for sale	*12*	**(175,941)**	–
Capital injection to associates		**(13,000)**	(59,000)
Purchases of an available-for-sale investment		**–**	(10,000)
Capital injection to a joint venture		**(123,109)**	(1,100)
NET CASH FROM (USED IN) INVESTING ACTIVITIES		**(41,049)**	(508,537)
FINANCING ACTIVITIES			
Capital injection from non-controlling interests		**–**	6,640
New borrowings raised		**2,334,214**	2,869,163
Repayment of borrowings		**(1,873,252)**	(1,653,710)
Proceeds from placing and subscription of shares		**475,580**	570,800
Dividends paid to owners of the Company		**–**	(86,331)
Dividends paid to non-controlling interests		**–**	(2,610)
NET CASH FROM FINANCING ACTIVITIES		**936,542**	1,703,952
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(500,777)**	(663,946)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**563,296**	1,225,884
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		**(4,125)**	1,358
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash		**58,394**	563,296

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

1. GENERAL

Shanghai Dasheng Agriculture Finance Technology Co., Ltd. (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") are principally engaged in road and bridge construction, trading of petrochemical and agricultural products, financial services, agricultural big-data services, cold chain logistics services and 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 Group.

For the road and bridge construction business, the Group has construction contract tier-one qualification and municipal utility contract tier-one qualification. The Group also 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 provides provision of software related services, including installation of payment platform systems, collection of big data and technical support. The Group provides leasing and frozen product services for the cold chain market. During the year ended 31 December 2018, the Company acquired Anhui Huaxing Chemical Industry Company Limited* (安徽華星化工有限公司) ("**Anhui Huaxing**"). Anhui Huaxing is engaged in development of bio-engineering products and sale of chemical products, pesticides, chemical fertilisers, packaged seeds and agricultural machinery (Note 41). During the year ended 31 December 2018, the Group discontinued the road and bridge construction business and cold chain logistics services (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

(a) Statement of compliance

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

** For illustrative purpose only*

2. BASIS OF PREPARATION *(continued)*

(b) Going concern basis

For the year ended 31 December 2018, the Group reported loss attributable to the owners of the Company of approximately RMB1,986,782,000 and had significant net cash used in operating activities of approximately RMB1,406,219,000. As at 31 December 2018, the Group's current liabilities exceed its current assets of approximately RMB321,099,000 and total borrowings amounted to approximately RMB2,573,692,000, of which approximately RMB2,125,947,000 were classified as current liabilities, while its cash and cash equivalents amounted to approximately RMB58,394,000 only.

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

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

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

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

* *For illustrative purpose only*

3. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs

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

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

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

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

3.1 HKFRS 15 *Revenue from Contracts with Customers*

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

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

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

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

Information about the Group's performance obligations and the accounting policies resulting from application of HKFRS 15 are disclosed in Notes 6 and 4 respectively.

3. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs *(continued)*

New and Amendments to HKFRSs that are mandatorily effective for the current year *(continued)*

3.1 HKFRS 15 *Revenue from Contracts with Customers (continued)*

Summary of effects arising from initial application of HKFRS 15

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

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

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

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

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

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

3. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs *(continued)*

New and Amendments to HKFRSs that are mandatorily effective for the current year *(continued)*

3.1 HKFRS 15 *Revenue from Contracts with Customers (continued)*

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

Impact on the consolidated statement of financial position

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

3. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs *(continued)*

New and Amendments to HKFRSs that are mandatorily effective for the current year *(continued)*

3.1 HKFRS 15 *Revenue from Contracts with Customers (continued)*

Impact on the Consolidated Statement of Cash Flows

	As reported RMB'000	Adjustments RMB'000	Amounts without application of HKFRS 15 RMB'000
Operating Activities			
Increase in contract assets	66,567	(66,567)	–
Decrease in amounts due from customers for contract work	–	57,749	57,749
Decrease trade and other payables	(753,668)	296,267	(457,401)
Increase in contract liabilities	287,449	(287,449)	–

3. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs *(continued)*

New and Amendments to HKFRSs that are mandatorily effective for the current year *(continued)*

3.2 HKFRS 9 *Financial Instruments*

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

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

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

Accounting policies resulting from application of HKFRS 9 are disclosed in Note 4.

3. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs *(continued)*

New and Amendments to HKFRSs that are mandatorily effective for the current year *(continued)*

3.2 HKFRS 9 *Financial Instruments (continued)*

Summary of effects arising from initial application of HKFRS 9

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

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

3. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs *(continued)*

New and Amendments to HKFRSs that are mandatorily effective for the current year *(continued)*

3.2 HKFRS 9 *Financial Instruments (continued)*

(a) AFS financial assets

From AFS equity investments to FVTOCI

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

(b) Held-to-maturity financial assets

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

(c) Impairment under ECL model

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

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

3. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs *(continued)*

New and Amendments to HKFRSs that are mandatorily effective for the current year *(continued)*

3.2 HKFRS 9 *Financial Instruments (continued)*

(c) Impairment under ECL model *(continued)*

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

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

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

3. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs *(continued)*

New and Amendments to HKFRSs that are mandatorily effective for the current year *(continued)*

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

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

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

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

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

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

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

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

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

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

HKFRS 16 Leases

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 *Leases* and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. In addition, HKFRS 16 requires sales and leaseback transactions to be determined based on the requirements of HKFRS 15 as to whether the transfer of the relevant asset should be accounted as a sale. HKFRS 16 also includes requirements relating to subleases and lease modifications.

Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

3. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs *(continued)*

New and amendments to HKFRSs in issue but not yet effective *(continued)*

HKFRS 16 Leases *(continued)*

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold lands for owned use and those classified as investment properties while other operating lease payments are presented as operating cash flows. Upon application of HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows by the Group.

Under HKAS 17, the Group has already recognised an asset and a related finance lease liability for finance lease arrangement and prepaid lease payments for leasehold lands where the Group is a lessee. The application of HKFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

Other than certain requirements which are also applicable to lessor, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 December 2018, the Group has non-cancellable operating lease commitments of approximately RMB4,235,000 as disclosed in Note 44 to the consolidated financial statements. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of HKFRS 16, the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases.

In addition, the Group currently considers refundable rental deposits paid of approximately RMB279,160 as rights and obligations under leases to which HKAS 17 applies. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortised cost. Adjustments to refundable rental deposits paid would be considered as additional lease payments and included in the carrying amount of right-of-use assets. Adjustments to refundable rental deposits received would be considered as advance lease payments.

The application of new requirements may result in changes in measurement, presentation and disclosure as indicated above. The Group intends to elect the practical expedients to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease* and not apply this standard to contracts that were not previously identified as containing a lease applying HKAS 17 and HK(IFRIC)-Int 4. Therefore, the Group will not reassess whether the contracts are, or contain a lease which already existed prior to the date of initial application. Furthermore, the Group intends to elect the modified retrospective approach for the application of HKFRS 16 as lessee and will recognise the cumulative effect of initial application to opening accumulated losses without restating comparative information.

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, except for certain financial instruments that are measured at fair values 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 within the scope of HKAS 17 *Leases*, 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*.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

For financial instruments and investment properties which are transacted at fair value and a valuation technique that unobservable inputs is to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that at initial recognition the results of the valuation technique equals the transaction price.

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.

The principal accounting policies are set out below.

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.

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

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.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Basis of consolidation *(continued)*

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 re-attribution 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.

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/HKAS 39 or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Business combinations *(continued)*

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 *Income Taxes* and HKAS 19 *Employee Benefits* respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share- based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 *Share-based Payment* at the acquisition date (see the accounting policy below); and

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amount of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after re-assessment, the net amount of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation are initially measured at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets or at fair value.

When the consideration transferred by the Group in a business combination includes a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured to fair value at subsequent reporting dates, with the corresponding gain or loss being recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Subsidiaries

A subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present: (1) power over the investee, (2) exposure, or rights, to variable returns from the investee, and (3) the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

In the Company's statement of financial position, investments in subsidiaries are stated at cost less impairment loss, if any. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or group of cash-generating units) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit (or group of cash-generating units).

On disposal of the relevant cash-generating unit or any of the cash-generating unit within the group of cash-generating units, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal. When the Group disposes of an operation within the cash-generating unit (or a cash- generating unit within a group of cash-generating units), the amount of goodwill disposed of is measured on the basis of the relative values of the operation (or the cash-generating unit) disposed of and the portion of the cash-generating unit (or the group of cash-generating units) retained.

The Group's policy for goodwill arising on the acquisition of an associate and a joint venture is described below.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments in associates and joint ventures

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.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates and joint ventures are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is or the portion so classified is accounted for in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*. Any retained portion of an investment in an associate or a joint venture that has not been classified as held for sale continues to be accounted for using the equity method. The financial statements of associates and joint ventures 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 or a joint venture 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 or joint venture. Changes in net assets of the associate/joint venture 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 or joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), 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 or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, 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 or a joint venture 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 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 and joint ventures *(continued)*

When the Group ceases to have significant influence over an associate or joint control over a joint venture, 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 or joint venture and the retained interest is a financial asset within the scope of HKFRS 9/HKAS 39, 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 or joint venture and the fair value of any retained interest and any proceeds from disposing the relevant interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture 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 or joint venture.

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 or a joint venture 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.

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

Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset (or disposal group) and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in the relevant subsidiary after the sale.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Non-current assets held for sale *(continued)*

When the Group is committed to a sale plan involving disposal of an investment, or a portion of an investment, in an associate or joint venture, the investment or the portion of the investment that will be disposed of is classified as held for sale when the criteria described above are met, and the Group discontinues the use of the equity method in relation to the portion that is classified as held for sale from the time when the investment (or a portion of the investment) is classified as held for sale.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell, except for financial assets within the scope of HKFRS 9/HKAS 39, investment properties and deferred tax assets which continue to be measured in accordance with the accounting policies as set out in respective sections.

Revenue from contracts with customers (upon application of HKFRS 15 in accordance with transitions in Note 3)

Under HKFRS 15, 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;

- 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 a contract are accounted for an presented on a net basis.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue from contracts with customers (upon application of HKFRS 15 in accordance with transitions in Note 3) *(continued)*

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation

Input method

The progress towards complete satisfaction of a performance obligation is measured based on input method, which is to recognise revenue on the basis of the Group's efforts or inputs to the satisfaction of a performance obligation relative to the total expected inputs to the satisfaction of that performance obligation, that best depict the Group's performance in transferring control of goods or services.

Revenue recognition (prior to 1 January 2018)

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Revenue is recognised when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities, as described below.

Goods, services, interests and dividends

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed.

Revenue from construction consulting services income is recognised when the services are rendered and when it is probable that the economic benefits associated with the transaction will flow to the entity.

Revenue from rendering of petrochemical products transportation services is recognised upon the completion of services, which generally coincides with the date of receipt of goods by the receivers.

Revenue from rendering petrochemical products storage services is recognised in the period the services are provided.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue recognition (prior to 1 January 2018) *(continued)*

Goods, services, interests and dividends *(continued)*

Dividend income from investments is recognised when the rights to receive payment have been established.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Construction contracts

Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of the reporting period, measured based on the proportion that contract costs incurred for work performed to date relative to the estimated total contract costs. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is shown as amounts due from customers for contract work. For contracts where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is shown as amounts due to customers for contract work. Amounts received before the related work is performed are included in the consolidated statement of financial position, as a liability, as advances received. Amounts billed for work performed but not yet paid by the customer are included in the consolidated statement of financial position under trade and other receivables.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Leases *(continued)*

The Group as lessor

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the 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. Other than investment properties measured under fair value model, such costs are recognised as an expense on a straight-line basis over the lease term.

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

The Group as lessee

Operating lease payments, including the cost of acquiring land held under operating leases, are recognised as an expense on a straight-line basis over the lease term. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight- line basis.

Leasehold land and building

When the Group makes payments for a property interest which includes both leasehold land and building elements, the Group assesses the classification of each element separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire property is accounted as an operating lease. Specifically, the entire consideration (including any lump-sum upfront payments) are allocated between the leasehold land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element at initial recognition.

To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis. When the payments cannot be allocated reliably between the leasehold land and building elements, the entire property is generally classified as if the leasehold land is under finance lease.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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.

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

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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.

The benefit of a government loan at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates.

Retirement benefit costs and termination benefits

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

A liability for a termination benefit is recognised at the earlier of when the Group entity can no longer withdraw the offer of the termination benefit and when it recognises any related restructuring costs.

Short-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.

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 profit/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.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Taxation *(continued)*

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, and interests in joint ventures, 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.

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.

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 by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

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.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property, plant and equipment

Property, plant and equipment including buildings held for use in the production or supply of goods or services, or for administrative purposes (other than construction in progress as described below) are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

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.

Construction in progress is stated at cost less impairment losses. Cost comprises direct costs of construction as well as borrowing costs capitalised during the periods of construction and installation. Capitalisation of these costs ceases and the construction in progress is transferred to the appropriate class of property, plant and equipment when substantially all the activities necessary to prepare the assets for their intended use are completed. No depreciation is provided for in respect of construction in progress until it is completed and ready for its intended use.

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are stated at cost less subsequent accumulated depreciation and any accumulated impairment losses. Depreciation is recognised so as to write off the cost of investment properties over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Intangible assets *(continued)*

Intangible assets acquired in a business combination *(continued)*

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 tangible, intangible assets other than goodwill

At the end of the reporting period, the Group reviews the carrying amounts of its tangible, 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 tangible 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. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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. 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. 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. An impairment loss is recognised immediately in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment on tangible, intangible assets other than goodwill *(continued)*

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) 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) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Inventories

The Group's inventories represent petrochemical and agricultural products for resale, asphalt for construction and other construction materials. They are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Cost of petrochemical and agricultural products for resale is calculated using the first-in first-out method, while the cost of asphalt for construction and other construction materials is calculated using the weighted average method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

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 warranty obligations under the relevant sale of goods legislation are recognised at the date of sale of the relevant products, at the directors' best estimate of the expenditure required to settle the Group's obligation.

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 since 1 January 2018. 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) 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 fair value through profit or loss 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/dividend income which are derived from the Group's ordinary course of business are presented as revenue.

For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortised cost on initial recognition.

Financial assets

Classification and subsequent measurement of financial assets (upon application of HKFRS 9 in accordance with transitions in note 3)

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.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets *(continued)*

Classification and subsequent measurement of financial assets (upon application of HKFRS 9 in accordance with transitions in note 3) *(continued)*

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

- the financial asset is held within a business model whose objective is achieved by both 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 fair value through profit or loss ("**FVTPL**"), except that at the date of initial application/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in OCI 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.

A financial asset is classified as 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.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets *(continued)*

(a) 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.

For purchased or originated credit-impaired financial assets, the Group recognises interest income by applying the credit-adjusted effective interest rate to the amortised cost of the financial asset from initial recognition. The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit-impaired.

(b) Equity instruments designated as at FVTOCI

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognised in OCI and accumulated in the FVTOCI reserve; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will be transferred to retained profits.

Dividends from these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the "other income" line item in profit or loss.

Impairment of financial assets (upon application HKFRS 9 with transitions in accordance with note 3)

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (including trade receivables, finance lease receivables, factoring loan receivables, contract assets, other receivables. 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, 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. Assessment 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.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets *(continued)*

Impairment of financial assets (upon application HKFRS 9 with transitions in accordance with note 3) *(continued)*

The Group always recognises lifetime ECL for trade receivables, finance lease receivables and factoring loan receivables. The ECL on these assets are assessed individually for debtors with significant balances or collectively using a provision matrix with appropriate groupings.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises 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.

(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.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets *(continued)*

Impairment of financial assets (upon application HKFRS 9 with transitions in accordance with note 3) *(continued)*

(i) Significant increase in credit risk *(continued)*

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 the financial instrument for 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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets *(continued)*

Impairment of financial assets (upon application HKFRS 9 with transitions in accordance with note 3) *(continued)*

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default 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 (upon application HKFRS 9 with transitions in accordance with note 3) *(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.

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 HKAS 17 Leases.

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 expected losses 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.

For ECL on financial guarantee contracts for which the effective interest rate cannot be determined, the Group will apply a discount rate that reflects the current market assessment of the time value of money and the risks that are specific to the cash flows but only if, and to the extent that, the risks are taken into account by adjusting the discount rate instead of adjusting the cash shortfalls being discounted.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets *(continued)*

Impairment of financial assets (upon application HKFRS 9 with transitions in accordance with note 3) *(continued)*

(v) Measurement and recognition of ECL *(continued)*

Where ECL is measured on a collective basis or cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- Nature of financial instruments (i.e. the Group's trade and other receivables, finance lease receivables and amounts due from customers are each assessed as a separate group. Loans to related parties are assessed for expected credit losses on an individual basis);
- 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.

For financial guarantee contracts, the loss allowances are recognised 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 amount of income recognised over the guarantee period.

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, finance lease receivables, factoring loan receivables, contract assets and other receivables where the corresponding adjustment is recognised through a loss allowance account.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets *(continued)*

Classification and subsequent measurement of financial assets (before application of HKFRS 9 on 1 January 2018)

Financial assets are classified into the following specified categories: AFS financial assets and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. 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 marketplace.

(i) AFS financial assets

AFS financial assets are non-derivatives that are either designated as available-for-sale or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at FVTPL.

Equity and debt securities held by the Group that are classified as AFS financial assets are measured at fair value at the end of each reporting period except for unquoted equity investments whose fair value cannot be reliably measured. Changes in the carrying amount of AFS debt instruments relating to interest income calculated using the effective interest method, are recognised in profit or loss. Dividends on AFS equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established. Other changes in the carrying amount of AFS financial assets are recognised in other comprehensive income and accumulated under the heading of AFS investment reserve.

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less any identified impairment losses at the end of each reporting period.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, restricted bank deposits and bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment.

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets *(continued)*

Impairment of financial assets (before application of HKFRS 9 on 1 January 2018)

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For AFS equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- disappearance of an active market for that financial asset because of financial difficulties.

Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the credit period of 90 days, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables and other receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade and other receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets *(continued)*

Impairment of financial assets (before application of HKFRS 9 on 1 January 2018) *(continued)*

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of AFS equity investments, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of AFS investment reserve.

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.

On derecognition of an investment in a debt instrument classified as at FVTOCI upon application of HKFRS 9, the cumulative gain or loss previously accumulated in the FVTOCI reserve is reclassified to profit or loss.

On derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI upon application of HKFRS 9, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to accumulated losses.

On derecognition of an AFS financial asset, the cumulative gain or loss previously accumulated in the AFS investment reserve is reclassified to profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

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 or at FVTPL.

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 (since 1 January 2018)/HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets* (before application of HKFRS 9 on 1 January 2018); 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 Directors 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 associated 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.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(continued)*

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.

(a) Impairment of goodwill, construction licence and payment business licence

Determining whether goodwill, construction licence and payment business licence are impaired requires an estimation of the recoverable amount of the cash-generating unit to which goodwill, construction licence and payment business licence have been allocated, which is the higher of the value in use or fair value less costs of disposal. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, or change in facts and circumstances which results in downward revision of future cash flows, a material impairment loss/further impairment loss may arise. Details of the recoverable amount calculation are disclosed in Note 24.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(continued)*

Key sources of estimation uncertainty *(continued)*

(b) Payment business license

Payment business license is acquired through business combination are capitalised on the consolidated statement of financial position. The payment business license is valued on acquisition using a discounted cash flow methodology and the Directors make assumptions and estimates regarding future revenue growth, prices, marketing costs and economic factors in valuing them. These assumptions reflect the directors' best estimates but these estimates involve inherent uncertainties, which may not be controlled by the directors.

Upon acquisition the Directors assess the useful economic life of the payment business license. In arriving at the conclusion that payment business license has an indefinite useful life, the directors consider the fact that the Group is expected to hold and support the payment business license for an indefinite period, through spending on agricultural big-data service business and promotional support, which is deducted in arriving at revenue. The payment business license is established over many years and continue to provide considerable economic benefits. The Directors also consider factors such as the Group's ability to continue to protect the legal rights that arise from the payment business license indefinitely or the absence of any regulatory, economic or competitive factors that could truncate its live.

A strategic decision to withdraw marketing support from payment business license or the weakening payment business license's appeal through changes in customer preferences might result in the Directors concluding that the payment business license's live had become finite. Were intangible assets to be assigned a definite life, a charge would be recorded that would reduce reported profit from operations and reduce the value of the assets reported in the consolidated statement of financial position.

(c) Fair value measurement

Certain of the Group's financial assets, unquoted equity instruments amounting to approximately RMB8,846,000 as at 31 December 2018 (2017: RMBNil) are measured at fair values with fair values being determined based on unobserved inputs using valuation techniques. Judgement and estimation are required in establishing the relevant valuation techniques and the relevant inputs thereof. Changes in assumptions relating to these factors could affect the reported fair values of these instruments. See Note 46(c) for further disclosures.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(continued)*

Key sources of estimation uncertainty *(continued)*

(d) Provision of ECL for trade receivables

The Group uses provision matrix to calculate ECL for the trade receivables. The provision rates are based on aging analysis as groupings of various debtors that have similar loss patterns. The provision matrix is based on the Group's historical default rates taking into consideration forward-looking information that is reasonable and supportable available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered. In addition, trade receivables with significant balances and credit-impaired are assessed for ECl individually.

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's trade receivables are disclosed in Notes 30 and 46(b).

6. REVENUE

A. For the year ended 31 December 2018

(i) Disaggregation of revenue from contracts with customers

Segments	Sale of petrochemical and agricultural products RMB'000	Agricultural big-data services RMB'000	Agrochemical products supply chain services RMB'000
Types of goods or services			
Sale of petrochemical and agricultural products			
Agricultural fertiliser	766,625	–	–
Alcohol wholesale	10,878	–	–
Frozen products	341,449	–	–
	1,118,952	–	–
Agricultural big-data services			
Account management fee	–	12,155	–
Software development fee	–	1,600	–
Charges fee	–	1,219	–
	–	14,974	–
Agrochemical products supply chain services			
Pesticide	–	–	642,914
Chemical products	–	–	183,952
	–	–	826,866
Total	1,118,952	14,974	826,866

6. REVENUE *(continued)*

A. For the year ended 31 December 2018 *(continued)*

(i) Disaggregation of revenue from contracts with customers *(continued)*

Segments	Sale of petrochemical and agricultural products RMB'000	Agricultural big-data services RMB'000	Agrochemical products supply chain services RMB'000
Geographical markets			
Mainland China	469,380	14,974	579,333
Hong Kong	649,572	–	–
India	–	–	75,277
Brazil	–	–	67,325
Canada	–	–	47,301
Others	–	–	57,630
Total	1,118,952	14,974	826,866
Timing of revenue recognition			
A point in time	1,118,952	14,974	826,866
Sales channel			
Wholesale	1,118,952	–	826,866
Internet	–	14,974	–
Total	1,118,952	14,974	826,866

6. REVENUE *(continued)*

A. For the year ended 31 December 2018 *(continued)*

(i) Disaggregation of revenue from contracts with customers *(continued)*

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

	Segment revenue RMB'000
Sale of petrochemical and agricultural products	**1,118,952**
Agricultural big-data services	**14,974**
Agrochemical products supply chain services	**826,866**
Revenue from contracts with customers	**1,960,792**
Interest income	**51,078**
Total revenue	**2,011,870**

(ii) Performance obligations for contracts with customers

Sale of petrochemical and agricultural products

The performance obligation is satisfied upon delivery of the petrochemical and agricultural products and payment is generally due within 30 - 90 days from delivery.

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.

Agricultural big-data services

The performance obligation is satisfied upon completion of the service. Agricultural big-data services income billed when stated milestones in the contracts are reached.

(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.

6. REVENUE *(continued)*

B. For the year ended 31 December 2017

An analysis of the Group's revenue for the year from continuing operations is as follows:

	RMB'000
Sales of petrochemical and agricultural products	14,046,017
Interest income from financial leasing and commercial factoring	377,913
Agricultural big-data services income	21,614
	14,445,544

7. SEGMENT INFORMATION

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

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

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

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

Operating segments regarding the road and bridge construction and cold chain logistics services were discontinued during the year ended 31 December 2018. The segment information reported below does not include any amounts for these discontinued operations, which are described in more details in Note 12 to the consolidated financial statements.

7. SEGMENT INFORMATION *(continued)*

(a) Segment revenues and results

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

For the year ended 31 December 2018

Continuing operations

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

For the year ended 31 December 2017

Continuing operations

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

7. SEGMENT INFORMATION *(continued)*

(b) Other segment information

For the year ended 31 December 2018

Continuing operations

	Agricultural and petrochemical products supply chain services RMB'000	Financial leasing and commercial factoring RMB'000	Agricultural big-data services RMB'000	Agrochemical products supply chain services RMB'000	Total RMB'000
Amounts included in the measure of segment profits or loss or segment assets:					
Amortisation of intangible assets	–	7	49	859	915
Amortisation of prepaid land leases	–	–	–	1,922	1,922
Depreciation of property plant and equipment	(1,990)	(595)	(689)	(63,251)	(66,525)
Depreciation of investment property	227	–	–	–	227
Capital expenditure	–	(23)	(65)	(104,807)	(104,895)
Impairment loss recognised on trade and other receivables	(1,636,695)	(1,092,664)	(28,841)	(221,348)	(2,979,548)
Reversal of impairment of trade and other receivables	59,947	851,953	30,174	–	942,074
Impairment loss recognised on intangible assets	–	–	225,786	–	225,786
Finance costs	(105,809)	(44)	(14,974)	(30,422)	(151,249)
Interest income	5,005	303	1,176	367	6,851
Loss on disposals of property plant and equipment	(1,537)	–	(176)	(5,243)	(6,956)
Share of loss of associates	(1,913)	–	–	(1)	(1,914)
Gain on bargain purchase	–	–	–	532,069	532,069
Impairment loss recognised on interests in associates	(12,101)	–	–	–	(12,101)
Impairment loss recognised on goodwill	–	–	(6,759)	–	(6,759)
Loss on disposals of subsidiaries	(18,080)	–	–	–	(18,080)
Gain on disposals of prepaid lease payments	–	–	–	2,412	2,412
Gain on disposals of investment properties	11,807	–	–	–	11,807
Written off of trade and other receivables	(8,917)	(33,265)	–	–	(42,182)
Reversal of impairment loss on properties, plant and equipment	2,493	–	–	–	2,493

Note: The amounts represent capital expenditure on property, plant and equipment, investment properties and intangible assets.

7. SEGMENT INFORMATION *(continued)*

(b) Other segment information *(continued)*

For the year ended 31 December 2017

Continuing operations

	Agricultural and petrochemical products supply chain services RMB'000	Financial leasing and commercial factoring RMB'000	Agricultural big-data services RMB'000	Total RMB'000
Amounts included in the measure of segment profit or loss or segment assets				
Interest income	27,859	430	6,691	34,980
Finance costs	47,868	11,374	40	59,282
Capital expenditures *(Note)*	943	1,177	833	2,953
Amortisation of intangible assets	–	4	130	134
Depreciation of property, plant and equipment	3,854	606	640	5,100
Depreciation of investment properties	908	–	–	908
Gain (loss) on disposal of property, plant and equipment, net	–	(1)	6	5
Share of profit (losses) of associates	5,443	–	(669)	4,774
Gain on disposals of associates	8,017	226	–	8,243
Impairment loss on trade and other receivables, net	758,970	1,288,970	31,678	2,079,618
Impairment loss recognised in respect of interests in associates	–	–	10,262	10,262
Impairment loss recognised in respect of goodwill	–	–	64,298	64,298
Impairment loss recognised in respect of property, plant and equipment	2,491	–	–	2,491

Note: The amounts represent capital expenditure on property, plant and equipment and intangible assets.

7. SEGMENT INFORMATION *(continued)*

(c) Information about major customers

Revenue from customers of the corresponding years contributing over 10% of the total sales of the Group are as follows:

	2018 RMB'000	2017 RMB'000
Customer A[1]	**292,326**	N/A[2]

[1] Revenue from agricultural and petrochemical products supply chain services

[2] The corresponding revenue did not contribute over 10% of the total revenue of the Group

(d) Geographical information

The PRC is the country of domicile of the Company.

The Group's revenue from external customers is mainly derived from customers located in the PRC and Hong Kong.

The Group's non-current assets are mainly located in the PRC.

8a. OTHER INCOME

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

8b. OTHER GAINS OR LOSSES

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

9. IMPAIRMENT LOSSES, NET OF REVERSAL

	2018 RMB'000	2017 RMB'000 (Restated)
Continuing operations		
Impairment losses recognised (reversed) on:		
Property, plant and equipment *(note)*	**(2,493)**	–
Goodwill *(note)*	**6,759**	–
Intangible assets	**225,786**	–
Interests in associates *(note)*	**12,101**	–
Reversal of impairment on trade and other receivables	**(906,861)**	–
Impairment loss recognised on trade and other receivables	**2,944,335**	2,079,618
	2,279,627	2,079,618

Note:

For the year ended 31 December 2017 and 31 December 2018, the impairment loss recognised (reversed) on property, plant and equipment, goodwill and interests in associates had been included in "Administrative and other expenses" line item (as disclosed in Note 13 to the consolidated financial statements) and "Impairment losses, net of reversal" line item, respectively.

10. FINANCE COSTS

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

11. INCOME TAX EXPENSES

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

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

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

11. INCOME TAX EXPENSES *(continued)*

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No.7) Bill 2017 ("**the Bill**") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of the qualifying group entities will be taxed at 8.25% and profits above HK$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

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

The income tax expenses 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:

	2018 **RMB'000**	2017 RMB'000 (Restated)
Loss before tax (from continuing operations)	**(1,989,731)**	(1,660,762)
Tax calculated at tax rate of 25% (2017: 25%)	**(497,433)**	(415,191)
Effect of different tax rates for subsidiaries operating in other jurisdiction	**3,164**	4,078
Tax effect of tax concessionary rate granted to a PRC subsidiary	**23,925**	–
Tax effect of income and expense items that are not subject to tax, net	**(133,017)**	23,510
Tax effect of deductible temporary difference not recognised	**283,377**	519,441
Tax effect of tax losses not recognised	**323,040**	6,299
Utilisation of tax losses previously not recognised	**–**	–
Under(over)-provision in respect of prior years, net	**12,306**	(7,601)
Income tax expenses for the year (relating to continuing operations)	**15,362**	130,536

12. DISCONTINUED OPERATIONS AND DISPOSAL GROUP HELD FOR SALE

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

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

Assets classified as held for sale is set out below:

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

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

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

12. DISCONTINUED OPERATIONS AND DISPOSAL GROUP HELD FOR SALE *(continued)*

Notes:

(a) Construction of roads and bridges operation

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

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

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

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

12. DISCONTINUED OPERATIONS AND DISPOSAL GROUP HELD FOR SALE *(continued)*

Notes: (continued)

(a) Construction of roads and bridges operation *(continued)*

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

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

12. DISCONTINUED OPERATIONS AND DISPOSAL GROUP HELD FOR SALE *(continued)*

Notes: (continued)

(a) Construction of roads and bridges operation *(continued)*

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

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

12. DISCONTINUED OPERATIONS AND DISPOSAL GROUP HELD FOR SALE *(continued)*

Notes: (continued)

(b) Cold chain logistics services operation

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

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

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

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

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

** For illustrative purposes only*

12. DISCONTINUED OPERATIONS AND DISPOSAL GROUP HELD FOR SALE *(continued)*

Notes: (continued)

(b) Cold chain logistics services operation *(continued)*

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

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

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

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

12. DISCONTINUED OPERATIONS AND DISPOSAL GROUP HELD FOR SALE *(continued)*

Notes: (continued)

(b) Cold chain logistics services operation *(continued)*

	2018 RMB'000	2017 RMB'000
(Loss) profit for the year from discontinued cold chain logistics services operations includes the following:		
Gain on disposal of property, plant and equipment, net	**367**	–
Auditor's remuneration	**27**	–

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

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

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

12. DISCONTINUED OPERATIONS AND DISPOSAL GROUP HELD FOR SALE *(continued)*

Notes: (continued)

(c) On 24 December 2018, Hong Kong Dasheng Agriculture Holding Company Limited (“**HK Dasheng Agriculture**”), a wholly owned subsidiary of the Company, entered into a disposal agreement (the “**Disposal Agreement I**”) with the purchaser (the “**Purchaser I**”), whereby the Purchaser I has conditionally agreed to purchase and HK Dasheng Agriculture has conditionally agreed to disposal of 44% equity interests of Guowei Ruiying (Weifang) Financial Leasing Co., Limited* (國維瑞盈(濰坊)融資租賃有限公司) (“**Guowei Ruiying**”) at a consideration of RMB33,000,000 (the “**Disposal I**”). The Disposal I is expected to be sold within twelve months after the reporting date, has been classified as an asset classified as held for sale and is presented separately in the consolidated statement of financial position. The net proceeds of disposal is lower than the net carrying amount of the assets and accordingly, impairment loss on interests in associates of approximately RMB12,101,000 has been recognised which was included in “Impairment losses, net of reversal” on the face of the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2018.

The transaction was completed on 19 January 2019.

(d) Prior to the acquisition of Anhui Huaxing, by the Group, Anhui Huaxing entered into the disposal agreement (the “Disposal Agreement II”) with the purchaser (the “**Purchaser II**”), whereby the Purchaser II has conditionally agreed to purchase and Anhui Huaxing has conditionally agreed to dispose of a land located in the chemical plant in Wujiang Town, the Country 和縣烏江鎮精細化工基地內 in the PRC at the consideration of RMB5,000,000 (the “**Disposal II**”). As at 31 December 2018, the Disposal II was still in progress and proceeded with the required governmental procedures specified in the Disposal Agreement II.

The Disposal II is expected to be sold within twelve months after the reporting date, has been classified as an asset classified as held for sale and is presented separately in the consolidated statement of financial position. The net proceeds of disposal are expected to exceed the net carrying amount of the assets and accordingly, no impairment loss has been recognised.

** For illustrative purpose only*

13. LOSS FOR THE YEAR

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

	2018 RMB'000	2017 RMB'000 (Restated)
Continuing operations		
Auditor's remuneration	**5,107**	1,542
Cost of inventories recognised as expenses	**1,781,668**	13,739,478
Amortisation of intangible assets	**915**	134
Amortisation of prepaid land leases	**1,922**	–
Depreciation of property, plant and equipment	**66,525**	5,100
Depreciation of investment properties	**227**	908
Impairment loss recognised (reversed) on		
Property, plant and equipment *(note)*	**–**	2,491
Goodwill *(note)*	**–**	64,298
Interests in associates *(note)*	**–**	10,262
Loss on written-off property, plant and equipment	**295**	–
Research and development costs recognised as expense	**45,209**	–
Operating lease rental expenses in respect of:		
– Land and buildings	**7,104**	12,537

Note:

For the year ended 31 December 2017 and 31 December 2018, the impairment loss recognised (reversed) on property, plant and equipment, goodwill and interests in associates had been included in "Administrative and other expenses" line item and "Impairment losses, net of reversal" line item (Note 9 to the consolidated financial statements), respectively.

14. STAFF COSTS

	2018 RMB'000	2017 RMB'000 (Restated)
Continuing operations		
Employee costs (including directors) comprise (from continuing operations):		
Wages, salaries and bonus	**110,676**	65,370
Social security costs	**23,466**	5,294
Retirement scheme contributions	**7,905**	3,210
	142,047	73,874
Capitalised in inventories	**(38,282)**	–
	103,765	

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 2018

Name	Fees	Basic salaries and allowances	Discretionary bonus	Retirement scheme contributions	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors:					
Mr. Lan Huasheng	–	981	15	26	1,022
Mr. Wang Liguo *(Chief Executive Officer) (note (a))*	–	736	288	36	1,060
Mr. Mo Luojiang *(note (b))*	–	885	105	51	1,041
	–	2,602	408	113	3,123

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

Chief Executive:					
Mr. Qian Di *(note (h))*	–	–	–	–	–

The Chief Executive's emoluments shown above was for his services in connection with the management of the affairs of the Company and the Group.

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

For the year ended 31 December 2018 *(continued)*

Name	Fees RMB'000	Basic salaries and allowances RMB'000	Discretionary bonus RMB'000	Retirement scheme contributions RMB'000	Total RMB'000
Non-executive director:					
Mr. Zhu Tianxiang *(note (i))*	–	–	–	–	–

The non-executive director's emolument shown above was for his service as director 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
Independent non-executive directors:					
Mr. Chung Cheuk Ming	100	–	7	–	107
Mr. Zhou Jianhao	86	–	6	–	92
Mr. Yang Gaoyu	86	–	6	–	92
	272	–	19	–	291

The independent non-executive directors' emoluments shown above were for their services as directors 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
Supervisors:					
Mr. Lu Tingfu	–	–	–	–	–
Ms. Ye Mingzhu	54	–	4	–	58
Ms. Chen Yuanling	54	–	4	–	58
Mr. Wang Bin *(note (f))*	15	182	9	40	246
Ms. Sun Ting *(note (g))*	15	157	9	33	214
Mr. Jiang Feng *(note (e))*	66	217	41	45	369
Ms. Xu Miaojie *(note (d))*	5	55	–	10	70
	209	611	67	128	1,015

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

	481	3,213	494	241	4,429

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

For the year ended 31 December 2017

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	–	929	481	40	1,450
Mr. Wang Liguo	–	705	394	56	1,155
Mr. Mo Luojiang *(note (b))*	–	822	473	64	1,359
	–	2,456	1,348	160	3,964

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 director:					
Mr. Zhu Tianxiang *(note (i))*	–	–	–	–	–

The non-executive director's emolument shown above was his service as director 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
Independent non-executive directors:					
Mr. Chung Cheuk Ming	84	–	7	–	91
Mr. Zhou Jianhao	72	–	6	–	78
Mr. Yang Gaoyu	72	–	6	–	78
	228	–	19	–	247

The independent non-executive directors' emoluments shown above were for their services as Directors 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
Supervisors:					
Ms. Ye Mingzhu	50	–	4	–	54
Ms. Chen Yuanling	50	–	4	–	54
Mr. Jiang Feng *(note (e))*	37	110	62	57	266
Ms. Zhao Liping *(note (c))*	23	77	38	43	181
Ms. Xu Miaojie *(note (d))*	5	104	46	7	162
	165	291	154	107	717

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

	393	**2,747**	**1,521**	**267**	**4,928**

Notes:

(a) Mr. Wang Liguo was appointed as chief executive officer on 11 February 2019.

(b) Mr. Mo Luojiang was resigned as chairman, chief executive officer and executive director on 27 December 2018.

(c) Ms. Zhao Liping was resigned as supervisor on 20 November 2017.

(d) Ms. Xu Miaojie was appointed as supervisor on 20 November 2017 and resigned on 26 July 2018.

(e) Mr. Jiang Feng was resigned as supervisor on 26 July 2018.

(f) Mr. Wang Bin was appointed as supervisor on 26 July 2018.

(g) Ms. Sun Ting was appointed as supervisor on 26 July 2018.

(h) Mr. Qian Di was appointed as acting chief executive officer on 27 December 2018 and resigned on 11 February 2019.

(i) Mr. Zhu Tianxiang was resigned as non executive director on 1 March 2019.

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

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 2018 and 2017.

16. FIVE HIGHEST PAID EMPLOYEES

The five highest employees of the Group during the year included three (2017: three) Directors, details of whose emoluments are set out in Note 15 above. Details of the remuneration for the year of the remaining two (2017: two) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2018 **RMB'000**	2017 RMB'000
Basic salaries and allowances	**2,200**	1,151
Discretionary bonus	**216**	443
Retirement scheme contributions	**153**	94
	2,569	1,688

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

	2018 **Number of** **individuals**	2017 Number of Individuals
Nil to HK$1,000,000	**2**	2

During the years ended 31 December 2018 and 2017, 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 2018, nor has any dividend been proposed since the end of the reporting period (2017: RMB Nil).

18. LOSS PER SHARE

For continuing and discontinued operations

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

Loss figures are calculated as follows:

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

Number of shares

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

For continuing operations

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

Loss figures are calculated as follows:

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

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

For discontinued operations

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

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

19. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Leasehold improvement RMB'000	Machinery RMB'000	Storage facilities RMB'000	Furniture fixtures and testing equipment RMB'000	Transportation facilities RMB'000	Construction in progress RMB'000	Total RMB'000
COST								
At 1 January 2017	71,794	424	21,629	14,510	28,831	11,431	–	148,619
Acquired on acquisition of subsidiaries *(Note 41)*	–	–	22,041	–	246	2,117	343	24,747
Additions	–	55	5,827	–	2,768	3,431	1,321	13,402
Disposals	–	–	(2,847)	–	(684)	–	–	(3,531)
Transfer to investment properties *(Note 21)*	–	–	–	–	–	–	(838)	(838)
At 31 December 2017	71,794	479	46,650	14,510	31,161	16,979	826	182,399
Acquire on acquisition of a subsidiaries *(Note 41)*	379,968	–	377,935	–	3,719	5,993	71,731	839,346
Additions	552	–	35,912	–	3,027	1,371	101,645	142,507
Disposal	(993)	–	(11,166)	(5,355)	(449)	(7,244)	–	(25,207)
Reclassified assets as held for sale	(44,857)	–	(63,397)	–	(16,258)	(6,754)	(26,987)	(158,253)
Transfer	19,568	–	74,872	–	–	–	(94,440)	–
Transfer to Investment properties *(Note 21)*	(10,514)	–	–	–	–	–	–	(10,514)
Disposal of subsidiaries	(2,797)	–	–	–	(12,354)	–	(185)	(15,336)
Written off	–	(109)	(1,838)	–	(942)	–	–	(2,889)
At 31 December 2018	**412,721**	**370**	**458,968**	**9,155**	**7,904**	**10,345**	**52,590**	**952,053**
ACCUMULATED DEPRECIATION								
At 1 January 2017	2,156	343	7,097	5,252	16,838	4,755	–	36,441
Provided for the year	2,388	69	8,432	1,793	1,568	3,373	–	17,623
Eliminated on disposal	–	–	(2,750)	–	(490)	–	–	(3,240)
Impairment loss	–	–	26	2,465	–	–	–	2,491
At 31 December 2017	4,544	412	12,805	9,510	17,916	8,128	–	53,315
Provided for the year	23,933	67	39,951	3,149	2,972	4,609	–	74,681
Reversal of impairment	–	–	–	(2,493)	–	–	–	(2,493)
Eliminated on disposal	(291)	–	(1,060)	(4,240)	(113)	(5,445)	–	(11,149)
Reclassified as assets held for sale	(3,072)	–	(15,870)	–	(7,561)	(3,126)	–	(29,629)
Disposal of subsidiaries	(1,588)	–	–	–	(9,664)	–	–	(11,252)
Written off	–	(109)	(1,553)	–	(932)	–	–	(2,594)
At 31 December 2018	**23,526**	**370**	**34,273**	**5,926**	**2,618**	**4,166**	**–**	**70,879**
NET BOOK VALUE								
At 31 December 2018	**389,195**	**–**	**424,695**	**3,229**	**5,286**	**6,179**	**52,590**	**881,174**
At 31 December 2017	67,250	67	33,845	5,000	13,245	8,851	826	129,084

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

Subsequent to 31 December 2017, the Group has entered into a sale agreement to sell an oil tank relating to the trading segment at RMB1,500,000. An impairment loss of RMB2,500,000 was recognised in administrative and other expenses to write the carrying amount to its recoverable amount of RMB1,500,000.

At 31 December 2018, certain buildings with carrying value of RMB460,692,000 (2017: RMB45,219,000) were pledged as security for certain of the Group's borrowings (Note 37(a)).

20. PREPAID LEASE PAYMENTS FOR LAND USE RIGHTS LOCATED IN THE PRC

	RMB'000
Cost	
At 1 January 2017 and 31 December 2017	9,957
Acquired on acquisition of subsidiaries *(Note 41)*	101,758
Reclassified as assets held for sale	(9,958)
At 31 December 2018	101,757
Accumulated amortization	
At 1 January 2017	1,031
Provided for the year	198
At 31 December 2017	1,229
Reclassified as assets held for sale	(1,427)
Provided for the year	2,119
At 31 December 2018	1,921
Carrying values	
At 31 December 2018	99,836
At 31 December 2017	8,728

20. PREPAID LEASE PAYMENTS FOR LAND USE RIGHTS LOCATED IN THE PRC *(continued)*

	2018 RMB'000	2017 RMB'000
Analysed for reporting purposes as:		
Non-current asset	**97,179**	8,728
Current asset	**2,657**	–
	99,836	8,728

At 31 December 2018, prepaid lease payments with carrying value of approximately RMB59,124,000 (2017: RMB7,865,000) were pledged as security for certain of the Group's borrowings (Note 37(a)).

At 31 December 2018 and up to the date of this report, the Group is in the process of obtaining the land use right certificate for a long-term leasehold land with carrying value of approximately RMB12,284,000 (2017: Nil).

21. INVESTMENT PROPERTIES

	RMB'000
COST	
At 1 January 2017	24,308
Acquired on acquisition of subsidiaries *(Note 41)*	595,226
Transfer from construction in progress *(Note 19)*	838
At 31 December 2017	620,372
Disposal	(11,402)
Transfer from property, plant and equipment *(Note 19)*	10,514
Reclassified as assets held for sale	(642,714)
Additions	23,230
At 31 December 2018	–
ACCUMULATED DEPRECIATION	
At 1 January 2017	2,991
Provided for the year	23,019
At 31 December 2017	26,010
Provided for the year	57,216
Disposal	(3,028)
Reclassified as assets held for sale	(80,198)
At 31 December 2018	–
CARRYING VALUES	
At 31 December 2018	–
At 31 December 2017	594,362
FAIR VALUES	
At 31 December 2018	–
At 31 December 2017	637,160

The fair value valuation of the investment properties has been carried out by an independent valuer who holds a recognised and relevant professional qualification and has recent experience in the location and category of the investment properties being valued.

21. INVESTMENT PROPERTIES *(continued)*

Fair value is determined by applying income approach by taking into account the net rental incomes of the properties derived from the existing tenants with due allowance for the reversionary income potential of the tenants, which are then capitalised into the values at appropriate capitalisation rates. There has been no change from the valuation technique used in the prior year.

The investment properties of the Group are measured at cost. The fair value disclosed is categorised as Level 3.

In estimating the fair value of the investment properties, the highest and best use of the investment properties of the Group is their current use.

The investment properties are depreciated on a straight-line basis over their estimated useful life of 20-30 years.

As at 31 December 2018, no investment properties (2017: approximately RMB464,559,000) was pledged to bank to secure certain of the Group's borrowings (Note 37(a)).

22. GOODWILL

	2018 **RMB'000**	2017 RMB'000
COST		
At 1 January	**138,661**	87,987
Arising on acquisition of subsidiaries *(Note 41)*	**–**	50,674
Reclassified as assets held for sale	**(67,604)**	–
At 31 December	**71,057**	138,661
IMPAIRMENT		
At 1 January	**64,298**	–
Impairment loss recognised	**6,759**	64,298
Reclassified as assets held for sale	**–**	–
At 31 December	**71,057**	64,298
CARRYING VALUES		
At 31 December	**–**	74,363

Particulars regarding impairment testing on goodwill are disclosed in Note 24.

23. INTANGIBLE ASSETS

	Construction license *(Note (a))* RMB'000	Payment business license *(Note (b))* RMB'000	Patent *(Note(d))*	Computer software *(Note (c))* RMB'000	Total RMB'000
COST					
At 1 January 2017	131,266	225,786	–	2,201	359,253
Acquired on acquisition of subsidiaries *(Note 41)*	–	–	–	11	11
Additions	–	–	–	9,301	9,301
At 31 December 2017	131,266	225,786	–	11,513	368,565
Acquired on acquisition of subsidiaries *(Note 41)*	–	–	5,806	1,058	6,864
Additions	22,000	–	192	6,193	28,385
Disposals	–	–	(228)	–	(228)
Reclassified as assets held for sale	(153,266)	–	–	(9,803)	(163,069)
At 31 December 2018	**–**	**225,786**	**5,770**	**8,961**	**240,517**
ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSS					
At 1 January 2017	–	–	–	778	778
Charge for the year	–	–	–	181	181
At 31 December 2017	–	–	–	959	959
Provided for the year	–	–	674	706	1,380
Impairment loss for the year	22,000	225,786	–	–	247,786
Reclassified as assets held for sale	(22,000)	–	–	(713)	(22,713)
At 31 December 2018	**–**	**225,786**	**674**	**952**	**227,412**
CARRYING VALUES					
At 31 December 2018	**–**	**–**	**5,096**	**8,009**	**13,105**
At 31 December 2017	131,266	225,786	–	10,554	367,606

Notes:

(a) Construction licence with an infinitive useful life represents construction contract tier-one qualification and municipal utility contract tier-one qualification for road and bridge constructions.

(b) The payment business licence with an infinitive useful life represents qualification for non-bank financial institution to provide third party payment services.

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

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

24. IMPAIRMENT TESTING OF GOODWILL AND INTANGIBLE ASSETS WITH INDEFINITE USEFUL LIVES

For the purposes of impairment testing, goodwill and intangible assets with indefinite useful lives set out in Notes 22 and 23 have been allocated to three individual cash generating units ("**CGUs**"), including the road and bridge construction segment, the agricultural big-data services segment and the cold chain services segment. The carrying amounts of goodwill and intangible assets with indefinite useful lives (net of accumulated impairment losses) allocated to these segments are as follows:

		Goodwill		**Construction license**		**Payment business license**	
	Note	**2018 RMB'000**	2017 RMB'000	**2018 RMB'000**	2017 RMB'000	**2018 RMB'000**	2017 RMB'000
Road and bridge construction segment (Unit A)	*(a)*	**16,930**	16,930	**131,266**	131,266	**–**	–
Agricultural big-data services segment (Unit B)	*(b)*	**–**	6,759	**–**	–	**–**	225,786
Cold chain services segment (Unit C)	*(c)*	**50,674**	50,674	**–**	–	**–**	–
		67,604	74,363	**131,266**	–	**–**	225,786
Reclassified as held for sale		**(67,604)**	–	**(131,266)**	–	**–**	–
		–	74,363	**–**	131,266	**–**	225,786

Notes:

(a) Road and bridge construction segment

The recoverable amount of this CGU is determined based on VIU calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by management covering a five-year (2017: four-year period). Cash flows beyond the five-year period are extrapolated using the estimated weighted average annual growth rate of 2% (2017: 2%).

The key assumptions used for VIU calculations are as follows:

	2018	2017
Weighted average gross margin	**13.8%**	13.8%
Growth rate	**5%**	8%
Percentage of working capital over revenue	**40%**	57.2%
Pre-tax discount rate	**14.4%**	18.0%

Management determined weighted average gross margin, weighted average growth rates and percentage of working capital over revenue based on past performance and its expectations for the market development. The discount rate used is pre-tax and reflects specific risks relating to the road and bridge construction segment. During the years ended 31 December 2018 and 31 December 2017, management of the Group determines that there is no impairment on Unit A. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of road and bridge construction segment to exceed its aggregate recoverable amount.

Goodwill with carrying value of approximately RMB16,930,000 were reclassified as assets held for sale during the year ended 31 December 2018.

24. IMPAIRMENT TESTING OF GOODWILL AND INTANGIBLE ASSETS WITH INDEFINITE USEFUL LIVES *(continued)*

Notes: (continued)

(b) Agricultural big-data services segment

During the year ended 31 December 2018, the profitability of Unit B was adversely affected due to the reason that unpredictable future business environment/market in Shanghai. Under these circumstances, the Directors decided to fully impair the goodwill and the payment business license arose from the acquisition of Unit B and impairment loss of approximately RMB6,759,000 and RMB225,786,000 has been recognised in profit or loss for the year ended 31 December 2018.

As of 31 December 2017, the Company made provision for impairment of assets for Unit B of approximately RMB64,298,000. The reason that the Company made provision for impairment of assets for the business segment was that: 1: Although considerable staff costs and marketing expenses have been invested for market expansion, the number of contract executed for agricultural product wholesale market and cold chain market was lower than expected in 2017. Under this pressure, the Company made internal adjustment to its contract price, hence the realisation of relevant revenue was unsatisfactory. 2: Successive capital investment and time commitment has been made for the core big data platform of big data service business. As a result, the market synergy of related industry businesses such as introduction of quality partners in the financial industry and provision of quality financial plan for traders in the market could not be achieved during the reporting period. No other write-down of the assets of this CGU is considered necessary.

During the year ended 31 December 2017, the recoverable amount of this CGU is determined based on VIU calculations. These calculation use pre-tax cash flow projections based on financial budgets approved by management covering a four-year period. Cash flows beyond the five -year period are extrapolated using the estimated weighted average annual growth rate of 2%.

The key assumptions used for VIU calculations are as follows:

	2017
Weighted average gross margin	71.8%-88%
Growth rate	20%-59%
Percentage of working capital over revenue	27%-28%
Pre-tax discount rate	23.7%

Management determined weighted average gross margin, weighted average growth rates and percentage of working capital over revenue based on past performance and its expectations for the market development. The discount rate used is pre-tax and reflects specific risks relating to the agricultural big-data services segment.

24. IMPAIRMENT TESTING OF GOODWILL AND INTANGIBLE ASSETS WITH INDEFINITE USEFUL LIVES *(continued)*

Notes: (continued)

(c) Cold chain services segment

During the year ended 31 December 2017, the recoverable amount of this CGU is determined based on VIU calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by management covering ten-year period. Cash flows beyond the ten-year period are extrapolated using the estimated weighted average annual growth rate of 2%.

The key assumptions used for VIU calculations are as follows:

	2017
Weighted average gross margin	57%-77%
Growth rate	0%-5%
Percentage of working capital over revenue	12%
Pre-tax discount rate	13.1%

Management determined weighted average gross margin, weighted average growth rates and percentage of working capital over revenue based on past performance and its expectations for the market development. The discount rate used is pre-tax and reflects specific risks relating to the cold chain services segment. During the year ended 31 December 2018 and 31 December 2017, management of the Group determines that there is no impairment on Unit C.

Goodwill with carrying value of approximately RMB50,674,000 were reclassified as assets held for sale during the year ended 31 December 2018.

25. INTERESTS IN ASSOCIATES

	2018 **RMB'000**	2017 RMB'000
Cost of investment in associates	**100,819**	102,819
Share of post-acquisition profits and other comprehensive income, net of dividends received	**(4,156)**	(2,242)
	96,663	100,577
Impairment loss on investments in associate	**(22,363)**	(10,262)
	74,300	90,315
Reclassification as assets held for sale	**(33,000)**	–
Share of net assets	**41,300**	90,315

25. INTERESTS IN ASSOCIATES *(continued)*

The details of the Group's material 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	Registered capital	Proportion of ownership interest held by the Group		Proportion of voting rights held by the Group	
			RMB	**2018**	2017	**2018**	2017
上海伊禾旭生融資租賃有限公司 Shanghai Yi He Xu Sheng Financial Leasing Co., Ltd. ("**Shanghai Yi He**")	PRC, limited liability company	Finance lease business In the PRC	100,000,000	**30%**	30%	**33.33%**	33.33%
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	10,000,000	**49%**	49%	**49%**	49%
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	10,000,000	**49%**	49%	**49%**	49%
湖洲大生鮮綠多大數據科技有限公司 Huzhou Dasheng Green Mall Big Data Technology Co., Ltd. ("**Huzhou Dasheng**")	PRC, limited liability company	Agricultural big-data service in the PRC	20,000,000	**49%**	49%	**49%**	49%
安誠瑞盈(深圳)商業保理有限公司 Ancheng Ever Fortune Commercial Factoring Co., Ltd. ("**Ever Fortune**")	PRC, limited liability company	Commercial factoring business in the PRC	100,000,000	**–** ***(Note (a))***	30%	**–**	30%
中農普惠金服科技股份有限公司 Zhongnong Puhui Jinfu Technology Ltd.	PRC, limited liability company	Finance lease business In the PRC	80,000,000	**21.43%** ***(Note (b))***	30%	**30%**	30%
國維瑞盈(濰坊)融資租賃有限公司 Guowei Ruiying Financial Leasing Co., Ltd.	PRC, limited liability company	Finance lease business In the PRC	200,000,000	44% *(Note (c))*	44%	**44%**	44%

Notes:

(a) On 20 April 2018, Shenzhen Dasheng Financial Holding Company Limited ("**SZ Dasheng**"), a wholly-owned subsidiary of the Company, and the purchaser (the "**Purchaser IV**"), an independent third party, entered into a sale and purchase agreement, pursuant to which SZ Dasheng has conditionally agreed to sell and the Purchaser IV has conditionally agreed to acquire 30% equity interest in Ever Fortune, at a consideration in the sum of RMB15,000,000. The disposal was completed on 9 May 2018. No gain or loss on disposal of Ever Fortune was recognised in the profit or loss.

(b) During the year ended 31 December 2018, there was capital injection of approximately RMB12,000,000 by a new shareholder in Zhongnong Puhui Jinfu Technology Ltd. As a result, the shareholding held by the Group was diluted from 30% to 21.43%.

(c) As disclosed in Note 12, Guowei Ruiying is expected to be sold within twelve months after the reporting date, therefore, the investment in Guowei Ruiying has been reclassified as assets held for sale and is presented separately in the consolidated statement of financial position.

25. INTERESTS IN ASSOCIATES *(continued)*

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) Guowei Ruiying

	2018 **RMB'000**	2017 RMB'000
Current assets	**4,537**	10,189
Non-current assets	**103,730**	100,282
Current liabilities	**5,764**	8,859
Non-current liabilities	**–**	–
Revenue	**11,185**	4,156
Profit for the year	**5,491**	1,612
Other comprehensive income for the year	**–**	–
Total comprehensive income for the year	**5,491**	1,612
Dividends received from the associate during the year	**2,024**	–

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

	2018 **RMB'000**	2017 RMB'000
Net assets of Guowei Ruiying	**102,503**	101,612
Proportion of the Group's ownership interest in Guowei Ruiying	**44%**	44%
The Group's share of net assets of Guowei Ruiying	**45,101**	44,709

25. INTERESTS IN ASSOCIATES *(continued)*

Summarised financial information of material associates *(continued)*

(b) Shanghai Yi He

	2018 **RMB'000**	2017 RMB'000
Current assets	**104,776**	104,821
Non-current assets	**14**	23
Current liabilities	**4**	–
Non-current liabilities	**–**	–
Revenue	**–**	–
Loss for the year	**50**	20
Other comprehensive income for the year	**–**	–
Total comprehensive expense for the year	**50**	20
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:

	2018 **RMB'000**	2017 RMB'000
Net assets of Shanghai Yi He	**104,786**	104,844
Proportion of the Group's ownership interest in Shanghai Yi He	**30%**	30%
The Group's share of net assets of Shanghai Yi He	**31,436**	31,453

25. INTERESTS IN ASSOCIATES *(continued)*

Aggregate information of associates that are not individually material

	2018 RMB'000	2017 RMB'000 (Restated)
The Group's share of (loss) profits from continuing operations	**(2,289)**	4,059
The Group's share of other comprehensive income	**–**	–
The Group's share of total comprehensive income	**(2,289)**	4,059

26. INTEREST IN A JOINT VENTURE

	2018 RMB'000	2017 RMB'000
Cost of investment in a joint venture	**124,209**	1,100
Share of post-acquisition (loss) profits and other comprehensive income	**(1,620)**	501
Share of net assets	**122,589**	1,601
Reclassification as assets held for sale	**(122,589)**	–
	–	1,601

26. INTEREST IN A JOINT VENTURE *(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	Registered capital RMB	Proportion of ownership interest held by the Group 2018	Proportion of ownership interest held by the Group 2017	Proportion of voting rights held by the Group 2018	Proportion of voting rights held by the Group 2017
灌雲北環建設投資開發有限公司 Guanyun Beihuan Construction Investment Development Co., Ltd (**"Guanyun Beihuan"**)	PRC, limited liability company	Project management in the PRC	138,010,000	**90%**	90%	**50%**	50%

The Group has a 90% interest in a joint venture, Guanyun Beihuan, a separate structured vehicle incorporated and operating in the PRC. The primary activity of Guanyun Beihuan is project management, which is in line with the Group's strategy to expand the construction division.

The contractual arrangement provides the Group with only the rights to the net assets of the joint arrangement, with the rights to the assets and obligation for the liabilities of the joint arrangement resting primarily with Guanyun Beihuan. Under HKFRS 11 this joint arrangement is classified as a joint venture and has been included in the consolidated financial statements using the equity method.

Accordingly, although Nantong Road and Bridge has 90% of shareholding in the Project Company, the Project Company is under joint arrangement between Nantong Road and Bridge and an other investor as a result of the contractual arrangement required for the achievement of unanimous consent.

During the year ended 31 December 2018, Nantong Road and Bridge had paid-up all the registered capital of Guanyun Beihuan of RMB123,109,000, consisting 90% of its registered capital.

In the opinion of the Directors, the above joint venture is not material to the Group and the summarised financial information in respect of the Group's share of this joint venture is set out below:

	2018 RMB'000	2017 RMB'000
The Group's share of (loss) profit from continuing operations	**(2,121)**	501
The Group's share of other comprehensive income	**–**	–
The Group's share of total comprehensive (loss) income	**(2,121)**	501

27. EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2018
	RMB'000
Listed equity securities *(Note (a))*	**1,930**
Unlisted equity securities *(Note (b))*	**8,846**
	10,776

Notes:

(a) The above listed equity investments represent ordinary shares of an entity listed in the PRC. These investments are not held for trading, instead, they are held for long-term strategic purposes. The Directors have elected to designate these investments in equity instruments as at FVTOCI as they believe that recognising short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes and realising their performance potential in the long run.

(b) The above unlisted equity investments represent the Group's equity interest in one private entity established in the PRC. The Directors have elected to designate these investments in equity instruments as at FVTOCI as it is the Group's strategy to hold the investment for long-term purpose.

28. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2017
	RMB'000
Listed equity securities	4,985
Unlisted equity securities	15,800
	20,785

Listed equity investment represent investment in one listed company in the PRC. It is measured at fair value determined based on its quoted prices in active market at the reporting date.

The unlisted equity securities represent investments in three unlisted companies in the PRC. They are measured at cost less impairment, if any, at the end of each reporting period because the Directors are of the opinion that the fair value cannot be measured reliably.

The Directors have no intention to dispose of the available-for-sale financial assets as at 31 December 2017.

29. INVENTORIES

	2018 RMB'000	2017 RMB'000
Agricultural and petrochemical products supply chain service		
Consumables	–	31
Finished goods	**6,407**	51,672
	6,407	51,703
Agrochemical products supply chain		
Consumables	**8,562**	–
Raw materials	**79,578**	–
Work in progress	**10,351**	–
Finished goods	**177,427**	–
	275,918	–
Agricultural big-data services		
Third party payment services equipment	**279**	459
Road and bridge construction		
Consumables	–	324
Finished goods	–	65,884
	–	66,208
Cold chain logistics services		
Consumables	–	74
	282,604	118,444

30. TRADE AND OTHER RECEIVABLES

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

30. TRADE AND OTHER RECEIVABLES *(continued)*

(a) Finance lease receivables

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

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

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

30. TRADE AND OTHER RECEIVABLES *(continued)*

(b) Trade and notes receivables

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

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

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

30. TRADE AND OTHER RECEIVABLES *(continued)*

(b) Trade and notes receivables *(continued)*

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

30. TRADE AND OTHER RECEIVABLES *(continued)*

(b) Trade and notes receivables *(continued)*

Notes:

(i) For road and bridge construction, the credit period is negotiated on individual basis and ranges from 0 day to 3 years.

The ageing analysis of trade receivables relating to road and bridge construction which were past due but not impaired is as follows:

	2017 RMB'000
Less than 6 months past due	72,499
6 months to less than 1 year past due	31,878
1 year to less than 2 years past due	102,513
2 years to less than 3 years past due	46,392
3 years and over past due	15,523
	268,805

Substantially all major customers of road and bridge construction are PRC government-related corporations which have no recent history of default. The credit quality of trade receivables has been assessed by reference to historical information about the counterparty default rates. The terms of some construction contracts stipulate that the customers withhold a portion of total contract sum (usually 5%) until a specified period (usually 2 years) after completion of the contract.

(ii) For sale of petrochemical and agricultural products, 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.

The ageing analysis of trade receivables relating to sale of petrochemical and agricultural products which were past due but not impaired is as follows:

	2017 RMB'000
Less than 90 days past due	6
91 days to 1 year past due	–
Over 1 year past due	1,283
	1,289

The credit quality of trade receivables has been assessed by reference to historical information about the counterparty default rates.

30. TRADE AND OTHER RECEIVABLES *(continued)*

(b) Trade and notes receivables *(continued)*

Notes: (continued)

(iii) For finance lease receivables, the customers are obliged to settle the amounts according to the terms set out in the relevant contracts, and must acquire the leased assets at the end of the lease period. The maturity date for each lease contract ranges from one to three years.

For factoring loan receivables, the customers are obliged to settle the amounts according to the terms set out in the relevant contracts. The maturity date for each loan contract is normally not more than 1 year.

The credit quality of trade receivables has been assessed by reference to historical information about the counterparty default rates.

Interest rates on the finance lease receivables and commercial factoring loan receivables are offered to customers based on the assessment of a number of factors including the borrowers' creditworthiness and repayment ability, collateral as well as the general economic trends. The effective interest rates charged by the Group ranged from 4.51% to 13.5% per annum.

As at 31 December 2017, the finance lease receivables in respect of certain machineries are effectively secured by the underlying assets, as the rights to the machineries would be reverted to the Group in the event of default payment. The fair value of such collateral is amounted to approximately RMB369,200,000. The deposits received from finance lease customers amounted to approximately RMB12,270,000.

(iv) For agricultural big-data services, the credit period is negotiated on individual basis and ranges from 0 day to 1 year.

(v) For cold chain logistics services, the credit period is negotiated on individual basis and ranges from 0 day to 10 days.

(vi) For agrochemical products supply chain services, the credit period is negotiated on individual basis and ranges from 30 days to 60 days.

At 31 December 2018, carrying amounts of trade receivables amounted to approximately RMB745,293,000 (2017: RMB1,079,029,000) have been pledged as security for the Group's borrowings (Note 37(a)).

(c) Other receivables

As at 31 December 2018, included in other receivables amounted to approximately RMB2,149,374,000 represents the deposit paid for purchasing raw materials from certain suppliers.

30. TRADE AND OTHER RECEIVABLES *(continued)*

(c) Other receivables *(continued)*

As at 31 December 2017, the balance of other receivables amounted to RMB168,466,000, which is mainly attributable to the cold chain business and the recovery of investment in two associates of RMB40,390,000, the payment of transaction deposits of RMB25,041,000, and the payment of government security deposits of RMB5,000,000 during the period.

(d) Amounts due from associates

The amount was interest-free, unsecured and repayable on demand.

(e) Held-to-maturity financial assets

At 31 December 2017, the amount represented financial instruments with fixed interest of 6.19% per annum and maturity date on 7 December 2019. Given the CEFC Events as detailed in note (f) below, the Directors consider that there is doubt about the recovery of the Group's held-to-maturity financial assets as at 31 December 2017, which is managed by a company controlled by China CEFC (as defined in note (f) below). Accordingly, an impairment loss of approximately RMB30,174,000 was recognised in the profit or loss for the year.

During the year ended 31 December 2018, the total principal amount of the held-to-maturity financial assets of RMB61,000,000 was already recovered, and hence, a reversal of impairment loss of approximately RMB30,174,000 was recognised in the profit or loss for the year.

(f) Impairment losses

For the year ended 31 December 2017

Movement in the allowance for doubtful debts of trade and other receivables:

	2017 RMB'000
At 1 January	95,922
Impairment loss recognised	2,226,616
Impairment loss reversed	(47,962)
Written off	(673)
Exchange realignment	(1,962)
At 31 December	2,271,941

Included in the above provision for impairment of trade and other receivables is a provision for individually impaired trade receivables, other receivables, finance lease receivables and factoring loan receivables of approximately RMB929,595,000, RMB53,376,000, RMB158,808,000 and RMB1,130,162,000 respectively.

30. TRADE AND OTHER RECEIVABLES *(continued)*

(f) Impairment losses *(continued)*

For the year ended 31 December 2017 *(continued)*

The individually impaired trade receivables, finance lease receivables and factoring loan receivables relate to customers 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. In particular, the Directors estimated the amounts of impairment after taking into consideration the below events:

(i) It came to the attention of management that there were media reports on the internet concerning China CEFC Energy Company Limited ("**China CEFC**"), and according to which a creditors' committee had been formed to review China CEFC's asset disposal and the debt restructuring plan of China CEFC was under discussion (the "**CEFC Events**"). Management also noted that there was breach of contracts of the bonds issued by China CEFC and/or its related companies (the "**China CEFC Group**") and the credit rating of China CEFC was significantly adjusted downwards. To the best knowledge of the Directors, certain customers of the Group's factoring loan and trading businesses are also business counterparties of China CEFC Group and therefore their financial position was adversely affected by the CEFC Events. Accordingly, management casted doubt on the repayment ability of these customers with an aggregate outstanding balance of approximately RMB1,927,852,000 as at 31 December 2017, and made an impairment of approximately RMB1,724,701,000 thereon.

(ii) Management noted that certain trust loan of Shenzhen Dasheng was in default. Based on the Company's enquiry with management of Shenzhen Dasheng, it is confirmed that Shenzhen Dasheng is currently under liquidity shortage which has seriously affected its business operations (the "**Shenzhen Dasheng Event**"). To the best knowledge of the Directors, the business counterparties of certain customers of the Group's factoring loan business also have business relationship with Shenzhen Dasheng. The above incident led to the customers of the Group's factoring loan business casted doubt on the financial capabilities of Shenzhen Dasheng and whether their business counterparty can settle the trade receivables owing to them within the prescribed timeframe. The Company has been communicating with these customers through different ways but has not been able to reach any agreement on the repayment plans with them up to the date of approval of the consolidated financial statements for year ended 31 December 2017. Accordingly, management of the Company is of the view that there is significant uncertainty over the recovery of receivables from these customers with an aggregate gross amount of approximately RMB310,750,000, and made an impairment of approximately RMB274,372,000 thereon. In addition, included in the Group's trade receivables and finance lease receivables, there were amounts due from related companies connected with Shenzhen Dasheng of approximately RMB92,968,000 and RMB85,684,000, respectively, of which impairments of approximately RMB77,308,000 and RMB29,091,000, respectively, were made due to the above incident.

For the year ended 31 December 2018

Details of impairment assessment of trade and other receivables for the year ended 31 December 2018 are set out in Note 46(b).

31. CONTRACT ASSETS

	At 31 December 2018 RMB'000	At 1 January 2018 # RMB'000
Road and bridge construction	–	30,070

\# The amounts in this column are after the adjustments from the application of HKFRS 9 and 15.

The contract assets primarily relate to the Group's right to consideration for work completed and not billed because the rights are conditioned on the Group's future performance. The contract assets are transferred to trade receivables when the rights become unconditional.

Notes:

(a) The Group's construction contracts include payment schedules which require stage payments over the construction period once certain specified milestones are reached. The Group typically transfer contract assets to trade receivables when the progress certificate issued/approved by the customer.

(b) The significant decrease in contract assets in the current year was mainly due to reclassified as held for sale as detailed in Note 12.

32. AMOUNTS DUE FROM/(TO) CUSTOMERS FOR CONTRACT WORK

	2017 RMB'000
Contracts in progress at the end of reporting period:	
Contract costs incurred plus recognised profits less recognised losses and foreseeable losses	7,253,554
Less: progress billings	(7,283,957)
Contract work-in-progress at the end of reporting period	(30,403)
Analysed for reporting purposes as:	
Amounts due from customers for contract work	30,070
Amounts due to customers for contract work	(60,473)
	(30,403)

33. RESTRICTED BANK DEPOSITS

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 1.4% to 2.8% per annum as at 31 December 2018 (2017: from 1.4% to 2.8% per annum).

As at 31 December 2018, no bank balance (2017: approximately RMB150,000,000) was pledged as security for the Group's borrowings (Note 37(a)).

Details of impairment assessment of restricted bank deposits for the year ended 31 December 2018 are set out in Note 46(b).

34. BANK BALANCES AND CASH

Bank balances carry interest at market rates which range from 0.01% to 0.35% (31 December 2017: 0.01% to 0.35%) per annum.

For the year ended 31 December 2018, the Group performed impairment assessment on bank balances and concluded that the probability of defaults of the counterparty banks are insignificant and accordingly, no allowance for credit losses is provided.

35. TRADE AND OTHER PAYABLES

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

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

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

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

35. TRADE AND OTHER PAYABLES *(continued)*

	2018 RMB'000	2017 RMB'000
Provision of agricultural big-data services:		
Less than 6 months	**2,590**	3,693
1 year to less than 2 years	**747**	–
	3,337	3,693
Cold chain logistics services:		
Less than 6 months	**–**	1,042
6 months to less than 1 year	**–**	2
1 year to less than 2 years	**–**	1,416
2 years to less than 3 years	**–**	51
3 years and over	**–**	3,897
	–	6,408
Agrochemical products supply chain services:		
Less than 6 months	**172,867**	–
6 months to less than 1 year	**4,799**	–
1 year to less than 2 years	**7,665**	–
2 years to less than 3 years	**63**	–
3 years and over	**500**	–
	185,894	–
	219,822	2,120,971

36. CONTRACT LIABILITIES

	Notes	At 31 December 2018 RMB'000	At 1 January 2018 # RMB'000
Road and bridge construction	*(b)(i)*	–	83,075
Sale of petrochemical and agricultural products	*(a)(i) & (b)(ii)*	**108,501**	25,363
Agricultural big-data services	*(a)(ii)*	**12,874**	13,363
Cold chain logistics services	*(b)(iii)*	–	11,210
Agrochemical products supply chain services	*(a)(iii) & (b)(iv)*	**116,841**	–
		238,216	133,011
Current		**238,216**	133,011

The amounts in this column are after the adjustments from the application of HKFRS 15.

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

	Road and bridge construction RMB'000	Sale of petrochemical and agricultural products RMB'000	Agricultural big data services RMB'000	Cold chain logistics services RMB'000	Agrochemical products supply chain services RMB'000
Revenue recognised that was included in the contract liability balance at the beginning of the year	(83,075)	(25,363)	(13,363)	(11,210)	–
Revenue recognised from performance obligations satisfied in prior periods:	60,582	22,795	6,622	9,318	–
Consideration from new contract, not previously recognised due to the constraint	(65,326)	(105,933)	(6,133)	(2,441)	(116,841)
Reclassified as assets held for sale	87,819	–	–	4,333	–

36. CONTRACT LIABILITIES *(continued)*

Notes:

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

(i) Sale of petrochemical and agricultural products

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.

(ii) Agricultural big-data services

The Group requires customers to made a deposit before the provision of the agricultural big-data services. This gives rise to contract liabilities at the start of a contract, until the end of the service period.

(iii) 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.

36. CONTRACT LIABILITIES *(continued)*

Notes: (continued)

(b) Explanation of the significant changes in the contract liabilities are set out as follows:

(i) Road and bridge construction

The significant decrease in contract liabilities in the current year was mainly due to discontinuing the operation during the year as detailed in Note 12 to the consolidated financial statements.

(ii) Sale of petrochemical and agricultural products

The significant increase in contract liabilities in the current year was mainly because compare with the first quarter of 2017, more contracts have been entered into during the first quarter of 2018.

(iii) Cold chain logistics services

The significant decrease in contract liabilities in the current year was mainly due to discontinuing the operation during the year as detailed in Note 12 to the consolidated financial statements.

(iv) Agrochemical products supply chain services

The significant increase in contract liabilities in the current year was mainly due to the acquisition of Anhui Huaxing as detailed in Note 41 to the consolidated financial statements.

37. BORROWINGS

	Notes	**2018** **RMB'000**	2017 RMB'000
Bank borrowings:			
Secured	*(a) & (b)*	**844,649**	1,422,658
Unsecured	*(b)*	**278,340**	493,590
		1,122,989	1,916,248
Other borrowings:			
Secured		**1,450,703**	1,006,951
		2,573,692	2,923,199

37. BORROWINGS *(continued)*

	2018 RMB'000	2017 RMB'000
The carrying amounts of the above borrowings are repayable*:		
On demand or within one year	**2,125,947**	2,423,199
More than one year, but not exceeding two years	**305,245**	–
Within a period of more than two years but not exceeding five years	**142,500**	500,000
	2,573,692	2,923,199
Less: Amounts due within one year shown under current liabilities	**(2,125,947)**	(2,423,199)
Amounts shown under non-current liabilities	**447,745**	500,000

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

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:

	2018 RMB'000	2017 RMB'000
Prepaid lease payment *(Note 20)*	**59,124**	7,865
Property, plant and equipment *(Note 19)*	**460,692**	45,219
Investment properties *(Note 21)*	**–**	464,559
Trade receivables, net of impairment loss *(Note 30)*	**745,293**	1,079,029
Restricted bank deposits *(Note 33)*	**–**	150,000

As at 31 December 2018, equity interests of a subsidiary, Anhui Huaxing Chemical Industry Company Limited ("**Anhui Huaxing**") and Shanghai Agro-chemical have been mortgaged to obtain certain borrowings.

As at 31 December 2017, equity interests of a subsidiary, Nantong Road and Bridge, were pledged to certain borrowings of the Group.

(b) The secured and unsecured borrowings of the Group to the extent of approximately RMB846,049,000 (2017: secured and unsecured borrowings of approximately RMB221,973,000) were guaranteed by certain directors of the Company and its subsidiaries.

37. BORROWINGS *(continued)*

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

	2018 RMB'000	2017 RMB'000
Fixed-rate borrowings	**1,338,465**	1,926,518
Variable-rate borrowings	**1,235,227**	996,681
	2,573,692	2,923,199

The floating rate borrowings carried interest at rates stipulated by People's Bank of China (中國人民銀行利率) benchmark rates plus 20% to 80%.

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

	2018 RMB'000	2017 RMB'000
Effective interest rates:		
Fixed-rate borrowings	**6.8% to 18%**	4.57% to 10%
Variable-rate borrowings	**4.35% to 4.75%**	4.35% to 4.75%

The Group's borrowings that are denominated in RMB.

As at 31 December 2018, there is no banking facilities of the Group is subject to the fulfilment of covenants relating to the Company's financial ratios (2017: Nil).

38. DEFERRED TAX

For the purpose of presentation in consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	2018 RMB'000	2017 RMB'000
Deferred tax assets	**376**	49,020
Deferred tax liabilities	**(60,304)**	(134,166)
	(59,928)	(85,146)

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

	ECL provision/ Impairment loss and discounting on trade and other receivables RMB'000	**Fair value surplus in respect of business combination** RMB'000	**Capitalisation of borrowing costs** RMB'000	**Total** RMB'000
At 1 January 2017	32,998	(91,281)	(821)	(59,104)
Credit to profit or loss	8,726	2,663	821	12,210
Acquisitions *(Note 41)*	7,296	(45,548)	–	(38,252)
At 31 December 2017	49,020	(134,166)	–	(85,146)
Credit to profit or loss	16,281	(4,042)	–	12,239
Reclassified as assets held for sale	(64,925)	79,899	–	14,974
Acquisitions *(Note 41)*	–	(1,995)	–	(1,995)
At 31 December 2018	**376**	**(60,304)**	**–**	**(59,928)**

At the end of the reporting period, the Group has unused tax losses for PRC subsidiaries of approximately RMB1,410,844,000 (2017: RMB6,337,000) 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. Other losses of approximately RMB52,883,000 (2017: RMB35,444,000) arising in Hong Kong can be carried forward indefinitely.

38. DEFERRED TAX *(continued)*

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.

39. SHARE CAPITAL

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

Notes:

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

39. SHARE CAPITAL *(continued)*

Notes: (continued)

(ii) On 27 October 2016, the Company entered into a placing agreement with a placing agent (the "**Placing Agent**"), pursuant to which the Company conditionally agreed to place through the Placing Agent, on a best efforts basis, up to 1,500,000,000 H Shares at not less than HK$0.65 per H Share in up to two tranches. An aggregate of 918,000,000 H Shares (the "**Placing Shares**") have been successfully placed through the Placing Agent at the placing price of HK$0.65 per Placing Share to Hua Shang Pearl Agriculture Investment Fund and the completion of which took place on 19 January 2018. Immediately after completion of the subscription, the registered capital of the Company became approximately RMB955,108,000 which was divided into 3,349,000,000 domestic shares and 6,202,079,812 H shares, each share having a par value of RMB0.10. The gross proceeds and net proceeds from the subscription were RMB488,158,000 and RMB475,580,000, respectively, which would be used in the development of the agricultural trading related business and repayment of the existing indebtedness of the Group.

40. 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 (2017: 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 retirement benefit cost charged to the profit or loss represents contributions paid and payable to the scheme by the Group at rate specified in the rules of the scheme.

41. ACQUISITION OF SUBSIDIARIES

For the year ended 31 December 2018

On 9 March 2018, the Company and Anhui Dasheng Niannianfu Bio-technology Company Limited* (安徽大生年年富生物科技有限公司) (the "**Vendor**"), which is wholly owned by Shenzhen Dasheng, entered into a sale and purchase agreement (the "**Agreement**"), pursuant to which the Company had conditionally agreed to acquire and the Vendor has conditionally agreed to sell the entire equity interest in Anhui Huaxing at a consideration of approximately RMB5,577,000 (the "**Acquisition**"). The Acquisition was completed on 15 March 2018.

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

The above arrangement constitutes a contingent consideration. Directors have appointed independent valuer to perform a valuation on a 5-year forecast of Anhui Huaxing on the acquisition date to assess the feasibility to meet the Actual Net Profit over the Guaranteed Period. In the opinion of Directors, the probability of Vendor to pay the shortfall in cash is remote after considering the financial position of the Vendor, no asset from the above arrangement was recognised at the acquisition date and the end of reporting period.

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

Consideration transferred

	RMB'000
Cash	5,557

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

** For illustrative purposes only*

41. ACQUISITION OF SUBSIDIARIES *(continued)*

For the year ended 31 December 2018 *(continued)*

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

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

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

Gain on bargain purchase arising on acquisition:

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

41. ACQUISITION OF SUBSIDIARIES *(continued)*

For the year ended 31 December 2018 *(continued)*

Net cash inflow on acquisition of Anhui Huaxing

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

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

Included in the profit for the year is RMB282,856,000 attributable to the additional business generated by Anhui Huaxing. Revenue for the year includes RMB826,866,000 generated from Anhui Huaxing.

Had the acquisition been completed on 1 January 2018, total group revenue for the year would have been RMB2,377,289,000, and loss for the year would have been RMB3,292,123,000. The pro-forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2018, nor is it intended to be a projection of future results.

In determining the 'pro-forma' revenue and loss of the Group had Anhui Huaxing been acquired at the beginning of the current year, the Directors have calculated depreciation of plant and equipment and amortisation of prepaid lease payments acquired on the basis of the fair values arising in the initial accounting for the business combination rather than the carrying amounts recognised in the pre-acquisition financial statements.

41. ACQUISITION OF SUBSIDIARIES *(continued)*

For the year ended 31 December 2017

In April 2017, the Group acquired 51% equity interest in Nanjing Bao Ze Equity Investment Fund Co. Limited ("**Nanjing Baoze**") and its subsidiaries ("**Nanjing Baoze Group**"), whose principal activity is the provision of cold storage services, at a total cash consideration of RMB286,170,000. The acquisition was made with the aims to enrich the Group's portfolio in the area of cold storage business. The Group appointed 3 directors in Nanjing Baoze, accordingly it is considered that the Group has control over the board of Nanjing Baoze. This acquisition has been accounted for using the purchase method.

The fair value of identifiable assets and liabilities of the acquiree as at the date of acquisition were:

	RMB'000
Property, plant and equipment	24,404
Investment property	595,226
Construction in progress	343
Intangible asset	11
Deferred tax assets	7,296
Inventories	113
Trade and other receivables	44,917
Bank balances and cash	7,828
Amount due to the Group	(110,000)
Trade and other payables	(62,834)
Deferred tax liability	(45,548)
Net assets acquired	461,756
Total cash consideration	286,170
Less: Net assets acquired	(461,756)
Add: Non-controlling interests (49% in Nanjing Baoze)	226,260
Goodwill *(Note 22)*	50,674
Net cash outflow on acquisition of Nanjing Baoze Group:	
Deposits paid in prior year	170,000
Cash payments during the year	116,170
Less: Cash and cash equivalents acquired	(7,828)
Net cash outflow arising from acquisition	278,342

41. ACQUISITION OF SUBSIDIARIES *(continued)*

For the year ended 31 December 2017 *(continued)*

The Group has elected to measure the non-controlling interests in Nanjing Baoze at the NCI's proportionate share of Nanjing Baoze identifiable net assets.

The fair value of the trade and other receivable amounted to approximately RMB44,917,000. In the opinion of the Directors, no receivable is expected to be uncollectible.

Since the acquisition date, Nanjing Baoze Group has contributed RMB58,511,000 and RMB6,711,000 to the Group's revenue and profit before income tax expenses. If the acquisition had occurred on 1 January 2017, the contribution to the Group's revenue and profit before income tax expenses would have been RMB75,649,000 and RMB952,000 respectively. This pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2017, nor is it intended to be a projection of future performance.

The acquisition-related costs were not material, and have been expensed and are included in administrative and other expenses.

42. DISPOSAL OF SUBSIDIARIES

During the year ended 31 December 2018

(a) Hong Kong Dasheng Agriculture & Food Limited ("**HK Dasheng A&F**")

On 21 November 2018, the Group entered into a disposal agreement with an independent third party (the "**Purchaser I**"), whereby the Purchaser I has conditionally agreed to purchase and the Group has conditionally agreed to sell the entire 70% equity interests of HK Dasheng A&F, to the Purchaser I at a consideration of RMB1,000,000. The disposal was completed on 21 November 2018.

42. DISPOSAL OF SUBSIDIARIES *(continued)*

During the year ended 31 December 2018 *(continued)*

(a) Hong Kong Dasheng Agriculture & Food Limited ("**HK Dasheng A&F**") *(continued)*

Consideration received

	RMB'000
Cash received	839

Analysis of assets and liabilities over which control was lost:

	RMB'000
Property, plant and equipment	100
Inventories	21,140
Trade and other receivables	48,551
Bank balances and cash	8,886
Trade and other payables	(62,136)
Net assets disposed of	16,541

Loss on disposal of a subsidiary:

	RMB'000
Consideration received	839
Non-controlling interest	4,034
Net assets disposed of	(16,541)
Loss on disposal	(11,668)

Net cash outflow arising on disposal

	RMB'000
Cash consideration	1,000
Less: cash and cash equivalent balances disposed of	(8,886)
	(7,886)

42. DISPOSAL OF SUBSIDIARIES *(continued)*

During the year ended 31 December 2018 *(continued)*

(b) Wuhan Hualong Highway Resources Company Limited ("**Wuhan Hualong**")

On 17 April 2018, the Company entered into the disposal agreement with an independent third party (the "**Purchaser II**"), whereby the Purchaser II has conditionally agreed to purchase and the Company has conditionally agreed to sell the entire equity interests of Wuhan Hualong, to the Purchaser II at a consideration of RMB4,200,000. The disposal was completed on 18 April 2018.

Consideration received

	RMB'000
Cash received	4,200

Analysis of assets and liabilities over which control was lost:

	RMB'000
Property, plant and equipment	3,984
Inventories	30
Trade and other receivables	27,749
Bank balances and cash	486
Trade and other payables	(656)
Net assets disposed of	31,593

Loss on disposal of a subsidiary:

	RMB'000
Consideration received	4,200
Net assets disposed of	(31,593)
Wavier of amount due to the Group	20,981
Loss on disposal	(6,412)

Net cash inflow arising on disposal

	RMB'000
Cash consideration	4,200
Less: cash and cash equivalent balances disposed of	(486)
	3,714

43. LITIGATIONS AND CONTINGENT LIABILITIES

(a) 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 "**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. Bank of Shanghai also applied for property preservation on the Company's equity interest in Nantong Road and Bridge and Anhui Huaxing amounting to approximately RMB49,972,000 and RMB10,024,000, respectively. On 30 October 2018, the Company received three civil judgements dated 30 September 2018 by the 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.

As at 31 December 2018, the outstanding payable of the principal payment and the relevant interest accrued of approximately RMB91,761,000 in aggregate.

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. Please refer to the Company's announcement date 1 November 2018 and 14 March 2019 for details.

(b) On 5 June 2018, CEFC Shanghai Securities Limited ("**CEFC**") issued and filed a statement of claim (the "**CEFC Statement of Claim**"), against Shanghai Agro-chemical, under Shanghai Second Intermediate People's Court (the "**Shanghai Second Court**") for a breach of loan agreement due to default in repayment of loan in a principal amount of RMB300,000,000 and all related interests (the "**CEFC Loan**"). The Company, Shenzhen Dasheng, Dasheng (Fujian) and HK Dasheng Investment, being the guarantors to the CEFC Loan, were also named as defendants in the CEFC Statement of Claim. CEFC also applied for property preservation on the Company's equity interest in Nantong Road and Bridge and Anhui Huaxing amounting to approximately RMB547,885,000 and RMB180,000,000, respectively. Pursuant to a civil mediation order (the "**CM Order**") issued by Shanghai Second Court on 22 February 2019, Shanghai Agro-chemical shall make a one-off and full payment of approximately RMB310,052,000 (including the principal amounts and related interests) and the overdue interests/ advance interests and the corresponding legal fee and guarantee fee incurred, within three days from the effective date of the CM Order (the "**Repayment**"). As Shanghai Agro-chemical failed to fulfil the Repayment with 25 February 2019. The Company, Shenzhen Dasheng, Dasheng Fujian and HK Dasheng Investment shall jointly bear approximately RMB804,000 as the ancillary costs under the CEFC Statement of Claim.

43. LITIGATIONS AND CONTINGENT LIABILITIES *(continued)*

(b) *(continued)*

As at 31 December 2018, the outstanding payable of the principal payment and the relevant interest accrued of approximately RMB321,041,000 in aggregate.

On 5 March 2019, the Company was informed by CEFC that it has already applied to the Shanghai Second Intermediate People's Court, for a compulsory enforcement action of claims pursuant to the CM Order. Please refer to the Company's announcement dated 29 June 2018, 18 July 2018, 1 March 2019 and 8 March 2019 for details.

(c) On 19 June 2018, Nanjing Dasheng, a non-wholly owned subsidiary of the Company, issued and filed the Nanjing Dasheng Statement of Claim, against Shanghai Agro-chemical under Nanjing Court for a breach of working capital loan agreement due to default in repayment of the Nanjing Dasheng Loan. Details of the claim and settlement are disclosed in Note 12(a).

(d) On 19 June 2018, CEFC issued and filed a statement of claim (the "**Second Statement of Claim**"), against the Company under Gansu Provincial Higher People's Court for a beach of loan agreement due to default in repayment of loan in a principal amount of RMB300,000,000 and all related interest (the "**CEFC Loan II**") (the "**Second CEFC Legal Proceedings**"). Shenzhen Dasheng, Dasheng Fujian, HK Dasheng Investment, being the guarantors to the CEFC Loan II, were also named as defendants in the Second Statement of Claim. The hearing date of the Second CEFC Legal Proceedings has not yet been set. Please refer to the Company's announcement dated 4 September 2018 for details.

As at 31 December 2018, the outstanding payable of the principal payment and the relevant interest accrued of approximately RMB325,947,000 in aggregate.

(e) 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.

As at 31 December 2018, the outstanding payable of the principal payment and the relevant interest accrued of approximately RMB44,635,000 in aggregate.

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 Agro-chemical 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.

43. LITIGATIONS AND CONTINGENT LIABILITIES *(continued)*

(f) On 6 September 2018, Mr. Wu, Madam Yan and Zhenjiang City Zhiying Investment Management Centre (Limited Partnership*) (collectively, the "**Plaintiff**"), issued and filed a statement of claim ("**Zhiying Statement of Claim**"), against the Company under the Shanghai Second Court for a default in payment of outstanding consideration for the acquisition of the entire equity interest in Shanghai Kaiyi Corporate Management Consultancy Co., Ltd, which was completed on 27 July 2016, and loan owned to Mr. Wu and Madam Yan in an aggregate amount of approximately RMB148,796,000 and all related interests (the "**Zhiying Legal Proceedings**"). The Plaintiff applied for property preservation on the Company's equity interest in Nantong Road and Bridge and Anhui Huaxing amounting to approximately RMB547,885,000 and RMB180,000,000, respectively. The hearing of the Zhiying Legal Proceedings, which were originally scheduled to be held on 30 November 2018 at the Shanghai Second Court, were rescheduled and new hearing dates have yet to be set. The Company repaid approximately RMB74,000,000 during the year ended 31 December 2018.

As at 31 December 2018, the outstanding payable of the principal payment and the relevant interest accrued of approximately RMB78,113,000 in aggregate.

(g) 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. Please refer to the Company's announcement date 14 December 2018 for details.

As at 31 December 2018, the outstanding payable of the principal payment and the relevant interest accrued of approximately RMB78,677,000 in aggregate.

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.

44. OPERATING LEASE COMMITMENTS

The Group as lessee

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of transportation facilities, machineries, office premises and warehouse facilities as follows:

	2018	2017
	RMB'000	RMB'000
Not later than one year	**2,782**	9,035
Later than one year and not later than five years	**1,453**	10,832
	4,235	19,867

The leases typically run for an initial period of 1 to 2 years (2017: 1 to 5 years) without extension option. None of these leases includes contingent rentals.

The Group as lessor

At the end of the reporting period, the Group had contracted with tenant for the following future minimum lease payments:

	2018	2017
	RMB'000	RMB'000
Not later than one year	**–**	19,115
Later than one year and not later than five years	**–**	6,927
Later than five years	**–**	6,238
	–	32,280

The Group's investment properties are leased to a tenant, with a lease term of two years, and there is no contingent rental.

45. CAPITAL RISK MANAGEMENT

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debts.

The Group monitors capital on the basis of the debt-to-equity ratio. This ratio is calculated as total borrowings as described in Note 37 divided by total capital. The Group regards its equity attributable to the Company's owners as its capital.

	2018 **RMB'000**	2017 RMB'000
Total borrowings	**2,573,692**	2,923,199
Equity attributable to owners of the Company	**199,250**	2,042,522
Debt-to-equity ratio	**1,291.7%**	143.1%

46. FINANCIAL INSTRUMENTS

(a) Categories of Financial Instruments

	2018 **RMB'000**	2017 RMB'000
Financial assets		
Equity instruments at FVTOCI	**10,776**	–
Loan and receivables (including cash and cash equivalents)	**1,579,975**	6,790,281
Available-for-sale investments	**–**	20,785
	1,502,749	6,811,066
Financial liabilities		
Amortised cost	**3,773,357**	5,592,956

46. FINANCIAL INSTRUMENTS *(continued)*

(a) Categories of Financial Instruments *(continued)*

As at 31 December 2017, the Group transferred certain bills receivables accepted by banks in the PRC (the "**Derecognised Bills**") to banks or suppliers with a carrying amount of RMB1,750,000. The Derecognised Bills generally has maturity dates of less than six months at the end of 31 December 2017. In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Derecognised Bills have a right of recourse against the Group if the PRC bank default (the "**Continuing Involvement**"). In the opinion of the Directors, the Group has transferred substantial all risks and rewards relating to the Derecognised Bills and has discharged its obligations under the relevant PRC practice, rule and regulations, the Group has limited exposure in respect of the settlement obligation of the Derecognised Bills under the relevant PRC rules and regulations should the issuing banks fail to settle the bills on maturity date. Accordingly, it has derecognised the full carrying amounts of the Derecognised Bills. The Group considered the Derecognised Bills are of good credit quality and the non-settlement of the Derecognised Bills by the issuing banks on maturity is remote. The maximum exposure to loss from the Group's Continuing Involvement in the Derecognised Bills is equal to their carrying amounts. In the opinion of the Directors, the fair values of the Group's Continuing Involvement in the Derecognised Bills are not significant.

During the years ended 31 December 2017, the Group has not recognised any gain or loss on the transfer of the Derecognised Bills. No gain or loss were recognised from the Continuing Involvement. The discounting of bills receivables have been made evenly throughout the years ended 31 December 2017.

(b) Financial Risk Management Objectives and Policies

The Group's major financial instruments include equity instruments at FVTOCI, available-for-sale investment, trade and other receivables, restricted bank deposits, bank balances and cash, trade and other payables and borrowings. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk, interest rate risk and other price 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.

(i) Currency risk

The Group operates mainly in the PRC, and most of the Group's commercial transactions, recognised assets and liabilities are denominated in RMB. In the opinion of the Directors, the Group's exposure to the foreign currency risk is minimal.

(ii) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate finance lease and commercial factoring loan receivables and fixed-rate borrowings as set out in Note 30 and Note 37 respectively. The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank balances and variable-rate borrowings as detailed in Note 34 and Note 37 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.

46. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial Risk Management Objectives and Policies *(continued)*

(ii) Interest rate risk *(continued)*

Total interest revenue/income from financial assets that are measured at amortised cost is as follows:

	2018 **RMB'000**	2017 RMB'000
Interest income		
Financial assets at amortised cost	**57,929**	412,893

Interest expense on financial liabilities not measured at fair value through profit or loss:

	2018 **RMB'000**	2017 RMB'000
Financial liabilities at amortised cost	**151,249**	59,282

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 (2017: 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 directors of the Company 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 (2017: 100 basis points) higher/lower and all other variables were held constant, the Group's post-tax loss for the year ended 31 December 2018 would increase/decrease by RMB12,352,000 (2017: increase/decrease by RMB6,280,000).

46. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial Risk Management Objectives and Policies *(continued)*

(iii) Other price risk

The Group is exposed to equity price risk through its investments in equity securities measured at FVTOCI (2017: available-for-sale investments). Price risk was monitored by the management of the Group who will consider hedging the risk exposure should the need arise.

Sensitivity analysis

The sensitivity analyses have been determined based on the exposure to equity price risk at the reporting date, excluding available-for-sale investments measured at cost less impairment for the year ended 31 December 2017. Sensitivity analyses for unquoted equity securities with fair value measurement categorised within Level 3 were disclosed in note 46(c).

If the prices of the respective equity instruments with fair value measurement categorised within Level 1 had been 10% (2017: 10%) higher/lower, FVTOCI reserve for the year ended 31 December 2018 would decrease/increase by RMB193,000 (2017: decrease/increase by RMB499,000) as a result of the changes in fair value of equity investments at FVTOCI (2017: available-for-sale investments).

(iv) Credit risk and impairment assessment

At 31 December 2018, other than those financial assets whose carrying amounts best represent the maximum exposure to credit risk, the Group's credit risk is primarily attributable to trade and other receivables, finance lease receivables, factoring loan receivables, restricted bank balances and bank balances.

The carrying amounts of financial assets at amortised cost stated in Note 46 represented the Group's maximum exposure to credit risk in relation to financial assets which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties.

The Group does not hold any collateral or other credit enhancements to cover its credit risk associated with its financial assets.

46. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial Risk Management Objectives and Policies *(continued)*

(iv) Credit risk and impairment assessment *(continued)*

Trade receivables

In order to minimise the credit risk, the management of the Group are responsible for determination of credit limits and credit approvals and other monitoring procedures to ensure that follow up action is taken to recover over due debts (including trade and other receivables). In addition, the Group performs impairment assessment under ECL model upon application of HKFRS 9 (2017: incurred loss model) on trade balances individually or based on provision matrix. In this regard, the Directors consider that the Group's credit risk is significantly reduced.

The Group reassesses lifetime ECL for trade receivables to ensure that adequate impairment loss are made for significant increase in the likelihood or risk of a default occurring individual asset. The ECL on trade receivables are assessed for debtors with significant balances or collectively using a provision matrix appropriate groupings. As part of the Group's credit risk management, the Group used debtors' aging to assess with the impairment for its customers because these customers consists of a large number of customers which share common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms. The loss rates are estimated on historical observed default rates over the expected life of the debtors and are adjusted forward-looking information that is available without undue cost or effort. The grouping is regularly reviewed by management to ensure relevant information about specific debtors is updated.

As at 31 December 2018, the Group's concentration of credit risk by geographical locations is mainly in PRC, which accounted for 98% (2017: 98%) of the total trade receivables.

Other receivables/restricted bank deposits/bank balances and cash

The credit risk on restricted bank deposits and bank balances are limited because the counterparties are banks/financial institutions with high credit ratings assigned by international credit-rating agencies.

For all other instruments including other receivables, the Group measures the loss allowance equal to 12-month ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised based on significant increases in the likelihood or risk of a default occurring since initial recognition. The Group have assessed and concluded that the risk of default rate for the other instruments are steadily based on the Group assessment of the financial health of the counterparties.

46. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial Risk Management Objectives and Policies *(continued)*

(iv) Credit risk and impairment assessment *(continued)*

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	12-month ECL
Watch list	Debtor frequently repays after due dates but usually settle after due date	Lifetime ECL – not credit-impaired	12-month 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

46. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial Risk Management Objectives and Policies *(continued)*

(iv) 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.

2018	*Note*	External credit rating	Internal credit rating	12-month or lifetime ECL	Gross carrying amount	
					RMB'000	RMB'000
Financial assets at amotised costs						
Trade receivables – goods and services	*30*	N/A	*(Note 1)*	Lifetime ECL (Provision matrix)	193,192	
			Loss *(Note 2)*	Lifetime ECL – credit-impaired	819,174	1,012,366
Restricted bank deposits	*33*	Baa2-A1	N/A	12-month ECL		211,351
Bank balances	*34*	Baa3-Aa1	N/A	12-month ECL		58,124
Other receivables	*30*	N/A	*(Note 3)*	Lifetime ECL – not credit-impaired	153,829	
			Loss	Lifetime ECL – credit-impaired	2,149,374	2,303,203
Finance lease receivables	*30*	N/A	*(Note 1)*	Lifetime ECL (Provision matrix)	143,859	
			Loss	Lifetime ECL – credit-impaired	38,516	182,375
Factoring Loan receivables	*30*	N/A	Loss	Lifetime ECL – credit-impaired		2,688,903

46. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial Risk Management Objectives and Policies *(continued)*

(iv) Credit risk and impairment assessment *(continued)*

Note 1

For trade receivables and finance leasing services, 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 sale of petrochemical and agricultural products, financial leasing services, agricultural big-data 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. The following table provides information about the exposure to credit risk for trade receivables and finance lease receivables which are assessed based on provision matrix as at 31 December 2018 within lifetime ECL (not credit-impaired). Trade receivable and finance lease receivables of RMB819,174,000 and RMB38,516,000 was credit-impaired as at 31 December 2018 and have been assessed individually.

Gross Carrying amount	Estimated loss rate	Trade receivables RMB'000
Sale of petrochemical and agricultural products		
Current	0.56%	4,354
Over 91-270 days past due	5.02%	2,210
Over 270 days past due	16.60%	33,216
Agrochemical products supply chains services		
Current	0.37%	108,902
Over 1-180 days past due	1.61%	35,949
Over 180 days past due	16.60%	1,066
Agricultural big-data services		
Current	0.68%	19
1-180 days past due	2.62%	142
180-540 days past due	4.66%	7,334
		193,192

Gross Carrying amount	Estimated loss rate	Finance lease receivables RMB'000
Finance leasing services		
Current to 90 days past due	1.60%	3,332
Over 91-270 days past due	5.34%	25,914
Over 270 days past due	16.60%	114,613
		143,859

46. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial Risk Management Objectives and Policies *(continued)*

(iv) Credit risk and impairment assessment *(continued)*

Note 1 (continued)

The estimated loss rates are estimated based on industry credit benchmarking studies on the industry-wide probability of default term structure over the expected life with forward looking adjustment that is available without undue cost or effort and empirical study on loss given default rate.

During the year ended 31 December 2018, the Group provided approximately RMB282,000 and RMB8,383,000 impairment allowance for trade receivables and finances lease receivables respectively, based on the provision matrix. Impairment allowance of approximately RMB19,327,000 and RMB8,677,000 were made an debtors with significant balances and credit-impaired debtors of trade receivables and finance lease receivables respectively.

(a) 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 31 December 2017 under HKAS 39	–	929,595	929,595
Adjustment upon application of HKFRS 9	57,340	(288,716)	(231,376)
As at 1 January 2018 – As restated	57,340	640,879	698,219
Changes due to financial instruments recognised as at 1 January:			
– Impairment losses recognised	282	19,327	19,609
– Impairment loss reversed	(35,756)	(54,408)	(90,164)
Reclassified as assets held for sale	(15,872)	(69,211)	(85,083)
New financial assets originated or purchased	1,160	–	1,160
As at 31 December 2018	7,154	536,587	543,741

46. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial Risk Management Objectives and Policies *(continued)*

(iv) Credit risk and impairment assessment *(continued)*

Note 1 (continued)

(a) *(continued)*

Change in loss allowance for trade receivables are mainly due to:

	2018 Increase/(decrease) in lifetime ECL	
	Not credit-impaired RMB'000	**Credit-impaired** RMB'000
Further impairment made for not credit-impaired and credit-impaired receivables	282	19,327
Settlement received from debtors	(35,756)	(54,408)
Financial assets originated or acquired during the year	1,160	–
Assets reclassified to held for sale	(15,872)	(85,083)

(b) The following tables show reconciliation of loss allowances that has been recognised for finance lease receivables:

	Lifetime ECL (not credit-impaired) RMB'000	**Lifetime ECL (credit-impaired)** RMB'000	**Total** RMB'000
As at 31 December 2017 under HKAS 39	–	158,808	158,808
Adjustment upon application of HKFRS 9	12,082	(105,770)	(93,688)
As at 1 January 2018 – As restated	12,082	53,038	65,120
Changes due to financial instruments recognised as at 1 January:			
– Impairment losses recognised	6,945	8,627	15,622
– Impairment loss reversed	–	(29,746)	(29,746)
New financial assets originated or purchased	1,438	–	1,438
As at 31 December 2018	20,465	31,969	52,434

46. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial Risk Management Objectives and Policies *(continued)*

(iv) Credit risk and impairment assessment *(continued)*

Note 1 (continued)

(b) *(continued)*

Change in loss allowance for finance lease receivables are mainly due to:

	2018	
	Increase/(decrease) in lifetime ECL	
	Not credit-impaired	**Credit-impaired**
	RMB'000	RMB'000
Further impairment made for not credit-impaired and credit-impaired receivables	6,945	8,677
Settlement received from debtors	–	(29,746)

(c) The following tables show reconciliation of loss allowances that has been recognised for factoring loan receivables:

	Lifetime ECL (not credit-impaired)	**Lifetime ECL (credit-impaired)**	**Total**
	RMB'000	RMB'000	RMB'000
As at 31 December 2017 under HKAS 39	–	1,130,162	1,130,162
Adjustment upon application of HKFRS 9	–	1,035,368	1,035,368
As at 1 January 2018 – As restated	–	2,165,530	2,165,530
Changes due to financial instruments recognised as at 1 January:			
New financial assets originated or purchased	1,039,858	–	1,039,858
Transfer to credit-impaired	(1,039,858)	1,039,858	–
– Impairment loss reversed	–	(783,915)	(783,915)
As at 31 December 2018	–	2,421,473	2,421,473

46. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial Risk Management Objectives and Policies *(continued)*

(iv) Credit risk and impairment assessment *(continued)*

Note 1 (continued)

(c) *(continued)*

	2018	
	Increase/(decrease) in lifetime ECL	
	Not credit-impaired	**Credit-impaired**
	RMB'000	RMB'000
Receivables defaulted and transfer to credit-impaired	(1,039,858)	1,039,858
Financial assets originated or acquired during the year	–	(783,915)

Note 2

Those trade receivables are related to CEFC Events (as detailed in Note 30(f)). 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.

Note 3

For the purposes of internal credit risk management, the Group uses past due information to assess whether credit risk has increased significantly since initial recognition.

	Past due	**Not past due/ No fixed repayment terms**	**Total**
Other receivables	–	2,303,203	2,303,203

46. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial Risk Management Objectives and Policies *(continued)*

(iv) Credit risk and impairment assessment *(continued)*

Note 3 (continued)

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 31 December 2017 under HKAS 39	–	53,376	53,376
Adjustment upon application of HKFRS 9	7,930	(53,376)	(45,446)
As at 1 January 2018 – As restated	7,930	–	7,930
Changes due to financial instruments recognised as at 1 January:			
– Impairment losses recognised	5,805	–	5,805
– Impairment loss reversed	(3,036)	–	(3,036)
Receivables defaulted and transfer to credit-impaired	(1,838,364)	1,838,364	–
Reclassified as assets held for sale	(3,541)	–	(3,541)
New financial assets originated or purchased	1,848,393	–	1,848,393
As at 31 December 2018	17,187	1,838,364	1,855,551

Change in loss allowance for other receivables are mainly due to:

	2018 Increase/(decrease) in lifetime ECL	
	Not credit-impaired RMB'000	**Credit-impaired** RMB'000
Further impairment made for credit-impaired receivables	5,805	–
Settlement received from debtors	(3,036)	–
Financial assets originated or acquired during the year	(1,838,364)	1,838,364
Assets reclassified to held for sale	(3,541)	–

46. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial Risk Management Objectives and Policies *(continued)*

(v) 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 borrowings and ensures compliance with loan covenants.

The Group relies on bank borrowings as a significant source of liquidity. As at 31 December 2018, the Group has available unutilised bank loan facilities of approximately RMB140,338,423 (31 December 2017: RMB341,623,667).

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.

Group	Interest rate	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
At 31 December 2018						
Borrowings						
- Fixed rate borrowings	**6.8%-18%**	**1,426,400**	**–**	**–**	**–**	**1,426,400**
- Variable rate borrowings	**4.35%-4.75%**	**820,984**	**310,729**	**149,939**	**–**	**1,281,652**
Trade and other payables	**–**	**1,193,319**	**6,346**	**–**	**–**	**1,199,665**
		3,440,703	**317,075**	**149,939**	**–**	**3,907,717**
At 31 December 2017						
Borrowings						
- Fixed rate borrowing	4.57%-10%	2,038,695	–	31,425	–	2,070,120
- Variable rate borrowing	4.35%-4.75%	677,367	–	643,838	–	1,321,205
Trade and other payable	–	2,664,442	330	989	3,996	2,669,757
		5,380,504	330	676,252	3,996	6,061,082

46. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial Risk Management Objectives and Policies *(continued)*

(v) Liquidity risk *(continued)*

The amounts included above for variable interest rate instruments are subject to change if changes in variable interest rate differ to those estimates of interest rates determined at the end of the reporting period.

(c) Fair Value Measurements of Financial Instruments

This note provides information about how the Group determines fair values of various financial assets and financial liabilities.

Some of the Group's financial instruments are measured at fair value for financial reporting purposes. The Board is responsible to determine the appropriate valuation techniques and inputs for fair value measurements.

In estimating the fair value, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the management would establish the appropriate valuation techniques and inputs to the valuation model.

46. FINANCIAL INSTRUMENTS *(continued)*

(c) Fair Value Measurements of Financial Instruments *(continued)*

Fair value of the Group's financial assets that are measured at fair value on a recurring basis

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and inputs used).

	Fair value hierarchy as at 31 December 2018			
	Level 1 RMB'000	**Level 2 RMB'000**	**Level 3 RMB'000**	**Total RMB'000**
Equity instruments at FVTOCI	**1,930**	**–**	**8,846**	**10,776**

	Fair value hierarchy as at 31 December 2017			
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Available-for-sale listed equity securities	4,985	–	–	4,985

Financial assets	**Fair value at**		**Fair value hierarchy**	**Valuation technique(s) and key input(s)**	**Significant unobservable input(s)**
	31 December 2018	31 December 2017			
Listed equity securities at FVTOCI (2017: classified as AFS)	**Approximately RMB1,930,000**	Approximately RMB4,985,000	Level 1	Quoted closing prices in an active market	N/A
Unlisted equity investment at FVTOCI	**Approximately RMB8,846,000**	–	Level 3	Net asset value (Note)	N/A

There were no transfers between level of fair value hierarchy during the year ended 31 December 2018.

Note: The entity has determined that the reported net asset value represents fair value at the end of the reporting period.

46. FINANCIAL INSTRUMENTS *(continued)*

(c) Fair Value Measurements of Financial Instruments *(continued)*

Fair value of the Group's financial assets that are measured at fair value on a recurring basis *(continued)*

Reconciliation of Level 3 fair value measurements of financial instruments on recurring basis:

	Assets- unlisted equity instruments at FVTOCI RMB'000
At 31 December 2017	–
Adjustment upon application of HKFRS 9	15,800
At 1 January 2018	**15,800**
Reclassified as assets held for sale	**(5,000)**
Disposal	**(800)**
Fair value changes	**(1,154)**
At 31 December 2018	**8,846**

Included in other comprehensive income is an amount of approximately RMB1,154,000 fair value loss relating to the unlisted equity securities classified as equity instruments at FVTOCI held at the end of the current reporting period and is reported as changes of "Available-for-sale Investments reserve/FVTOCI reserve".

The Directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

47. 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 2017	1,707,746
Changes from cash flows:	
Proceeds from borrowings	2,869,163
Repayment of borrowings	(1,653,710)
Interest paid	–
Non-cash changes:	
Interest expenses	–
At 31 December 2017	2,923,199
Changes from cash flows:	
Proceeds from borrowings	2,334,214
Repayment of borrowings	(1,873,252)
Acquisition of a subsidiary	268,700
Liabilities associated with assets classified as held for sale	(824,008)
Non-cash changes:	
Loan waived by a shareholder of the Company	(255,161)
At 31 December 2018	**2,573,692**

48. RELATED PARTY TRANSACTIONS

(a) During the year, saved as disclosed in elsewhere of the consolidation financial statements, the Group entered into the following material transactions with related parties:

	2018 **RMB'000**	2017 RMB'000
Construction services provided to:		
Nanjing Dasheng Modern Agriculture Holding Co., Ltd. a related company	**3,755**	86,570
Finance lease services to:		
Nanjing Dasheng Modern Agriculture Holdings Co., Ltd., a related company *(note 1)*	**905**	5,994
Nanjing Dasheng Vegetable Production Co., Ltd., a related company *(note 1)*	**–**	805
Acquisition of subsidiaries from:		
Anhui Dasheng Niannianfu Bio-technology Company Limited, a fellow subsidiary *(note 2)*	**5,577**	–

Notes:

1. The amounts represent service fee income and finance lease interest income receivable from two related companies, the beneficial owners of which are Mr. Lan Huasheng, who is the Director, and Mr. Lu Tingfu, who is the supervisor of the Company.

2. The amount represents the consideration of the acquisition of subsidiaries from a fellow subsidiary, which is a wholly owned subsidiary of the Company's holding company, Shenzhen Dasheng.

(b) Key management compensation

Remuneration for key management personnel of the Group includes amounts paid to the Directors, supervisors and two (2017: two) senior management personnel of the Company. The remuneration of the Directors, supervisors and two senior management personnel are disclosed in Notes 15 and 16.

The remuneration of directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

49. PARTICULARS OF 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	
				2018	2017	**2018**	2017	**2018**	2017	**2018**	2017
南通路橋工程有限公司 Nantong Road and Bridge Engineering Co., Ltd. ("**Nantong Road and Bridge**")	PRC, limited liability company	Construction of roads and bridges in the PRC	RMB600,080,000	**91.3%**	91.3%	**–**	–	**91.3%**	91.3%	**–**	–
江蘇九州市政工程有限公司 Jiangsu Jiuzhou Municipal Engineering Co., Ltd.	PRC, limited liability company	Construction of roads and bridges in the PRC	RMB50,000,000	**–**	–	**91.3%**	91.3%	**–**	–	**91.3%**	91.3%
香港大生農業控股有限公司 Hong Kong Dasheng Agriculture Holding Company Limited	Hong Kong, limited liability company	Investment holding in Hong Kong	HK$365,000,000 of 365,000,000 ordinary shares	**100%**	100%	**–**	–	**100%**	100%	**–**	–
武漢華隆公路物資有限公司 Wuhan Hualong Highway Resources Company Limited ("**Wuhan Hualong**") *(Note (d))*	PRC, limited liability company	Petrochemical trading in the PRC	RMB30,000,000	**–**	100%	**–**	–	**–**	100%	**–**	–
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.	Hong Kong, limited liability company	Petrochemical trading in Hong Kong	HK$100,000,000 of 100,000,000 ordinary shares	**–**	–	**100%**	100%	**–**	–	**100%**	100%

49. PARTICULARS OF SUBSIDIARIES OF THE COMPANY *(continued)*

Details of the subsidiaries directly and indirectly held by the Company at the end of the reporting period are set out below. *(continued)*

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	
				2018	2017	**2018**	2017	**2018**	2017	**2018**	2017
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%	**–**	–
瑞盈信融(深圳)融資租賃有限公司 Ever Fortune Financial Leasing Co., Ltd. ("**Ever Fortune**")	PRC, limited liability company	Finance lease business in the PRC	RMB1,000,000,000	**–**	–	**86.5%**	86.5%	**–**	–	**86.5%**	86.5%
瑞盈信融(深圳)商業保理有限公司 Ever Fortune Commercial Factoring Co., Ltd. ("**Ever Fortune Commercial Factoring**")	PRC, limited liability company	Commercial factoring business in the PRC	RMB500,000,000	**–**	–	**86.5%**	86.5%	**–**	–	**86.5%**	86.5%
瑞盈信融(廈門)融資租賃有限公司 Ever Fortune (Xiamen) Financial Leasing Co., Ltd.	PRC, limited liability company	Finance lease business in the PRC	RMB500,000,000	**–**	–	**89.9%**	89.9%	**–**	–	**89.9%**	89.9%
福建瑞盈信融融資租賃有限公司 Fujian Ruiying Financial Leasing Company Limited	PRC, limited liability company	Finance lease business in the PRC	RMB200,000,000	**–**	–	**89.9%**	89.9%	**–**	–	**89.9%**	89.9%
上海諧易企業管理諮詢有限公司 Shanghai Kaiyi Corporate Management Consultancy Co., Ltd. ("**Kaiyi**")	PRC, limited liability company	Investment holding and agricultural big-data services in the PRC	RMB20,000,000	**100%**	100%	**–**	–	**100%**	100%	**–**	–
上海潤通實業投資有限公司 Shanghai Runtong Industrial and Investment Co., Limited ("**Shanghai Runtong**")	PRC, limited liability company	Agricultural big-data service in the PRC	RMB100,000,000	**–**	–	**80%**	80%	**–**	–	**80%**	80%

49. PARTICULARS OF SUBSIDIARIES OF THE COMPANY *(continued)*

Details of the subsidiaries directly and indirectly held by the Company at the end of the reporting period are set out below. *(continued)*

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	
				2018	2017	**2018**	2017	**2018**	2017	**2018**	2017
南京大生寶澤股權投資基金股份有限公司 Nanjing Dasheng Bao Ze Financial Holding Company Limited ("**Bao Ze**")	PRC, limited liability company	Investment holding service in the PRC	RMB407,126,000	**51%**	51.0%	**–**	–	**51%**	51%	**–**	–
南京大生冷鏈物流股份有限公司 Nanjing Dasheng Leng Lian Logistic Holding Company Limited ("**Leng Lian**")	PRC, limited liability company	Cold chain and logistics service in the PRC	RMB405,000,000	**–**	–	**51.0%**	51.0%	**–**	–	**51.0%**	51.0%
南京韜聚冷鏈科技有限公司 Nan Jing Tao Ju Leng Lian Technology Company Limited ("**Tao Ju Leng Lian**")	PRC, limited liability company	Trading service in the PRC	USD20,140,000	**–**	–	**99.7%**	99.7%	**–**	–	**99.7%**	99.7%
南京華沃供應鏈管理有限公司 Nan Jing Bi Wo Supply Chain Management Company Limited ("**Bi Wo**")	PRC, limited liability company	Cold chain and logistics service in the PRC	RMB50,000,000	**–**	–	**45.9%**	45.9%	**–**	–	**45.9%**	45.9%
南京生澤信息科技有限公司 Nan Jing Sheng Ze Information Technology Company Limited ("**Sheng Ze**")	PRC, limited liability company	Agricultural big-data service in the PRC	RMB20,000,000	**–**	–	**65.2%**	65.2%	**–**	–	**65.2%**	65.2%
香港大生農業食品有限公司 Hong Kong Dasheng Agriculture & Food Limited ("**HK Dashang A&F**") *(Note (c))*	Hong Kong, limited liability company	Agricultural trading in Hong Kong	HK$20,000,000 of 20,000,000 ordinary shares	**–**	–	**70%**	70%	**–**	–	**70%**	70%
安徽華星化工有限公司 Anhui Huaxing *(Note (b))*	PRC, limited liability company	Agricultural products supply chain service in the PRC	RMB180,000,000	**100%**	–	**–**	–	**100%**	–	**–**	–

49. PARTICULARS OF SUBSIDIARIES OF THE COMPANY *(continued)*

Details of the subsidiaries directly and indirectly held by the Company at the end of the reporting period are set out below. *(continued)*

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	
				2018	2017	**2018**	2017	**2018**	2017	**2018**	2017
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%**	–	**–**	–	**100%**	–
安徽華普酯材料科技有限公司 Anhui Huapu Ester Material Technology Company Limited ("**Anhui Huapu**")	PRC, limited liability company	Research and development of other synthetic materials service in the PRC	RMB60,000,000	**–**	–	**51%**	–	**–**	–	**51%**	–
南通九州建設工程試驗檢測有限公司 Nantong Jiuzhou Construction Engineering Testing Company Limited	PRC, limited liability company	Material inspection On-site inspection in the PRC	RMB500,000	**–**	–	**91.3%**	91.3%	**–**	–	**91.3%**	91.3%
蕪湖恒遠建設工程有限公司 Wuhu Hengyuan Construction Engineering Company Limited	PRC, limited liability company	Construction of roads and bridges in the PRC	RMB1,000,000	**–**	–	**91.3%**	91.3%	**–**	–	**91.3%**	91.3%
香港蘇通投資有限公司 Hong Kong Su Tong Investment Company Limited	Hong Kong, limited liability company	Agricultural trading in Hong Kong	HK$300,000,000 of 300,000,000 ordinary shares	**–**	–	**91.3%**	91.3%	**–**	–	**91.3%**	91.3%
連雲港格博商貿有限公司 Lianyungang Gebo Trading Company Limited	PRC, limited liability company	Building materials trading in the PRC	RMB7,000,000	**–**	–	**91.3%**	91.3%	**–**	–	**91.3%**	91.3%

49. PARTICULARS OF SUBSIDIARIES OF THE COMPANY *(continued)*

Details of the subsidiaries directly and indirectly held by the Company at the end of the reporting period are set out below. *(continued)*

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	
				2018	2017	**2018**	2017	**2018**	2017	**2018**	2017
南通格勝建設有限公司 Nantong Gesheng Construction Company Limited	PRC, limited liability company	Construction engineering and sales of building materials trading in the PRC	RMB100,080,000	**–**	–	**91.3%**	91.3%	**–**	–	**91.3%**	91.3%
深圳市大生農業發展股權投資基金管理有限公司 Shenzhen Dasheng Agricultural Development Equity Investment Fund Management Company Limited	PRC, limited liability company	Investment management service 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 service 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	RMB50,000,000	**70%**	70%	**–**	–	**70%**	70%	**–**	–
西藏蘇通路橋工程有限公司 Tibet SuTong Road and Bridge Engineering Company Limited	PRC, limited liability company	Construction of roads and bridges in the PRC	RMB200,000,000	**–**	–	**–**	91.3%	**–**	–	**–**	91.3%

None of the subsidiaries of the Company has issued any debt securities at the end of the years.

49. PARTICULARS OF SUBSIDIARIES OF THE COMPANY *(continued)*

Notes:

(a) For the Company's subsidiaries established in the PRC, the English translation of the company names is for reference only.

(b) Anhui Huaxing was acquired during the year ended 31 December 2018. Details are set out in Note 43.

(c) HK Dasheng A&F was disposed during the year ended 31 December 2018. Details are disclosed in Note 42.

(d) Wuhan Hualong was disposed during the year ended 31 December 2018. Details are disclosed in Note 42.

Details of non-wholly owned subsidiaries that have material non-controlling interests

Name	Place of incorporation and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests		Profit allocated to non-controlling interests		Accumulated non-controlling interests	
		2018	2017	**2018**	2017	**2018**	2017
				RMB'000	RMB'000	**RMB'000**	RMB'000
Nantong Road and Bridge and its subsidiaries		**8.7%**	8.7%	**2,604**	9,316	**103,654**	97,422
Ever Fortune and its subsidiaries		**13.5%**	13.5%	**(38,693)**	(151,089)	**(149,214)**	(16,420)
Shanghai Runtong		**20%**	20%	**(44,481)**	(8,065)	**9,399**	48,324
Bao Ze and its subsidiaries		**49%**	49%	**(103,145)**	(1,275)	**123,584**	226,442
Individually immaterial subsidiaries with non-controlling interests						**9,746**	4,792
						97,169	360,560

49. PARTICULARS OF SUBSIDIARIES OF THE COMPANY *(continued)*

Details of non-wholly owned subsidiaries that have material non-controlling interests *(continued)*

Nantong Road and Bridge, a 91.3% (2017: 91.3%) owned subsidiary of the Company, and its subsidiaries have material non-controlling interests ("**NCI**"). Summarised financial information in relation to the NCI of Nantong Road and Bridge and its subsidiaries, before intra-group eliminations, is presented below:

	2018 **RMB'000**	2017 RMB'000
For the year ended 31 December		
Revenue	**2,007,963**	1,768,836
Profit and total comprehensive income for the year	**29,934**	105,882
Effects arising from initial application of HKFRS 9	**41,701**	–
Profit and total comprehensive income attributable to NCI of Nantong Road and Bridge	**2,604**	9,316
Dividends paid to NCI of Nantong Road and Bridge	**–**	2,610
Cash flows used in operating activities	**36,834**	(199,380)
Cash flows used in investing activities	**(100,513)**	(174,253)
Cash flows generated from financing activities	**138,975**	192,343
Net cash outflow	**75,297**	(181,290)
At 31 December		
Current assets	**2,027,511**	1,977,354
Non-current assets	**1,622,286**	1,119,247
Current liabilities	**(2,205,490)**	(1,713,949)
Non-current liabilities	**(252,879)**	(262,865)
Net assets	**1,191,428**	1,119,787
Accumulated NCI of Nantong Road and Bridge	**103,654**	97,422

49. PARTICULARS OF SUBSIDIARIES OF THE COMPANY *(continued)*

Details of non-wholly owned subsidiaries that have material non-controlling interests *(continued)*

Ever Fortune, a 86.5% (2017: 86.5%) owned subsidiary of the Company, and its subsidiaries have material NCI. Summarised financial information in relation to the NCI of Ever Fortune and its subsidiaries, before intra-group eliminations, is presented below:

	2018 RMB'000	2017 RMB'000
For the year ended 31 December		
Revenue	**69,258**	391,790
Loss and total comprehensive expense for the year	**(286,618)**	(1,152,858)
Effects arising from initial application of HKFRS 9	**(941,722)**	–
Loss attributable to NCI of Ever Fortune	**(38,693)**	(151,089)
Dividends paid to NCI of Ever Fortune	**–**	–
Cash flows used in operating activities	**1,123,263**	(1,585,167)
Cash flows used in investing activities	**24,579**	(13,709)
Cash flows generated from financing activities	**(1,156,373)**	1,602,910
Net cash inflow	**(8,531)**	4,034
At 31 December		
Current assets	**471,418**	3,022,997
Non-current assets	**90,568**	93,922
Current liabilities	**(1,653,912)**	(2,790,679)
Non-current liabilities	**(258,044)**	(270,000)
Net assets	**(1,349,970)**	56,240
Accumulated NCI of Ever Fortune	**(149,214)**	(16,420)

On 22 February 2017, the Group acquired additional 13.5% equity interests in Ever Fortune from its NCI. Following the acquisition, the Group had 86.5% equity interests. The transaction has been accounted for as an equity transaction with the NCI as follows:

	RMB'000
Consideration payable paid for 13.5% equity interests	500,000
Net assets attributable to 13.5% equity interests	505,615
Increase in equity attributable to owners of the Company (included in retained earnings)	(5,615)

49. PARTICULARS OF SUBSIDIARIES OF THE COMPANY *(continued)*

Details of non-wholly owned subsidiaries that have material non-controlling interests *(continued)*

Shanghai Runtong, a 80% (2017: 80%) owned subsidiary of the Company, has material NCI. Summarised financial information in relation to the NCI of Shanghai Runtong, before intra-group eliminations, is presented below:

	2018 **RMB'000**	2017 RMB'000
For the year ended 31 December		
Revenue	**14,780**	21,448
Loss and total comprehensive income for the year	**(222,406)**	(40,325)
Effects arising from initial application of HKFRS 9	**27,778**	–
Loss attributable to NCI of Shanghai Runtong	**(44,481)**	(8,065)
Dividends paid to NCI of Shanghai Runtong	**–**	–
Cash flows used in operating activities	**(10,129)**	(40,165)
Cash flows generated from investing activities	**(17,930)**	33,862
Cash flows generated from financing activities	**29,362**	–
Net cash outflow	**1,303**	(6,303)
At 31 December		
Current assets	**276,386**	272,016
Non-current assets	**26,755**	279,120
Current liabilities	**(199,696)**	(253,063)
Non-current liabilities	**(56,450)**	(56,453)
Net assets	**46,995**	241,620
Accumulated NCI of Shanghai Runtong	**9,399**	48,324

49. PARTICULARS OF SUBSIDIARIES OF THE COMPANY *(continued)*

Details of non-wholly owned subsidiaries that have material non-controlling interests *(continued)*

Bao Ze, a 51% (2017: 51%) owned subsidiary of the Company, and its subsidiaries have material NCI. Summarised financial information in relation to the NCI of Bao Ze and its subsidiaries, before intra-group eliminations, is presented below:

	2018 **RMB'000**	2017 RMB'000
For the year ended 31 December		
Revenue	**69,865**	58,558
Loss and total comprehensive expense for the year	**(210,501)**	(2,544)
Effects arising from initial application of HKFRS 9	**585**	–
Loss attributable to NCI of Bao Ze	**(103,145)**	(1,275)
Dividends paid to NCI of Bao Ze	**–**	–
Cash flows generated from operating activities	**68,279**	138,283
Cash flows used in investing activities	**(135,835)**	(241,917)
Cash flows generated from financing activities	**63,712**	102,149
Net cash outflow	**(3,844)**	(1,485)
At 31 December		
Current assets	**222,682**	228,036
Non-current assets	**493,374**	679,070
Current liabilities	**(364,236)**	(326,654)
Non-current liabilities	**(99,610)**	(49,133)
Net assets	**252,210**	531,319
Accumulated NCI of Bao Ze	**123,584**	226,442

50. EVENTS AFTER THE REPORTING PERIOD

Same as disclosed elsewhere in the consolidated financial statement, the event after the reporting period is as follow:

(a) On 4 March 2019, the Company entered into an intent cooperation framework agreement (the "**Framework Agreement**") with Guian Xinqu Xingxing Chanye Development Fund Management Company Limited* (貴安新區新興產業發展基金管理有限公司) (the "**Potential Investor**"), pursuant to which the Potential Investor intends to invest in the Company (the "**Potential Investment**"). The Potential Investment may result in the Potential Investor becoming a substantial shareholder of the Company.

51. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	2018 RMB'000	2017 RMB'000
NON-CURRENT ASSETS		
Property, plant and equipment	**3,852**	6,128
Investment property	**–**	8,601
Investment in subsidiaries	**1,068,805**	1,158,998
Investment in associates	**8,856**	11,146
Available-for-sale financial assets	**–**	800
	1,081,513	1,185,673
CURRENT ASSETS		
Inventories	**–**	2
Trade and other receivables	**908,461**	1,482,660
Restricted bank deposits	**–**	249,284
Cash and cash equivalents	**1,654**	2,534
	910,115	1,734,480
CURRENT LIABILITIES		
Trade and other payables	**967,554**	1,719,935
Contract liabilities	**27,815**	–
Financial guarantee contract	**527,766**	–
Borrowings	**852,622**	738,000
Tax liabilities	**8,050**	11,753
	2,383,807	2,469,688
NET CURRENT LIABILITIES	**(1,473,692)**	(735,208)
NET (LIABILITIES)/ASSETS	**(392,179)**	450,465
CAPITAL AND RESERVES		
Share capital	**955,108**	863,308
Reserves	**(1,347,287)**	(412,843)
TOTAL EQUITY	**(392,179)**	450,465

The Company's statement of financial position was approved and authorised for issue by the Board on 29 March 2019 and are signed on its behalf by:

Lan Huasheng
Director

Mo Luojiang
Director

51. 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	Retained earnings (Accumulated losses) RMB'000	Total RMB'000
At 1 January 2017	1,294,379	79,504	271,771	1,645,654
Loss for the year	–	–	(2,442,966)	(2,442,966)
Subscription of shares	470,800	–	–	470,800
Final dividends paid for 2016	–	–	(86,331)	(86,331)
At 31 December 2017	1,765,179	79,504	(2,257,526)	(412,843)
Adjustments arising from initial application of HKFRS 9	–	–	71,741	71,741
At 1 January 2018 (Restated)	**1,765,179**	**79,504**	**(2,185,785)**	**(341,102)**
Loss for the year	**–**	**–**	**(1,389,965)**	**(1,389,965)**
Subscription of shares	**396,358**	**–**	**–**	**396,358**
Transaction cost of subscription of shares	**(12,578)**	**–**	**–**	**(12,578)**
At 31 December 2018	**2,148,959**	**79,504**	**(1,389,965)**	**(1,389,965)**

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