

增強結構
發揮實力

PURSUIT OF
STRONG STRUCTURE
DEVELOPMENT

Interim Report 2019 中期報告



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

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Lan Huasheng (*Chairman*)
Wang Liguo (*Chief Executive Officer*)
Yan Zebin (appointed on 20 June 2019)

Non-Executive Directors

Lu Tingfu
(appointed on 20 June 2019)
Zhu Tianxiang (resigned on 1 March 2019)

Independent Non-Executive Directors

Chung Cheuk Ming
Yang Gaoyu
Zhou Jianhao

SUPERVISORS

Zheng Yong (*Chairman*)
(appointed on 20 June 2019)
Zhao Xufeng (appointed on 20 June 2019)
Ye Mingzhu
Sun Ting
Wang Bin
Lu Tingfu (re-designated on 20 June 2019)
Chen Yuanling (retired on 20 June 2019)

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

COMPANY SECRETARY

Qian Di (appointed on 1 February 2019)

AUTHORISED REPRESENTATIVES

Lan Huasheng
Wang Liguo

MEMBERS OF THE AUDIT COMMITTEE

Chung Cheuk Ming (*Chairman*)
Lu Tingfu (appointed on 20 June 2019)
Yang Gaoyu
Zhou Jianhao
Zhu Tianxiang (resigned on 1 March 2019)

MEMBERS OF THE REMUNERATION AND ASSESSMENT COMMITTEE

Zhou Jianhao (*Chairman*)
Chung Cheuk Ming
Yang Gaoyu

MEMBERS OF THE NOMINATION COMMITTEE

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

HONG KONG H SHARE REGISTRAR AND TRANSFER OFFICE

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

PRINCIPAL BANKERS

Bank of Communications
Bank of Shanghai
SPD Bank

STOCK CODE

1103

The board of directors (the “Board”) of Shanghai Dasheng Agriculture Finance Technology Co., Ltd. (the “Company”) is pleased to present the unaudited condensed consolidated results of the Company and its subsidiaries (together the “Group”) for the six months ended 30 June 2019 together with comparative unaudited result for the corresponding period in 2018.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

	Note	For the six months ended 30 June	
		2019 Unaudited RMB'000	2018 Unaudited RMB'000 (Restated)
Continuing operations			
Revenue	3	832,178	1,360,995
Cost of sales		(671,908)	(1,267,675)
Gross profit		160,270	93,320
Other income	3	13,733	32,660
Distribution costs		(31,215)	(29,326)
Administrative and other expenses		(89,221)	(95,173)
Gain on bargain purchase	16	–	532,069
Impairment losses, net of reversal		(4)	(1,087,114)
Share of loss profit of associates		–	(15,349)
Profit on disposal of subsidiaries		20,689	–
Finance costs	5	(86,854)	(51,895)
Loss before tax	6	(12,602)	(620,808)
Income tax expense	7	(1,062)	(3,403)
Loss for the period from continuing operations		(13,664)	(624,211)
Discontinued operations			
Loss for the period from discontinued operations, net of income tax	8	(38,074)	(8,750)
Loss for the period		(51,738)	(632,961)
Other comprehensive (expense) income			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		60	(1,693)
		60	(1,693)
Other comprehensive (expense) income for the period, net of income tax		60	(1,693)
Total comprehensive expense for the period		(51,678)	(634,654)

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

	Note	For the six months ended 30 June	
		2019 Unaudited RMB'000	2018 Unaudited RMB'000 (Restated)
Loss for the period attributable to owners of the Company			
– from continuing operations		(14,873)	(471,059)
– from discontinued operations		(34,762)	(5,286)
		(49,635)	(476,345)
(Loss) profit for the period attributable to non-controlling interests			
– from continuing operations		1,209	(153,152)
– from discontinued operations		(3,312)	(3,464)
		(2,103)	(156,616)
		(51,738)	(632,961)
Total comprehensive expense for the period attributable to:			
– Owners of the Company		(49,575)	(478,160)
– Non-controlling interests		(2,103)	(156,494)
		(51,678)	(634,654)
Loss per share			
From continuing and discontinued operations			
– Basic and diluted (RMB)	9	(0.005)	(0.050)
From continuing operations			
– Basic and diluted (RMB)		(0.002)	(0.050)

Consolidated Statement of Financial Position

		As at 30 June 2019 Unaudited RMB'000	As at 31 December 2018 Audited RMB'000
	<i>Note</i>		
NON-CURRENT ASSETS			
Property, plant and equipment		863,421	881,174
Right-of-use asset		95,931	97,179
Intangible assets		12,433	13,105
Interests in associates		51,099	41,300
Equity instruments at fair value through other comprehensive income		10,777	10,776
Trade and other receivables	12	63,240	88,003
Deferred tax assets		376	376
Research and development of assets		1,547	–
		1,098,824	1,131,913
CURRENT ASSETS			
Inventories	11	253,960	282,604
Right-of-use asset		2,623	2,657
Trade and other receivables	12	1,353,601	1,271,708
Restricted bank deposits		183,293	211,351
Bank balances and cash		57,855	58,394
		1,851,332	1,826,714
Assets classified as held for sales	8	3,376,759	4,177,807
		5,228,091	6,004,521

Consolidated Statement of Financial Position *(Continued)*

		As at 30 June 2019 Unaudited RMB'000	As at 31 December 2018 Audited RMB'000
	Note		
CURRENT LIABILITIES			
Trade and other payables	13	1,346,852	1,258,597
Contract liabilities		184,897	238,216
Borrowings	14	2,082,611	2,125,947
Tax liabilities		85,245	85,718
		3,699,605	3,708,478
Liabilities associated with assets classified as held for sale	8	2,258,965	2,617,142
		5,958,570	6,325,620
NET CURRENT LIABILITIES		(730,479)	(321,099)
TOTAL ASSETS LESS CURRENT LIABILITIES		368,345	810,814
NON-CURRENT LIABILITIES			
Other payables – non-current		5,607	6,346
Borrowings	14	192,928	447,745
Deferred tax liabilities		59,161	60,304
		257,696	514,395
NET ASSETS		110,649	296,419
CAPITAL AND RESERVES			
Share capital	15	955,108	955,108
Reserves		(805,433)	(755,858)
Equity attributable to owners of the Company		149,675	199,250
Non-controlling interests		(39,026)	97,169
TOTAL EQUITY		110,649	296,419

Condensed Consolidated Statement of Changes In Equity – Unaudited

	Share capital	Capital reserve	Statutory reserve fund	Other reserve	Currency translation reserve	Available-for-sale investments reserve	Retained earnings/ accumulated losses	Equity attributable to owners of the Company	Non-controlling interests	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2019	955,108	2,366,184	168,334	17,912	(9,085)	5,650	(3,304,853)	199,250	97,169	296,419
Loss for the year							(49,635)	(49,635)	(2,103)	(51,738)
Exchange differences arising on translation of foreign operations					60			60	0	60
Total comprehensive income(expense) for the year					60	0	(49,635)	(49,575)	(2,103)	(51,678)
Dividends paid to non-controlling interests								0	(134,092)	(134,092)
At 30 June 2019 (unaudited)	955,108	2,366,184	168,334	17,912	(9,025)	5,650	(3,354,488)	149,675	(39,026)	110,649
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
Loss for the year							(476,345)	(476,345)	(156,616)	(632,961)
Exchange differences arising on translation of foreign operations					(1,815)			(1,815)	122	(1,693)
Total comprehensive income(expense) for the year					(1,815)	0	(476,345)	(478,160)	(156,494)	(634,654)
Subscription of shares	91,800	383,779						475,579	0	475,579
Transfer to statutory reserve fund			(17)					17	0	0
At 30 June 2018 (Restated)	955,108	2,148,958	168,317	17,912	(6,166)	3,015	(1,247,203)	2,039,941	204,066	2,244,007

Condensed Consolidated Statement of Cash Flows – Unaudited

	For the six months ended 30 June	
	2019 Unaudited RMB'000	2018 Unaudited RMB'000 (Restated)
Net cash from/(used in) operating activities	287,461	(1,520,058)
Net cash from/(used in) investing activities	10,153	(86,041)
Net cash from/(used in) financing activities	(298,153)	1,242,212
Net increase/(decrease) in cash and cash equivalents	(539)	(363,887)
Cash and cash equivalents at beginning of the period	58,394	563,296
Cash and cash equivalents at end of the period	57,855	199,409



Notes:

1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 June 2019 (“**Interim Financial Statements**”) have been prepared in accordance with Hong Kong Accounting Standard (“**HKAS**”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

The accounting policies adopted in preparing the Interim Financial Statements are consistent with those followed in the preparation of the Company’s annual financial statements for the year ended 31 December 2018, except for those accounting policy changes that are expected to be reflected in the 2019 annual financial statements as described in note 2.

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

The Interim Financial Statements contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the group since the 2018 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with HKFRSs.

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

The comparative figures in the consolidated statement of profit or loss and other comprehensive income have been restated to represent the road and bridge construction business as a discontinued operation, the acquisition of Anhui Huaxing Chemical Industry Company Limited* (安徽華星化工有限公司) (“**Anhui Huaxing**”) as one of the Company’s subsidiaries and the disposal of Nanjing Dasheng Cold Chain Logistics Co., Limited* (南京大生冷鏈物流股份有限公司).

The financial information relating to the financial year ended 31 December 2018 that is included in the Interim Financial Statements as comparative information does not constitute the Group’s annual consolidated financial statements prepared under the Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the HKICPA (“**HKFRS**”) for that financial year but is derived from those financial statements. The Group’s financial information relating to the financial year ended 31 December 2018 which is included in the annual report for the year ended 31 December 2018 is available at the Company’s registered office. The auditor had reported and had disclaimed their opinion on those financial statements.

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

During the period, the Group incurred a loss of RMB51,738,000 and had net current liabilities of RMB730,479,000 as at 30 June 2019. As at 30 June 2019, the Group's total borrowings amounted to approximately RMB2,275,539,000, of which approximately RMB2,082,611,000 were classified as current liabilities, while its cash and cash equivalents amounted to approximately RMB57,855,000 only. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern, and therefore it may be unable to realise its assets and discharge its liabilities in the normal course of business.

However, certain plans and measures have been taken to mitigate the liquidity problem and to improve the Group's financial position, which include, but are not limited to, the potential auction of the Company's equity interest in Nantong Road and Bridge Engineering Co., Ltd.* (南通路橋工程有限公司) ("**Nantong Road and Bridge**"), continuous negotiations with Shenzhen Dasheng Agricultural Group Co., Ltd.* (深圳市大生農業集團有限公司) ("**Shenzhen Dasheng**"), exploration of possible debt restructuring opportunities and the enhancement of the Group's agrochemical products supply chain services. For details, see "Action Plan of the Group to Address the Going Concern Issue" below.

The directors of the Company (the "**Directors**") have reviewed the Group's cash flow projections prepared by management. The cash flow projections cover a period of not less than twelve months from 30 June 2019. They are of the opinion that, taking into account the above-mentioned plans and measures, the Group will have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due within twelve months from 30 June 2019. Accordingly, the Directors are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

There are significant uncertainties as to the outcomes of the above events or conditions that may cast significant doubt on the Group's ability to continue as a going concern and, therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. Should the use of the going concern basis in preparation of the Interim Financial Statements be determined to be not appropriate, adjustments would have to be made to write down the carrying amounts of the Group's assets to their realisable values, to provide for any further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effects of these adjustments have not been reflected in the unaudited Interim Financial Statements. These unaudited Interim Financial Statements should be read in conjunction with the annual consolidated financial statements of the Company for the year ended 31 December 2018, which have been prepared in accordance with the HKFRS, the provisions of the Hong Kong Companies Ordinance which concern the preparation of financial statements and included applicable disclosures required by the Listing Rules.

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

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

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

3. TURNOVER AND OTHER INCOME AND GAINS

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

	For the six months ended 30 June	
	2019	2018
	Unaudited	Unaudited
	RMB'000	RMB'000
		(Restated)
Turnover:		
Agricultural and petrochemical products supply chain services	2,383	967,163
Financial leasing and commercial factoring services	12,049	19,688
Agricultural big-data services	8,611	7,335
Agrochemical products supply chain services	809,135	366,809
	832,178	1,360,995
Other income and gains:		
Government grants	2,912	9,636
Interest income	538	1,382
Others	9,905	21,642
	13,733	32,660

4. SEGMENT INFORMATION

(a) Primary reporting format – business segments

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

During the six months ended 30 June 2019, the Group 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:

- Agricultural and petrochemical products supply chain services – sale of chemical fertilizers, fuel oil, mixed aromatics, white sugar, food products and frozen products
- Financial leasing and commercial factoring services
- 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 road and bridge construction business had been discontinued during the year ended 31 December 2018. The segment information reported below does not include any amounts for the discontinued operation, which are described in more details in Note 8 to the Interim Financial Statements.

4. SEGMENT INFORMATION (Continued)

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

The segment results for the six months ended 30 June 2019 are as follows:

	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
Total segment revenue	2,383	12,049	8,611	809,135	832,178
Inter-segment revenue	-	-	-	-	-
Reportable segment revenue from external customers	2,383	12,049	8,611	809,135	832,178
Reportable segment profit	(9,866)	512	3,071	59,846	53,563
Finance costs	(66,157)	(12)	(8)	(20,677)	(86,854)
Profit on disposal of subsidiaries	20,689	-	-	-	20,689
Loss before income tax expense					(12,602)
Income tax expense					(1,062)
Loss for the period					(13,664)

The segment results for the six months ended 30 June 2018 are as follows:

	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 (Restated)
Total segment revenue	967,163	19,688	7,335	366,809	1,360,995
Inter-segment revenue	-	-	-	-	-
Reportable segment revenue from external customers	967,163	19,688	7,335	366,809	1,360,995
Reportable segment profit	(3,100)	(1,100,781)	393	17,855	(1,085,633)
Finance costs	(39,625)	(7,535)	(22)	(4,713)	(51,895)
Share of loss of associates	(15,349)	-	-	-	(15,349)
Gain on bargain purchase	532,069	-	-	-	532,069
Loss before income tax expense					(620,808)
Income tax expense					(3,403)
Loss for the period					(624,211)

4. SEGMENT INFORMATION (Continued)

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

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

	Six months ended 30 June 2019					Six months ended 30 June 2018					Total RMB'000 (Restated)
	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	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	
Depreciation	544	105	340	11,019	12,008	1,255	349	342	3,751	5,697	
Amortisation	-	-	358	590	948	-	1	65	452	518	

The reportable segment assets and liabilities at 30 June 2019 are as follows:

	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 and liabilities held for sale RMB'000	Total RMB'000
Reportable segment assets	724,688	387,714	233,441	1,604,313	3,376,759	6,326,915
Reportable segment liabilities	1,783,735	671,416	220,178	1,281,972	2,258,965	6,216,266

The reportable segment assets and liabilities at 31 December 2018 are as follows:

	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 and liabilities held for sale RMB'000	Total RMB'000
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

4. SEGMENT INFORMATION (Continued)

(b) Secondary reporting format – geographical segments

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

5. FINANCE COSTS

	For the six months ended 30 June	
	2019	2018
	Unaudited RMB'000	Unaudited RMB'000 (Restated)
Interest expense on borrowing wholly repayable within five years and discounted commercial notes	86,854	51,895

6. LOSS BEFORE INCOME TAX EXPENSE

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

	For the six months ended 30 June	
	2019	2018
	Unaudited RMB'000	Unaudited RMB'000 (Restated)
Depreciation of investment properties and property, plant and equipment	12,008	5,697
Staff costs	27,460	37,401
Cost of inventories recognised as expenses	658,847	1,239,913
Operating lease rental expenses in respect of – Land and buildings	1,232	5,587
Impairment loss on trade and other receivables, net	4	1,087,114

7. INCOME TAX EXPENSE

	For the six months ended 30 June	
	2019	2018
	Unaudited RMB'000	Unaudited RMB'000 (Restated)
Current income tax		
PRC enterprise income tax	2,205	3,117
Hong Kong profits tax	–	–
Deferred income tax	(1,143)	286
	1,062	3,403

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

Anhui Huaxing, one of the Company's subsidiaries, obtained the qualification of High and New Technology Enterprise from the relevant PRC government authorities and is subject to a preferential tax rate of 15%.

8. DISCONTINUED OPERATIONS AND DISPOSAL GROUP HELD FOR SALE

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

	Notes	For the six months ended 30 June	
		2019	2018
		Unaudited RMB'000	Unaudited RMB'000
Loss for the period from:			
Road and bridge construction business	(a)	(38,074)	(9,000)
Cold chain logistics services operation	(b)	–	250
		(38,074)	(8,750)

Assets classified as held for sale is set out below:

	Notes	As at	As at
		30 June	31 December
		2019	2018
		Unaudited RMB'000	Audited RMB'000
Assets classified as held for sale related to:			
Road and bridge construction business	(a)	3,372,242	3,613,278
Cold chain logistics services operation	(b)	–	527,400
Interest in associate	(c)	–	33,000
Prepaid lease payments	(d)	4,517	4,129
		3,376,759	4,177,807

8. DISCONTINUED OPERATIONS AND DISPOSAL GROUP HELD FOR SALE (Continued)

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

		As at 30 June 2019 Unaudited RMB'000	As at 31 December 2018 Audited RMB'000
	Notes		
Liabilities associated with assets classified as held for sale related to:			
Road and bridge construction business	(a)	2,258,965	2,458,369
Cold chain logistics services operation	(b)	–	158,773
		2,258,965	2,617,142

(a) Road and bridge construction business

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 (the "Disposal"), a 91.3%-owned subsidiary of the Company, which carried out the Group's construction of roads and bridges operation in the PRC.

According to the announcement of the Company dated 20 February 2019, the validity period of the IF Agreement and the exclusivity period expired and the parties to the IF Agreement did not entered into any formal agreement. As 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, failed to fulfill its repayment obligations under two enforcement notices it received on 18 April 2019, on 30 May 2019, the Company received an execution ruling dated 23 April 2019 issued by the Shanghai Second Intermediate People's Court* (上海市第二中級人民法院) (the "Shanghai Court"), which the Shanghai Court ordered, inter alia, that the Company's 91.3% equity interests in Nantong Road and Bridge be sealed up, distrained, auctioned or sold (the "Nantong Auction"). As such, the Disposal will not proceed. As at the date of this report, no auction procedure or realisation of the Company's equity interest in Nantong Road and Bridge has been initiated.

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.

8. DISCONTINUED OPERATIONS AND DISPOSAL GROUP HELD FOR SALE (Continued)

(a) Road and bridge construction business (Continued)

The loss for the period from the discontinued road and bridge construction business is set out below.

	For the six months ended 30 June	
	2019 Unaudited RMB'000	2018 Unaudited RMB'000
Revenue	1,002,282	748,361
Cost of sales	(1,036,402)	(705,531)
Other income and gains	5,707	2,013
Administrative and other expenses	(7,124)	(12,514)
Reversal of impairment loss on trade and other receivables, net of impairment	-	-
Impairment loss on intangible assets	-	-
Impairment loss on trade and other receivables	4,679	(27,717)
Share of profit/(loss) of a joint venture	-	548
Finance costs	(10,708)	(17,160)
Loss before tax	(41,566)	(12,000)
Income tax credit	3,492	3,000
Loss for the period	(38,074)	(9,000)

The major classes of assets and liabilities of the road and bridge construction business as at 30 June 2019, which have been presented separately in the consolidated statement of financial position, are as follows:

	As at 30 June 2019 RMB'000
Property, plant and equipment	79,745
Right-of-use asset	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	9,039
Equity instruments at fair value through other comprehensive income ("FVTOCI")	-
Trade and other receivables	1,945,349
Deferred tax assets	54,629
Inventories	91,774
Contract assets	200,256
Restricted bank deposits	49,516
Bank balances and cash	141,881
Assets classified as held for sale	3,372,242
Trade and other payables	1,472,684
Contract liabilities	181,883
Borrowings	558,640
Tax liabilities	7,084
Deferred tax liabilities	38,674
Liabilities related to assets classified as held for sale	2,258,965

8. DISCONTINUED OPERATIONS AND DISPOSAL GROUP HELD FOR SALE (Continued)

(b) Cold chain logistics services operation

On 19 June 2018, 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 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 RMB209,405,219 and all related interests (the “**Nanjing Dasheng Loan**”) (the “**Nanjing Dasheng Legal Proceedings**”).

As Shanghai Agro-chemical failed to settle the repayment, 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**”).

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**”) through the network platform of Alibaba Judicial Auction (sf.taobao.com). 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, was no longer be a subsidiary of the Company.

The disposal of Nanjing Dasheng was completed on 21 January 2019.

- (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 a purchaser (“**Purchaser I**”), whereby 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, has been classified as an asset classified as held for sale and was presented separately in the consolidated statement of financial position as at 31 December 2018.

The Disposal I was completed on 19 January 2019.

- (d) Prior to the acquisition of Anhui Huaxing by the Group, Anhui Huaxing entered into a disposal agreement (the “**Disposal Agreement II**”) with a purchaser (“**Purchaser II**”), whereby Purchaser II has conditionally agreed to purchase and Anhui Huaxing has conditionally agreed to dispose of a land located in the production base for fine chemicals in Wujiang Town, Hexian in the PRC at a consideration of RMB5,000,000 (the “**Disposal II**”). As at 30 June 2019, the Disposal II was still in progress and had 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.

9. LOSS PER SHARE

Loss per share is calculated by dividing the loss attributable to owners of the Company of RMB(49,635,000) (six months ended 30 June 2018: RMB(476,345,000)) by the weighted average number of ordinary shares in issue throughout the period of 9,551,079,812 shares (six months ended 30 June 2018: 9,459,786,994 shares as restated).

	For the six months ended 30 June	
	2019 Unaudited	2018 Unaudited (Restated)
Loss attributable to owners of the Company (RMB'000)	(49,635)	(476,345)
Weighted average number of ordinary shares in issue (thousands)	9,551,080	9,459,787
Basic loss per share (RMB per share)	(0.005)	(0.050)

Diluted loss per share equals to basic loss per share, as there were no potential dilutive ordinary shares issued during the six months ended 30 June 2019 and 2018.

10. INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend in respect of the six months ended 30 June 2019 (six months ended 30 June 2018: Nil).

11. INVENTORIES

	As at 30 June 2019 Unaudited RMB'000	As at 31 December 2018 Audited RMB'000
Petrochemical products and agricultural products for resale	4,706	6,407
Third party payment services equipments	201	279
Consumables	8,230	8,562
Work in progress	4,457	10,351
Finished goods	169,744	177,427
Raw materials	66,622	79,578
	253,960	282,604

12. TRADE AND OTHER RECEIVABLES

	As at 30 June 2019 Unaudited RMB'000	As at 31 December 2018 Audited RMB'000
Trade receivables	1,080,990	1,011,114
Commercial notes receivable	4,005	1,252
Retention sum for construction contracts	–	–
Finance lease receivables	160,043	182,375
Factoring loan receivables	2,688,903	2,688,903
Total trade and notes receivables	3,933,941	3,883,644
Prepayments and deposits	52,414	46,063
Other receivables	2,303,798	2,303,203
Less: Impairment losses	(4,873,312)	(4,873,199)
Total	1,416,841	1,359,711
Classified as:		
Non-current assets	63,240	88,003
Current assets	1,353,601	1,271,708
	1,416,841	1,359,711

12. TRADE AND OTHER RECEIVABLES (Continued)

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

	As at 30 June 2019 Unaudited RMB'000	As at 31 December 2018 Audited RMB'000
Agricultural and petrochemical products supply chain services (note (a))		
Less than 31 days	126	4,354
31 to 60 days	110	–
61 to 90 days	–	–
91 days to less than 1 year	4,297	150,671
1 year to less than 2 years	769,029	674,672
2 years to less than 3 years	61,855	10,467
Over 3 years	23,190	18,790
	858,607	858,954
Finance lease and commercial factoring business (note (b))		
Less than 6 months	–	23,719
6 months to less than 1 year	43,233	1,280,730
1 year to less than 2 years	2,798,312	1,557,170
Over 2 years	7,401	9,659
	2,848,946	2,871,278
Agricultural big-data services (note (c))		
Less than 6 months	–	20
6 months to less than 1 year	20	7,475
1 year to less than 2 years	7,142	–
	7,162	7,495

12. TRADE AND OTHER RECEIVABLES (Continued)

	As at 30 June 2019 Unaudited RMB'000	As at 31 December 2018 Audited RMB'000
Agrochemical products supply chain services (note (d))		
Less than 6 months	207,862	40,578
6 months to less than 1 year	7,617	104,317
1 year to less than 2 years	3,169	706
2 years to less than 3 years	278	306
Over 3 years	300	10
	219,226	145,917
Total	3,933,941	3,883,644

Notes:

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

(b) 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 1 to 3 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.

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

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

13. TRADE AND OTHER PAYABLES

	As at 30 June 2019 Unaudited RMB'000	As at 31 December 2018 Audited RMB'000
Trade payables	213,930	179,822
Notes payable	–	40,000
	213,930	219,822
Amount due to related companies	70,602	138,537
Deposits received	–	–
Other payables	1,067,927	906,584
Accruals	–	–
	1,352,459	1,264,943
Less: non-current portion	(5,607)	(6,346)
Current portion	1,346,852	1,258,597

The ageing analysis of trade payables is as follows:

	As at 30 June 2019 Unaudited RMB'000	As at 31 December 2018 Audited RMB'000
Agricultural and petrochemical products supply chain services		
Less than 6 months	–	196
6 months to less than 1 year	–	29,318
1 year to less than 2 years	27,938	878
2 years to less than 3 years	931	–
3 years and over	206	199
	29,075	30,591
Provision of agricultural big data services		
Less than 6 months	1,238	2,590
6 months to less than 1 year	–	–
1 year and over	–	747
	1,238	3,337

13. TRADE AND OTHER PAYABLES (Continued)

	As at 30 June 2019 RMB'000	As at 31 December 2018 RMB'000
Agrochemical products supply chain services		
Less than 6 months	171,029	172,867
6 months to less than 1 year	5,408	4,799
1 year to less than 2 years	6,619	7,665
2 years to less than 3 years	4	63
3 years and over	557	500
	183,617	185,894
Total	213,930	219,822

14. BORROWINGS

	As at 30 June 2019 Unaudited RMB'000	As at 31 December 2018 Audited RMB'000
Bank borrowings		
Secured – interest-bearing loans	843,134	844,649
Unsecured – interest-bearing loans	–	278,340
	843,134	1,122,989
Other borrowings		
Secured – interest-bearing loans	1,432,405	1,450,703
	2,275,539	2,573,692

As at 30 June 2019 and 31 December 2018, total borrowings of the Group were repayable as follows:

	As at 30 June 2019 Unaudited RMB'000	As at 31 December 2018 Audited RMB'000
On demand or within one year	2,082,611	2,125,947
More than one year, but not exceeding five years	192,928	447,745
	2,275,539	2,573,692

15. SHARE CAPITAL

	Number of ordinary shares	Amount RMB'000
Authorised, issued and fully paid:		
Ordinary share of RMB0.1 each		
At 1 January 2018	8,633,079,812	863,308
Placing of shares (<i>note i</i>)	918,000,000	91,800
At 30 June 2018 and 31 December 2018	9,551,079,812	955,108
At 30 June 2019	9,551,079,812	955,108

- i On 19 January 2018, an aggregate of 918,000,000 H Shares of the Company were placed through a placing agent at HK\$0.65 per placing share to a placee, the gross proceeds of which amounted to HK\$596.7 million.

16. ACQUISITION OF A SUBSIDIARY

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. The 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.

16. ACQUISITION OF A SUBSIDIARY (Continued)

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.

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 contractual cash flows not expected to be collected to approximately RMB4,911,000 at the date of Acquisition.

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)

16. ACQUISITION OF A SUBSIDIARY (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 as at 30 June 2019.

17. DISPOSAL OF SUBSIDIARIES

During the six months ended 30 June 2019

Nanjing Dasheng

After successful auction of the Bao Ze Pledged Shares, the disposal of Nanjing Dasheng was completed on 21 January 2019.

Analysis of assets and liabilities over which control was lost:

	RMB'000
Property, plant and equipment	39,299
Investment property	435,845
Intangible assets	7,098
Trade and other receivables	42,660
Bank balances and cash	2,498
Assets classified as held for sales	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
Net assets disposed of	368,627

17. DISPOSAL OF SUBSIDIARIES (Continued)

During the six months ended 30 June 2019 (Continued)

Nanjing Dasheng (Continued)

Profit/Loss on disposal of a subsidiary:

	RMB'000
Debts payable by the Group recovered	188,000
Non-controlling interest	134,092
Other investment	9,800
Other receivables and payables	57,424
Net assets disposed of	(368,627)
Profit on disposal	20,689

18. FINANCIAL INSTRUMENTS

(a) Categories of Financial Instruments

	As at 30 June 2019 Unaudited RMB'000	As at 31 December 2018 Audited RMB'000
Financial assets		
Equity instruments at FVTOCI	10,777	10,776
Loan and receivables (including cash and cash equivalents)	1,603,676	1,579,975
	1,614,453	1,590,751
Financial liabilities		
Amortised cost	3,564,190	3,773,357

18. FINANCIAL INSTRUMENTS (Continued)

(b) Fair Value Measurements of Financial Instruments

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 30 June 2019			
	Level 1	Level 2	Level 3	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Equity instruments at FVTOCI	1,930	–	8,847	10,777

	Fair value hierarchy as at 31 December 2018			
	Level 1	Level 2	Level 3	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Equity instruments at FVTOCI	1,930	–	8,846	10,776



Management Discussion and Analysis

FINANCIAL AND BUSINESS REVIEW

In the first half of 2019, the external economic and market environment remained in a haze, thereby the Group's operating strategies still focused on stabilising the agrochemical products supply chain services business segment, accelerating the adjustment and reorganisation of the existing businesses, while actively discussing with potential external investors about possible cooperation opportunities.

During the reporting period, turnover of the Group was approximately RMB832,178,000, representing a decrease of approximately 39% as compared to the corresponding period last year. During the reporting period, the Group recorded a gross profit of approximately RMB160,270,000, representing an increase of approximately 72% as compared to the corresponding period last year. Loss attributable to owners of the Group was approximately RMB49,635,000, representing a decrease in loss of approximately 90% as compared to the corresponding period last year.

BUSINESS OPERATIONS

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

After the successful auction of the Bao Ze Pledged Shares on 21 January 2019, the Company no longer engages in the cold chain logistics services, and the Group has removed the "cold chain logistics business" from its Interim Financial Statements. Please refer to the announcements of the Company dated 8 July 2018, 16 October 2018, 16 November 2018, 19 December 2018, 27 December 2018, 11 February 2019 and 19 February 2019 for details.

"Road and bridge construction business" was deemed to be discontinued operation of the Group.

Management Discussion and Analysis (Continued)

AGROCHEMICAL PRODUCTS SUPPLY CHAIN SERVICES BUSINESS

In the first half of 2019, Anhui Huaxing and its subsidiaries (the “Anhui Huaxing Group”) demonstrated a satisfying performance in the agrochemical products supply chain services business. As a high-tech enterprise certified by China, by virtue of its own technologies, Anhui Huaxing had managed to produce specific items that were listed in the “New and High Technology Areas with the Government’s Primary Support”, including pesticide technical materials such as glyphosate, fipronil, nicosulfuron, monosultap, imidacloprid, 2-methyl-4-chlorophenoxyacetic acid and so forth. Compared with the corresponding period last year, the production and marketing of the items mentioned above assumed a steady increase. The accumulative production of the Group was approximately 232,209.38 tonnes, sales of products was approximately 200,748 tonnes, and the achieved production-to-sale ratio was approximately 86.5%.

During the reporting period, in the context of greater emphasis was applied on security and environmental protection by the PRC government, Anhui Huaxing had been committed to the research and development investment in environmental protection, with an investment of a total of RMB26,550,000, which achieved tangible results in improving the efficiency of devices, reducing production consumption, as well as upgrading the transformation and treatment process of both waste water and waste gas. Under the guidance of the policies “Focus on environmental protection, maintain sales, and give full play to production efficiency”, Anhui Huaxing commenced work on various aspects such as environmental protection, production, sales and scientific research, responded rapidly to market and policy changes, and maintained a stable business growth.

For the six months ended 30 June 2019, turnover of the Group’s agrochemical products supply chain services was approximately RMB809,135,000, representing approximately 97.23% of the total turnover of the Group; the gross profit was approximately RMB149,532,000, and the gross profit margin was approximately 18.48%.

FINANCIAL LEASING AND COMMERCIAL FACTORING BUSINESS

For the six months ended 30 June 2019, turnover of the Group’s financial leasing and commercial factoring business was approximately RMB12,049,000, accounting for approximately 1.45% of the total turnover of the Group and the gross profit margin was approximately 16.96%.

AGRICULTURAL BIG-DATA SERVICES

For the six months ended 30 June 2019, turnover of the Group’s agricultural big-data services business was approximately RMB8,611,000, representing approximately 1.03% of the total turnover of the Group; the gross profit was approximately RMB7,721,000 and the gross profit margin was approximately 89.66%.



Management Discussion and Analysis (Continued)

AGRICULTURAL AND PETROCHEMICAL PRODUCTS SUPPLY CHAIN SERVICE BUSINESS

For the six months ended 30 June 2019, turnover of the Group's agricultural and petrochemical product supply chain service business was approximately RMB2,383,000, accounting for approximately 0.29% of the total turnover of the Group and the gross profit margin was approximately 40.87%.

OTHER INCOME AND GAINS

For the six months ended 30 June 2019, the Group's other income and gains were approximately RMB13,733,000 (six months ended 30 June 2018: approximately RMB32,660,000 (restated)).

DISTRIBUTION COSTS

For the six months ended 30 June 2019, the Group's distribution costs were approximately RMB31,215,000 (six months ended 30 June 2018: approximately RMB29,326,000 (restated)), representing an increase of approximately 6.4% as compared to the corresponding period last year.

ADMINISTRATIVE EXPENSES

For the six months ended 30 June 2019, administrative expenses of the Group were approximately RMB89,221,000 (six months ended 30 June 2018: approximately RMB95,173,000 (restated)). The decrease in administrative expenses of the Group was mainly attributable to the significant decrease in staff costs during the period.

IMPAIRMENT LOSS/(REVERSAL OF IMPAIRMENT LOSS) ON TRADE AND OTHER RECEIVABLES

For the six months ended 30 June 2019, the impairment loss on trade and other receivables amounted to approximately RMB4,000.

FINANCE COSTS

For the six months ended 30 June 2019, finance costs of the Group were approximately RMB86,854,000, representing an increase of approximately 67% compared to RMB51,895,000 (restated) of the corresponding period last year.

Management Discussion and Analysis (Continued)

LOSS ATTRIBUTABLE TO OWNERS OF THE COMPANY

For the six months ended 30 June 2019, loss attributable to owners of the Group was approximately RMB49,635,000 (six months ended 30 June 2018: approximately RMB476,345,000 (restated)), representing a decrease in loss of 90% as compared with the corresponding period last year. The basic and diluted loss per share attributable to owners of the Company during the period were approximately RMB0.005 (six months ended 30 June 2018: approximately RMB(0.05) (restated)), representing a decrease in loss of 90% as compared with the corresponding period last year.

CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES

Capital Structure

As at 30 June 2019, the Group had total assets less current liabilities of approximately RMB368,345,000 (31 December 2018: approximately RMB810,814,000), including non-current assets of approximately RMB1,098,824,000 (31 December 2018: RMB1,131,913,000) and net current liabilities of approximately RMB730,479,000 (31 December 2018: net current liabilities of approximately RMB321,099,000).

As at 30 June 2019, the Group's equity attributable to owners of the Company was approximately RMB149,675,000, representing a decrease of approximately 25% as compared to that of 31 December 2018, which was mainly attributable to the continuous loss making during the period.

Liquidity and Financial Resources

As at 30 June 2019 and 31 December 2018, the Group had restricted bank deposits and cash and cash equivalents of approximately RMB241,148,000 and RMB269,745,000, respectively.

As at 30 June 2019 and 31 December 2018, the Group had short-term borrowings of approximately RMB2,082,611,000 and RMB2,125,947,000, respectively.

As at 30 June 2019 and 31 December 2018, the Group had long-term borrowings of approximately RMB192,928,000 and RMB447,745,000, respectively.

As at 30 June 2019 and 31 December 2018, debt asset ratios of the Group were approximately 98.2% and 95.8%, respectively. Debt asset ratio was calculated as the percentage of total liabilities divided by total assets.



Management Discussion and Analysis (Continued)

FOREIGN EXCHANGE RISK

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

PLEDGE OF ASSETS FOR CONTINUING OPERATIONS

As at 30 June 2019, the Group's payments for leasehold land held for own use under operating leases with a net book value of approximately RMB58,323,000 (31 December 2018: approximately RMB59,124,000) were pledged as security for the Group's bank borrowings. As at 30 June 2019, property, plant and equipment with a net book value of approximately RMB442,893,000 (31 December 2018: approximately RMB460,692,000) were pledged as security for the Group's borrowings. As at 30 June 2019, the Group had restricted bank deposits of approximately RMB20,494,000 (31 December 2018: approximately RMB20,493,000) as collateral for the bank borrowings and the issuance of commercial notes, performance bonds and bid bonds to customers.

EMPLOYEE INFORMATION

As at 30 June 2019, the Group had 1,711 employees (31 December 2018: 1,828 employees). During the reporting period, total employees' remuneration (including Directors' remuneration) amounted to approximately RMB58,650,000 (six months ended 30 June 2018: approximately RMB77,614,000 (restated)). Employees' remuneration is determined by reference to industry practice as well as the performance, qualification and working experience of individual employee. Remuneration packages comprised basic salary, discretionary bonus, state-managed retirement benefit schemes for employees in the PRC and mandatory provident funds schemes for employees in Hong Kong.

Management Discussion and Analysis (Continued)

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

On 21 May 2018, the Company entered into the IF Agreement with an independent third party (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 (the “Disposal”). According to an execution ruling dated 23 April 2019 issued by the Shanghai Court and received by the Company on 30 May 2019, as Shanghai Agro-chemical failed to fulfill its repayment obligations under two enforcement notices it received on 18 April 2019, the Shanghai Court ordered, inter alia, that the Company’s 91.3% equity interests in Nantong Road and Bridge be sealed up, distrained, auctioned or sold. As such, the Disposal will not proceed. As at the date of this report, no auction procedure or realisation of the Company’s equity interest in Nantong Road and Bridge has been initiated.

INVESTMENT BY POTENTIAL INVESTOR

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

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

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

USE OF PROCEEDS FROM THE PLACING AND THE SUBSCRIPTION OF SHARES

As disclosed in the Company’s announcement dated 18 April 2019, an aggregate sum of approximately HK\$349.5 million of 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 held on 20 January 2017 (the “2017 Subscription and Placing”), being the remaining proceeds from the net proceeds from the 2017 Subscription and Placing had been re-allocated towards the repayment of the existing indebtedness of the Group. The remaining proceeds had been fully utilised as intended.



Management Discussion and Analysis (Continued)

SIGNIFICANT EVENTS DURING AND AFTER THE REPORTING PERIOD

- (a) On 22 February 2019, the Shanghai Court issued a civil mediation order (the “**Civil Mediation Order**”), ordering Shanghai Agro-chemical to make a one-off and full repayment of a total amount of approximately RMB310,052,481.49 (including the principal amounts and related interests) and the overdue interests/advance interests and the corresponding legal fee and guarantee fee incurred (the “**Repayment**”).

As Shanghai Agro-chemical failed to fulfil the Repayment, pursuant to the Civil Mediation Order, CEFC Shanghai Securities Limited* (上海華信證券有限責任公司) (“**CEFC Securities**”) was entitled to reach an agreement with the Company for the priority of compensation claims against proceeds from auction or realisation of the Company’s interest in the shares of Shanghai Agro-chemical which is under property preservation. Each of Shenzhen Dasheng, Dasheng (Fujian) Agricultural Ltd.* (大生(福建)農業有限公司) (“**Dasheng Fujian**”) and Hong Kong Dasheng Investment Holdings Company Limited (香港大生投資控股有限公司) (“**Hong Kong Dasheng**”) shall undertake joint and several guarantee liability for the Repayment.

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 CEFC Securities pursuant to the Civil Mediation Order. According to the Enforcement Notices, the Shanghai Court ordered that the Company shall repay an aggregate sum of RMB338,411,779.11 (being the principal amounts, overdue interests, compound interests, legal fees and guarantor fees). As Shanghai Agro-chemical failed to comply with its repayment obligations under the Enforcement Notices, the Shanghai Court ordered that (i) the bank deposits of the Company, Shanghai Agro-chemical, Shenzhen Dasheng, Dasheng Fujian and Hong Kong Dasheng in the amount of RMB338,817,590.89 be frozen and appropriated; (ii) in the case of insufficient funds in their bank accounts, the assets of the Company, Shanghai Agro-chemical, Shenzhen Dasheng, Dasheng Fujian and Hong Kong Dasheng of corresponding value be sealed up, distrained, auctioned or sold; and (iii) the Company’s 91.3% equity interests in Nantong Road and Bridge be sealed up, distrained, auctioned or sold. As such, the Disposal will not proceed. As at the date of this report, no auction procedure or realisation of the Company’s equity interest in Nantong Road and Bridge has been initiated.

Management Discussion and Analysis (Continued)

SIGNIFICANT EVENTS DURING AND AFTER THE REPORTING PERIOD (Continued)

- (b) On 14 March 2019, the Company was informed by Bank of Shanghai Company Limited Pudong Branch (the “**Bank of Shanghai**”) that, Shenzhen Dasheng, being one of the guarantors to Loans (as defined in the Company’s announcement dated 28 May 2018), has repaid RMB40 million to the Bank of Shanghai pursuant to one of the civil judgements against Shanghai Agro-chemical received by the Company on 30 October 2018. As Shenzhen Dasheng is a substantial shareholder and a connected person of the Company under the Listing Rules, the above repayment constitutes a provision of financial assistance from a connected person of the Company and hence a connected transaction under Chapter 14A of the Listing Rules. Details of such repayment are set out in the Company’s announcement dated 14 March 2019.
- (c) On 11 July 2019, the Company received a civil judgment dated 11 July 2019 (the “**Civil Judgment**”) made by the Shanghai Court in relation to the default in (i) payment of outstanding consideration for the acquisition of the entire equity interest in Shanghai Kaiyi Corporate Management Consultancy Co., Ltd.* (上海譜易企業管理諮詢有限公司) (“**Shanghai Kaiyi**”), a direct wholly-owned subsidiary of the Company and a guarantor to the outstanding sums due by the Company to Zhenjiang City Zhiying Investment Management Centre (Limited Partnership)* (鎮江市智贏投資管理中心(有限合夥)) (the “**Pledgee**”), which was completed on 27 July 2016 and (ii) loan owned to Mr. Wu Hongbin and Madam Yan Xiefang in an aggregate amount of approximately RMB148,796,000 and all related interests (the “**Zhiying Legal Proceedings**”).

According to the Civil Judgment, the Company shall repay Mr. Wu Hongbin, Madam Yan Xiefang and the Pledgee (collectively, the “**Plaintiffs**”) (i) the outstanding consideration in the amount of RMB139,166,715 (together with related interests), (ii) the overdue interests, (iii) the Plaintiffs’ legal fee in the amount of RMB500,000, and (iv) the Plaintiffs’ property preservation liability insurance premium in the amount of RMB119,000. In the event that the Company fails to fulfill its repayment obligations set out above, the Plaintiffs are entitled to enter into an agreement with Shanghai Kaiyi, where the Plaintiffs may be compensated through the value conversion of the 80% equity interest in Shanghai Runtong Industrial and Investment Co., Limited* (上海潤通實業投資有限公司) pledged by Shanghai Kaiyi in favour of the Pledgee under an equity pledge agreement entered into between Shanghai Kaiyi, the Pledgee and the Company dated 21 March 2018 (the “**Shanghai Runtong Shares**”), or be compensated on a preferential basis through auction or sale of the Shanghai Runtong Shares. Details of the Zhiying Legal Proceedings are set out in the Company’s announcement dated 11 July 2019.



Management Discussion and Analysis (Continued)

ACTION PLAN OF THE GROUP TO ADDRESS THE GOING CONCERN ISSUE

As at the date of this report, the outstanding material debts from the Group's road and bridge construction business and the agricultural and petrochemical products supply chain services business remain stable and have not been called for repayment yet. However, the Company is of the view that, there is no further room for negotiation with the debtors on the probable settlement of the outstanding material debts (including extension/renewal/refinancing/cash repayment/debt conversion to equity) from the remaining business operations of the Group. The Company shall explore other ways to handle the outstanding debts. The Company's action plans to settle its total borrowings of approximately RMB2.3 billion as at 30 June 2019 are as follows:

- the Company will repay certain outstanding debts owed to the debtors with net proceeds from the Nantong Auction. As at the date of this report, the Company has not received any notice regarding the arrangement of the Nantong Auction and the reserve price of the Company's equity interest in Nantong Road and Bridge is uncertain. The actual repayment amount will depend on the amount of the auction price and net proceeds from the successful auction;
- the Company will continue negotiating with Shenzhen Dasheng, the substantial shareholder of the Company, to gain financial support from it and offset debts owed by the Company to other third parties of which Shenzhen Dasheng is the guarantor to such debt. Nevertheless, Shenzhen Dasheng's willingness and ability to provide such support remains uncertain and is out of the Company's control;
- the Company is proactive in exploring possible debt restructuring opportunities, including disposal of loss-making subsidiaries, devising probable new repayment plans with debtors and reaching out for new investors. As disclosed in the Company's announcement dated 4 March 2019, the Company entered into an intent cooperation framework agreement regarding the Potential Investment. As at the date of this report, the Potential Investment is still pending and the Company has no other concrete investment plans; and
- the Group commenced agrochemical products supply chain services in 2018 through the acquisition of Anhui Huaxing Group and strives to develop and enhance this continuing operations segment. Mr. Yan Zebin from Anhui Huaxing Group has been appointed as a new executive Director in June 2019. The Company is of the view that an additional member to the Board would enhance the efficiency of decision making of the Board and bring in new ideas or options for the Company to overcome the current difficulties.

Management Discussion and Analysis (Continued)

PROSPECT

As for the agrochemical products supply chain services business, with gradual and seasonal improvement in the pesticide raw material market, the pesticide market will be well supported in autumn. Under the backdrop of the country's increasing attention on safety and environmental protection, Anhui Huaxing will continue to focus its resources on the development of "clean, smart, green" production, and at the same time will also focus on technological innovation, targeting ester materials as its key transformational development, increase the output value of chemical new materials segment, seek to achieve an increase of 8 to 10 percentage points on the output value of green smart glyphosate preparation segment in order to compensate the declined benefits resulting from the original drug reduction of glyphosate, as well as create a sustainable enterprise with green benchmark.

The Group will adapt to the situation and continue to promote the prevention and mitigation of existing risks. Based on the external market environment and the actual operating conditions of the Group, we will accelerate the restructuring of our current business and focus resources on developing our core business and explore new opportunities.

Directors', Chief Executives' and Supervisors' Interests and Short Positions in Shares and Underlying Shares

As at 30 June 2019, the interests or short positions of the Directors, chief executives and supervisors (the "**Supervisors**") of the Company 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 ("**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 for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") contained in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") were as follows:

Directors', Chief Executives' and Supervisors' Interests and Short Positions in Shares and Underlying Shares (Continued)

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. 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. Lu Tingfu (Non-executive Director)	domestic shares	Interest in controlled corporation	1,818,013,540 (L) (notes 1 and 2)	54.29%	19.04%
	H shares	Interest in controlled corporation	247,000,000 (L) (notes 1 and 3)	3.98%	2.59%

L = Long position

Notes:

- (1) Shenzhen Dasheng and Hong Kong Dasheng hold 1,818,013,540 domestic shares and 247,000,000 H shares of the Company, respectively. As Hong Kong Dasheng 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 Lan Huasheng and Lu Tingfu, respectively. By virtue of the SFO, Lan Huasheng and Lu Tingfu are deemed to be interested in 1,818,013,540 domestic shares and 247,000,000 H shares of the Company held by Shenzhen Dasheng and HK Dasheng Investment, respectively.
- (2) 1,818,013,540 domestic shares are charged by Shenzhen Dasheng in favour of a third party as security for a loan, and the loan amount is for Shenzhen Dasheng's own use.
- (3) 200,000,000 H shares are pledged by HK Dasheng Investment as security for a loan granted by a third party for its own use.

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

As at 30 June 2019, 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) <i>(notes 1 and 2)</i>	54.29%	19.04%
	H shares	Interest in controlled corporation	247,000,000 (L) <i>(notes 1 and 3)</i>	3.98%	2.59%
2. Dasheng Holdings	domestic shares	Interest in controlled corporation	1,818,013,540 (L) <i>(notes 1 and 2)</i>	54.29%	19.04%
	H shares	Interest in controlled corporation	247,000,000 (L) <i>(notes 1 and 3)</i>	3.98%	2.59%
3. Shenzhen Dasheng	domestic shares	Beneficial owner	1,818,013,540 (L) <i>(notes 1 and 2)</i>	54.29%	19.04%
	H shares	Interest in controlled corporation	247,000,000 (L) <i>(notes 1 and 3)</i>	3.98%	2.59%
4. Hong Kong Dasheng	H shares	Beneficial owner	247,000,000 (L) <i>(note 3)</i>	3.98%	2.59%
5. Zhenjiang Runde	domestic shares	Beneficial owner	1,530,986,460 (L) <i>(note 4)</i>	45.71%	16.03%
6. Xinzhong Stable Investment Fund Limited	H shares	Beneficial owner	1,732,000,000 (L) <i>(note 5)</i>	27.93%	18.13%
7. Zhong Hua	H shares	Interest in controlled corporation	1,732,000,000 (L) <i>(note 5)</i>	27.93%	18.13%

L = Long position



Substantial Shareholders' Interests and Other Persons' Interests and Short Positions in Shares and Underlying Shares (Continued)

Notes:

- (1) Hong Kong Dasheng 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 Lan Huasheng and 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 Hong Kong Dasheng, respectively, and Shenzhen Dasheng is deemed to be interested in the 247,000,000 H shares held by Hong Kong Dasheng.
- (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 Hong Kong Dasheng as security for a loan granted by a third party for its own use.
- (4) On 22 April 2019, Wang Liguó, an executive director and the chief executive officer of the Company, entered into an equity transfer agreement with an independent third party and transferred his 100% direct equity interest in Zhenjiang Runde Equity Investment Fund Ltd.* (鎮江潤得股權投資基金有限公司) ("Zhenjiang Runde"), representing his entire shareholding in the Company to such independent third party. Following the abovementioned transfer, Wang Liguó ceased to hold any direct or indirect interest in the Company and Zhenjiang Runde remains a direct substantial shareholder of the Company.
- (5) Xinzhong Stable Investment Fund Limited ("Xinzhong Stable Investment") is wholly owned by Zhong Hua. By virtue of the SFO, Zhong Hua is deemed to be interested in 1,732,000,000 H shares held by Xinzhong Stable Investment.

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 any such right during the six months ended 30 June 2019.

Corporate Governance

CORPORATE GOVERNANCE CODE

The Board is of the view that throughout the six months ended 30 June 2019, the Company has complied with the code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Listing Rules.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding directors' and supervisors' securities transactions. Following a specific enquiry, all the Directors and the Supervisors confirmed that they have complied with the required standard as set out in the Model Code throughout the six months ended 30 June 2019.

Purchase, Sales or Redemption of Listed Securities

During the six months ended 30 June 2019, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

Audit Committee

The audit committee ("**Audit Committee**") has adopted the terms of reference of Audit Committee aligned with the code provisions in the CG Code. The primary duties of the Audit Committee are to review and monitor the financial reporting process and internal controls system of the Group as well as overseeing the relationship with the Company's external auditor. The Audit Committee comprises three independent non-executive Directors, namely, Mr. Chung Cheuk Ming, Mr. Yang Gaoyu and Mr. Zhou Jianhao and one non-executive Director, namely, Mr. Lu Tingfu. The chairman of the Audit Committee is Mr. Chung Cheuk Ming.

The Audit Committee, together with the management of the Company, has reviewed the Group's unaudited condensed consolidated interim financial statements for the six months ended 30 June 2019 and had the opinion that the preparation of the interim results is in compliance with the applicable accounting standards and requirements (including on a going concern basis) and the Listing Rules.

Dividend

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2019 (six months ended 30 June 2018: Nil).

Directors' Interest in a Competing Business

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

Change of Directors

The change of Directors during the six months ended 30 June 2019 are as follows:

On 1 March 2019, Mr. Zhu Tianxiang resigned from his position as a non-executive Director and ceased to hold any other position with the Group, and ceased to be a member of the audit committee of the Board.

On 20 June 2019, members of the fifth session of the Board, namely, Mr. Lan Huasheng, Mr. Wang Liguu, Mr. Chung Cheuk Ming, Mr. Yang Gaoyu and Mr. Zhou Jianhao were re-elected as Directors of the sixth session of the Board, and Mr. Yan Zebin and Mr. Lu Tingfu were elected and appointed as Directors of the sixth session of the Board.



Change of Supervisors

The change of Supervisors during the six months ended 30 June 2019 are as follows:

On 20 June 2019, (i) Ms. Ye Mingzhu, was re-elected as independent Supervisor of the sixth session of the Supervisory Committee, (ii) Mr. Zheng Yong and Mr. Zhao Xufeng were elected and appointed as a shareholders' representative Supervisor and an independent Supervisor of the sixth session of the Supervisory Committee; and (iii) Ms. Sun Ting and Mr. Wang Bin were democratically elected as staff representative Supervisors.

Mr. Lu Tingfu, who has been appointed as a non-executive Director, retired, upon the conclusion of the annual general meeting of the Company held on 20 June 2019, from his position as the shareholders' representative Supervisor of the fifth session of the Supervisory Committee.

Ms. Chen Yuanling, retired, upon the conclusion of the annual general meeting of the Company held on 20 June 2019, from her position as the independent Supervisor of the fifth session of the Supervisory Committee.

Change of Company Secretary

Ms. Lo Suet Fan resigned as the company secretary of the Company on 8 December 2018. Mr. Qian Di was appointed as the company secretary of the Company with effect from 1 February 2019 and the Company has complied with Rules 3.28 and 8.17 of the Listing Rules since then.

Appreciation

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

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

Shanghai, the PRC, 30 August 2019

An abstract graphic design featuring three large, curved, overlapping shapes in green, blue, and orange. The shapes are set against a white background with a subtle pattern of fine, radiating lines. The green shape is on the left, the blue shape is on the right, and the orange shape is at the bottom. The text 'www.dsgd-sh.co' is positioned in the center, overlapping the green and blue shapes.

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