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)

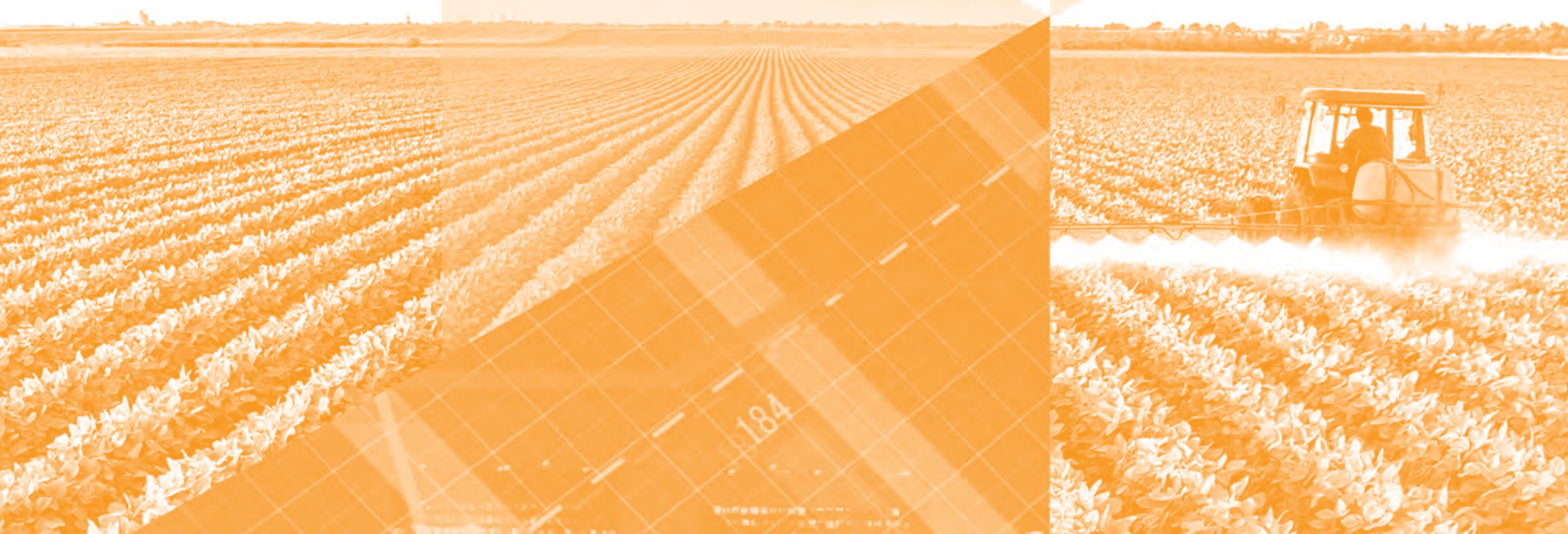
Stock code 股份代號：1103

增強結構 發揮實力

PURSUIT OF STRONG STRUCTURE DEVELOPMENT

Annual Report 2020 年報

Contents



Summary of Financial Information

RESULTS

	For the year ended 31 December				
	2020	2019	2018	2017	2016
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Turnover	**1,433,813**	1,428,816	2,011,870	14,445,544	14,364,866
(Loss)/profit before income tax expense	**(897,845)**	(254,888)	(1,989,731)	(1,660,762)	449,673
(Loss)/profit for the year	**(915,452)**	(853,817)	(2,166,379)	(1,674,054)	344,609
(Loss)/profit attributable to owners of the Company	**(779,575)**	(771,487)	(1,986,782)	(1,520,116)	307,082
(Loss)/earnings per share (RMB) (basic and diluted)*	**(0.082)**	(0.081)	(0.209)	(0.179)	0.043

Note:

* Basic and diluted earnings per share for the years ended 31 December 2017 and 2016 have been restated for the impact of the bonus issues of Shares in 2018.

ASSETS AND LIABILITIES

	As at 31 December				
	2020	2019	2018	2017	2016
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets	**1,040,475**	1,099,272	1,131,913	2,301,407	1,633,242
Current assets	**905,217**	4,866,031	6,004,521	6,102,203	7,791,319
Non-current liabilities	**(7,089)**	(147,074)	(514,395)	(639,481)	(70,606)
Current liabilities	**(2,999,077)**	(6,491,192)	(6,325,620)	(5,361,047)	(5,991,633)
Non-controlling interests	**(15,607)**	560,546	(97,169)	(360,560)	(290,461)
Capital and reserves attributable to owners of the Company	**(1,076,081)**	(112,417)	199,250	2,042,522	3,071,861

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Lan Huasheng *(Chairman)*
Wang Liguo *(Chief Executive Officer)*
Yan Zebin (resigned on 15 January 2021)

Non-Executive Director

Lu Tingfu

Independent Non-Executive Directors

Chung Cheuk Ming
Yang Gaoyu
Liu Jun (appointed on 30 June 2020)

SUPERVISORS

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

AUDITOR

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

REGISTERED OFFICE

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

PRINCIPAL PLACE OF BUSINESS IN CHINA

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

PLACE OF BUSINESS IN HONG KONG

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

COMPANY WEBSITE

www.dsgd-sh.co

COMPANY SECRETARY

Qian Di

AUTHORISED REPRESENTATIVES

Lan Huasheng
Wang Liguo

MEMBERS OF THE AUDIT COMMITTEE

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

MEMBERS OF THE REMUNERATION AND ASSESSMENT COMMITTEE

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

MEMBERS OF THE NOMINATION COMMITTEE

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

HONG KONG H SHARE REGISTRAR AND TRANSFER OFFICE

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

PRINCIPAL BANKERS

Bank of Jiujiang
Bank of Shanghai
SPD Bank

STOCK CODE

1103

EXPLORING NEW OPPORTUNITY

Chairman's Statement

Year 2020 is a year of challenges to many companies. Unexpected events, including the outbreak of the coronavirus disease (COVID-19) (the "**Pandemic**"), have been casting uncertainty over the global economy, market sentiment and financing environment. These unexpected events have caused certain interruptions in the business development of Shanghai Dasheng Agriculture Finance Technology Co., Ltd. (the "**Company**", together with its subsidiaries, the "**Group**"), in particular, due to the tight external financing environment, which resulted in potential investors and related creditors requiring much more time to devise possible-restructuring plans.

In 2020, the management of the Group (the "**Management**") still dedicated its efforts in resolving the Group's historical financial problems and sought to improve its overall cash flow position., Meanwhile. the Group has completed the disposal of all the other non-core business and concentrated the core resources in the production segment of agriculture-related industrial chains.

The loss attributable to the owners of the Company in 2020 increased to approximately RMB779,575,000 (2019: approximately RMB771,487,000), representing a year-on-year increase of approximately 1%. The assets of the Company in 2020 amounted to approximately RMB1,945,692,000, representing a year-on-year decrease of approximately 67%.

PROSPECT

On 21 February 2021, "Opinions of the State Council on Comprehensively Pushing forward Rural Revitalisation and Accelerating Modernisation of Agriculture and Rural Areas" (中共中央國務院關於全面推進鄉村振興加快農業農村現代化的意見) (No.1 Document) was officially released. It is the eighteenth No.1 Document to guide agriculture, rural areas and farmers since the 21st century. Focusing on improving the ability to ensure the supply of food and important agricultural products, the "No. 1 Document" proposes the implementation of the Party and the Government having the same responsibility in terms of food security, and clearly requires priority measures during the "14th FiveYear Plan" period, including the steady increase in food production, the strengthening of modern agricultural technology and material equipment support. In view of favourable macroeconomic policies, Anhui Huaxing Chemical Industry Company Limited* (安徽華星化工有限公司) ("**Anhui Huaxing**" and its subsidiaries, collectively, the "**Anhui Huaxing Group**") will closely follow national policies to seize opportunities. Anhui Huaxing will expand its production capacity, increase its research and development investment in the pesticides sector, and it is expected to launch a series of new environmentally friendly products. In the chemical sector, the focus will be on expanding the chloralkali chemical industry chain, developing a circular industrial economy, maximising the utilisation of industrial by-product hydrogen and chlorine resources, and meanwhile advancing the development of lubricating oil (grease) projects to form new profit growth areas. Furthermore, the management of the Group will continue to dedicate its efforts in resolving the Group's historical financial issues through maintaining in-depth discussions and planning with creditors, relevant financial institutions and external potential investors, such that it may continue to accelerate the restructuring of the Group's existing business and focus resources on developing its core business and explore new opportunities.

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, 24 March 2021

CONSOLIDATING THE MOMENTUM

Management Discussion and Analysis

FINANCIAL AND BUSINESS REVIEW

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

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

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

BUSINESS OPERATIONS

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

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

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

AGROCHEMICAL PRODUCTS SUPPLY CHAIN SERVICES BUSINESS

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

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

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

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

FINANCIAL LEASING AND COMMERCIAL FACTORING SERVICES BUSINESS

During the year under review, turnover of the Group's financial leasing and commercial factoring services business was approximately RMB6,952,000, representing approximately 0.5% of the total turnover of the Group; and the gross profit was approximately RMB3,004,000.

AGRICULTURAL AND PETROCHEMICAL PRODUCTS SUPPLY CHAIN SERVICES BUSINESS

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

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

DISCONTINUED BUSINESSES

Road and Bridge Construction Business

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

The Shanghai No. 2 Intermediate People's Court* (上海市第二中級人民法院) (the "**Shanghai Second Court**") published an auction announcement on the public auction network (www.gpai.net) (the "**Gongpai Auction**") to put the Nantong Shares on auction for the repayment of borrowings due to Nanjing Dasheng Cold Chain Logistics Co., Limited* (南京大生冷鏈物流股份有限公司). After the successful auction of the Nantong Shares on 19 January 2020, the Company is no longer engaged in the provision of road and bridge construction.

Agricultural Big-Data Services Business

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

As the Company failed to fulfil its payment obligations under the legal proceedings relating to a breach of sale and purchase agreement due to default in payment of outstanding consideration of an acquisition contemplated under such agreement (the "**Zhiying Legal Proceedings**"), pursuant to the execution ruling dated 15 May 2020 issued by the Shanghai Second Court, the plaintiffs may be compensated through, among other things, the auction of the Company's 80% equity interests in Shanghai Runtong Industrial and Investment Co., Limited* (上海潤通實業投資有限公司) (the "**Shanghai Runtong Shares**") pledged by Shanghai Kaiyi Corporate Management Consultancy Co., Ltd.* (上海諧易企業管理諮詢有限公司) ("**Shanghai Kaiyi**"). An auction announcement dated 27 November 2020 was published by the Shanghai Second Court on the Gongpai Auction to put the Shanghai Runtong Shares on auction from 8 January 2021 to 11 January 2021, with a reserve price of RMB28.84 million. The said auction was subsequently re-scheduled to between 27 February 2021 and 2 March 2021 at the same reserve price. On 2 March 2021, the Company noticed from the network platform of Gongpai Auction that said auction was not successful. As at the date of this report, the Shanghai Runtong Shares have not yet been auctioned.

OTHER INCOME

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

DISTRIBUTION COSTS

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

ADMINISTRATIVE AND OTHER EXPENSES

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

IMPAIRMENT LOSSES, NET OF REVERSAL

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

FINANCE COSTS

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

LOSS ATTRIBUTABLE TO OWNERS OF THE COMPANY

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

CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES

Capital Structure

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

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

Liquidity and Financial Resources for Continuing Operations

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

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

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

As at 31 December 2020 and 31 December 2019, debt-to-asset ratios of the Group were approximately 154.5% and 111.3%, respectively. Debt-to-asset ratio was calculated as the percentage of total liabilities divided by total assets.

Foreign Exchange Risk

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

Pledge of Assets for Continuing Operations

As at 31 December 2020, the Group's right-of-use assets (2019: payments for leasehold land held for own use under operating leases) with a net book value of approximately RMB54,397,000 (31 December 2019: approximately RMB57,211,000) were pledged as security for the Group's bank borrowings. As at 31 December 2020, property, plant and equipment with a net book value of approximately RMB389,510,000 (31 December 2019: approximately RMB420,294,000) were pledged as security for the Group's borrowings. As at 31 December 2020, the Group had restricted bank deposits of approximately RMB641,000 (31 December 2019: approximately RMB5,548,000) as collateral for bank borrowings and the issuance of commercial notes, performance bonds and bid bonds to customers.

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.

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

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

INVESTMENT BY POTENTIAL INVESTOR

On 4 March 2019, the Company entered into an intent cooperation framework agreement with Gui'an Xinqu Xinxing Chanye Development Fund Management Company Limited* (貴安新區新興產業發展基金管理有限公司), pursuant to which such potential investor intends to invest in the Company. Such 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 such potential investor in relation thereto.

Biographical Details of Directors and Supervisors

BOARD OF DIRECTORS

Executive Directors

Mr. Lan Huasheng (蘭華升), aged 49, 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 Agricultural Group Co., Ltd. ("**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), aged 59, 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.

Non-executive Director

Mr. Lu Tingfu (盧挺富), aged 50, has served as non-executive Director of the Company since June 2019. He is the member of the audit committee, and remuneration and assessment committee. He is also a director of Anhui Huaxing since October 2019. He was a Supervisor representing shareholders of the Company from June 2014 to June 2019. He is an intermediate accountant in the PRC. Mr. Lu has more than 20 years of experience in finance, accounting and auditing. He is currently a director of Shenzhen Dasheng, the sole director of Hong Kong Dasheng Investment Holdings Company Limited ("**HK Dasheng Investment**") and the general manager of Qianhai Dasheng. Shenzhen Dasheng is owned as to 70% by Qianhai Dasheng and 30% by Dasheng Holdings, and each of Qianhai Dasheng and Dasheng Holdings is owned as to 30% by Mr. Lu. HK Dasheng Investment is a wholly owned subsidiary of Shenzhen Dasheng. Mr. Lu had worked with Fujian Textile and Chemical Fiber Group Co., Ltd. for nearly 20 years, where he held a number of positions, including vice manager and manager of finance department and auditor. He graduated from the department of economics and management in South China Institute of Tropical Crops in the PRC (now known as Hainan University) specialising in finance and accountancy in June 1993.

Independent Non-executive Directors

Mr. Chung Cheuk Ming (鍾卓明), aged 58, has served as an independent non-executive Director since June 2012. He is the chairman of the audit committee of the Company and a member of the remuneration and assessment committee and nomination committee of the Company. Mr. Chung is a practicing certified public accountant in Hong Kong. He is a member of the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and the Society of Chinese Accountants and Auditors, and an associate member of the Hong Kong Institute of Bankers. Mr. Chung has been the principal of Alex Chung & Company, Certified Public Accountants since August 2006. Mr. Chung is currently a court-appointed trustee in bankruptcy. He worked for Louie Wu & Co over three years and resigned in June 2006. Mr. Chung obtained a bachelor of arts degree from The University of Hong Kong in November 1986. He also obtained a postgraduate diploma in information systems from City University of Hong Kong in November 1998, a master of science degree in e-commerce from The Hong Kong Polytechnic University in November 2003 and a master of science degree in corporate governance and directorship from Hong Kong Baptist University in November 2006. In addition, Mr. Chung obtained a postgraduate diploma in insolvency from HKICPA in June 2004.

Mr. Yang Gaoyu (楊高宇), aged 53, has served as an independent nonexecutive Director since August 2016. He is a member of the audit committee, remuneration and assessment committee and nomination committee of the Company. Mr. Yang is a member of the Chinese Institute of Certified Public Accountants, a China Certified Tax Agents, a Corporate Counsel in the PRC, a Judicial Accounting Appraiser in the PRC. Mr. Yang is currently the 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.* (保齡寶生物股份有限公司) (Shenzhen Stock Exchange: 002286). Mr. Yang obtained his master's degree of business administration from New York Institute of Technology in 2010.

Mr. Liu Jun (劉俊), aged 39, is the founding partner of Shenzhen Qianhai Xingwang Investment Management Co., Ltd. (深圳前海興旺投資管理有限公司) since June 2015. Prior to that, Mr. Liu served as the manager of MANULIFE TEDA Fund Management Co., Ltd. (泰達宏利基金管理有限公司), Shanghai Branch from April 2008 to March 2010. He served as the deputy director of the institutional investment department and quantitative investment departments of GF Fund Management Co., Ltd. (廣發基金管理有限公司) from April 2010 to March 2014. Mr. Liu was the deputy director of institutional department of Invesco Great Wall Fund Management Co., Ltd. (景順長城基金管理有限公司) from April 2014 to May 2015. Mr. Liu obtained a bachelor's degree and a master's degree in economics from the Shanghai University of International Business and Economics in the PRC in July 2005 and March 2008, respectively.

SUPERVISORS

Mr. Zheng Yong (鄭永), aged 47, has been a shareholders' representative Supervisor since June 2019 and is currently the vice general manager of Shenzhen Dasheng. Mr. Zheng previously held various management positions in media organizations including China Huayi Broadcasting Corporation and China Huayi Broadcast Company Website between July 2012 and July 2014. Mr. Zheng was the publicity director of Shenzhen Dasheng between September 2014 and December 2017. Mr. Zheng graduated from Shandong University in the PRC specialising in Chinese language in July 1997.

Mr. Zhao Xufeng (趙旭峰), aged 44, has been an independent Supervisor since June 2019 and is currently the partner of Shanghai New Jahwa CPAs Accountancy Co., Ltd. He is a certified public accountant in the PRC and a fellow of CPA Australia. Mr. Zhao was a senior auditor of Andersen (Shanghai) Enterprise Consulting Co., Ltd. between July 1998 and July 2002. He served as an accounting manager of Dazhong Insurance Co., Ltd. between July 2002 and June 2005. Mr. Zhao was the manager of the accounting service department of Shanghai Jahwa Accountancy Co., Ltd. between July 2005 and December 2007. He was the senior manager of the corporate service department of Shanghai Grant Thornton Pan Chen Zhang Jahwa Accountancy Co., Ltd. between January 2008 and June 2009. He was certified as a SHICPASNAI top CPA by the Shanghai National Accounting Institute and the Shanghai Institute of Certified Public Accountant in August 2012. Mr. Zhao graduated from the Shanghai University of Finance & Economics in the PRC majoring in international business administration in June 1998.

Ms. Sun Ting (孫婷), aged 35, was 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 53, was 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 75, 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 2020.

On 7 May 2020, the Board resolved to amend the terms of reference of the audit committee of the Board (the "**Audit Committee**") by revising the number of members of the Audit Committee from four non-executive Directors to at least three non-executive Directors. The revised terms of reference of the Audit Committee has been published on the website of the Stock Exchange on 7 May 2020.

The manner in which the code provisions in the CG Code are applied and implemented during the year ended 31 December 2020 is explained in this Corporate Governance Report.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding directors' and supervisors' securities transactions. Having made a specific enquiry, all the Directors and the Supervisors confirmed that they have complied with the required standard as set out in the Model Code throughout the year ended 31 December 2020.

BOARD OF DIRECTORS

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

The biographical details of the Directors are set out in the "Biographical Details of Directors and Supervisors" section in pages 15 to 16 of this report. All Directors have given sufficient time and attention to the affairs of the Group. Each executive Director has sufficient experience to hold the position so as to carry out his duties effectively and efficiently.

In addition to the two executive Directors, the Company has also appointed one non-executive Director and three independent non-executive Directors who have appropriate and sufficient experience and qualifications to carry out their duties so as to protect the interests of the shareholders.

The members of the Board during the year ended 31 December 2020 and up to the date of this report are:

Executive Directors:
Mr. Lan Huasheng (Chairman)
Mr. Wang Liguo (Chief Executive Officer)
Mr. Yan Zebin (resigned on 15 January 2021)

Non-executive Director:
Mr. Lu Tingfu

Independent non-executive Directors:
Mr. Chung Cheuk Ming
Mr. Yang Gaoyu
Mr. Liu Jun (appointed on 30 June 2020)

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

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

During the year ended 31 December 2020, the Board convened a total of seven Board meetings on the needs of the operation and business development of the Company.

MEETINGS ATTENDED/HELD

The attendance of individual members of the Board at the Board meetings, Board committees meetings and general meetings during the year ended 31 December 2020 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)	7/7		1/1		1/1
Mr. Wang Liguo (Chief Executive Officer)	7/7				1/1
Mr. Yan Zebin (resigned on 15 January 2021)	7/7				1/1
Non-executive Director:					
Mr. Lu Tingfu	7/7	1/1		4/4	1/1
Independent Non-executive Directors:					
Mr. Chung Cheuk Ming	7/7	1/1	1/1	4/4	1/1
Mr. Yang Gaoyu	7/7	1/1	1/1	4/4	1/1
Mr. Liu Jun (appointed on 30 June 2020)	2/2				1/1

* *In 2020, 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 2020, the role of chairman and CEO was vested on Mr. Lan Huasheng and Mr. Wang Liguo, respectively. Essentially, the chairman takes the lead to oversee the Board functions and ensure all important issues are discussed in a timely manner, while the CEO, supported by his management team, implements major strategies and policies of the Company and is responsible for the day-to-day management of the business of the Company.

NON-EXECUTIVE DIRECTOR

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 current 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 2020, 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. Yan Zebin (resigned on 15 January 2021)	A, B
Non-executive Director	
Mr. Lu Tingfu	A, B
Independent Non-executive Directors	
Mr. Chung Cheuk Ming	A, B
Mr. Yang Gaoyu	A, B
Mr. Liu Jun (appointed on 30 June 2020)	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 with the terms of reference aligned with the CG Code. The committee members comprises one non-executive Director and two independent non-executive Directors, namely. Mr. Lu Tingfu, Mr. Yang Gaoyu and Mr. Chung Cheuk Ming. Mr. Yang Gaoyu is the chairman of the Remuneration and Assessment Committee.

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

The Remuneration and Assessment Committee held one meeting during the year ended 31 December 2020 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 2020 comprised Mr. Qian Di. The remuneration band of Mr. Qian Di fell within the range between nil and HK$1,000,000 for the year ended 31 December 2020.

Nomination Committee

The nomination committee (the "**Nomination Committee**") was established with the terms of reference aligned with the CG Code. The majority of committee members are independent non-executive Directors. As at 31 December 2020, the chairman of the committee is Mr. Lan Huasheng, the other members include Mr. Chung Cheuk Ming and Mr. Yang Gaoyu.

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

The Nomination Committee held four meetings during the year ended 31 December 2020 where it reviewed the structure, size and composition of the Board, identified individuals suitably qualified to become Board members, including Mr. Liu Jun, an independent non-executive Director, and Mr. Li Wenming, the proposed independent non-executive Director, and made recommendations to the Board on the selection of individuals nominated for directorships.

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

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

In assessing the Board composition, the Board has adopted a board diversity policy (the "**Board Diversity Policy**") which sets out the approach to achieve diversity on the Board. 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 Nomination Policy and Board Diversity Policy and review the Board composition under diversified perspectives to ensure the Board has a balance of skills, experience and diversity of perspectives appropriate to the needs of the Company's business. According to the articles of association of the Company (the "**Articles**"), the Board shall comprise five to nine Directors. As at the date of this report, the Board comprises six Directors. Three of them are independent non-executive Directors, thereby promoting critical review and control of the management process.

Audit Committee

The audit committee of the Company (the "**Audit Committee**") was established with the terms of reference aligned with the CG Code. The primary duties of the Audit Committee are to review and monitor the financial reporting process and internal controls system of the Group, overseeing the relationship with the Company's external auditor and to develop a policy on engaging external auditor to supply non-audit services to the Board. The Audit Committee comprises two independent non-executive Directors, namely, Mr. Chung Cheuk Ming and Mr. Yang Gaoyu and a non-executive Director, Mr. Lu Tingfu. The chairman of the Audit Committee is Mr. Chung Cheuk Ming.

The Audit Committee held four 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 2020 and the audited annual results for the year ended 31 December 2020 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 2020, the remuneration paid/payable to the Company's external auditor (the "**Auditor**") for its statutory audit services and non-audit services were RMB1,961,000 and RMB50,000, respectively. The non-audit services mainly included the work on continuing connected transactions.

DIRECTORS' AND AUDITOR'S 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 Auditor to the shareholders are set out in pages 49 to 50 of this report.

GOING CONCERN BASIS

The Auditor does not express an opinion on the consolidated financial statements of the Group for the year ended 31 December 2020 due to the potential interaction of the multiple uncertainties and their possible cumulative effect on the consolidated financial statements.

The Directors are aware that the Group reported loss attributable to the owners of the Company of approximately RMB779,575,000 for the year ended 31 December 2020 and, as at 31 December 2020, the Group's current liabilities exceeded its current assets by approximately RMB2,093,860,000 and the Group had net liabilities of approximately RMB1,060,474,000. The Group's total borrowings amounted to approximately RMB1,281,700,000 were classified as current liabilities, while its restricted bank deposits and cash and cash equivalent amounted to approximately RMB10,641,000 and RMB55,262,000, respectively as at 31 December 2020. These conditions indicate the existence of material uncertainties which may cast significant doubt on the Group's ability to continue as a going concern. The Directors are of the opinion that the Group would be able to have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due for a period of not less than the next twelve months from 31 December 2020 after taking into consideration the measures as set out in Note 2 to the consolidated financial statements. Accordingly, the Directors are of the opinion that it is appropriate to prepare the consolidated financial statements for the year ended 31 December 2020 on a going concern basis.

Further discussion on the Group's going concern uncertainties and the Group's action plans have been set out in the "Report of the Board of Directors – Audit Qualifications for the Year Ended 31 December 2020", the "Independent Auditor's Report – Basis for Disclaimer of Opinion" and "Note 2 – Basis of Preparation – Going concern basis" to the consolidated financial statements in this report.

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

COMPANY SECRETARY

Mr. 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 Mr. Qian, he has taken no less than 15 hours of relevant professional training during the year ended 31 December 2020 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 recognises the importance of transparency and timely disclosure of corporate information, which will enable shareholders and investors to make the best investment decisions.

To promote effective communication, the Company maintains its website at www.dsgd-sh.co, where up-to-date information on the Company's business operations and developments, financial information, corporate governance practices and other areas are posted. 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 annual general meeting or other general meetings to communicate with the shareholders and encourage their participation. The chairman of the Board as well as the chairmen of the Audit Committee, the Nomination Committee and the Remuneration and Assessment Committee will make themselves available at the AGM to meet with the shareholders of the Company.

The forthcoming AGM will be held on 18 June 2021. The notice of AGM will be sent to shareholders of the Company in due course in accordance with the requirements of the Listing Rules.

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

SHAREHOLDERS' RIGHTS

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

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

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

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

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

AMENDMENTS TO THE ARTICLES OF ASSOCIATION

Based on the relevant regulations of the regulatory institutions and actual conditions of the Company, the Board proposed on 7 May 2020 to amend the relevant articles of the Articles. The proposed amendments included the notice period and convening procedures for convening general meetings and other ancillary matters; (2) shares repurchase, including supplementing situations where share repurchase of the Company is allowed in accordance with the PRC Company Law, and make corresponding amendments to the duties and responsibilities of general meeting and the Board for shares repurchase; and (3) the Board seats specified in the relevant articles of the Articles. The above amendments was approved by the shareholders of the Company at the annual general meeting and the class meetings of the Company on 30 June 2020. The revised Articles have been published on the website of the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 30 June 2020.

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 2020.

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

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

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

The 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 2020. 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 2020, the supervisory committee of the Company (the "**Supervisory Committee**") conscientiously exercised its authority, safeguarded the benefits of the shareholders and the interest of the Company, followed the principle of trust worthiness, honestly carried out the duties and obligations of supervisors as well as worked diligently and proactively, in accordance with the Company Law of the People's Republic of China, requirements of the relevant laws and regulations in Hong Kong and the Articles for its accountability to the shareholders.

I. CHANGES IN MEMBERS OF THE SUPERVISORY COMMITTEE

There were no change during the year ended 31 December 2020.

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

During the year ended 31 December 2020, 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 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 2020, the transaction price of the Group's asset disposal was equitable and reasonable, and no insider transaction or behaviors causing damages to the shareholders' benefits have been found; and

4. the consolidated financial statements of the Company for the year ended 31 December 2020 were audited by Asian Alliance (HK) CPA Limited, who does not express an opinion on the consolidated financial statements of the Group for the year due to the significance of the matters described in the Basis of Disclaimer of Opinion in the independent auditor's report set out in this report and the Auditor had not 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 2020. The related parties transactions were in compliance with the relevant provisions of the Listing Rules and were fair and reasonable and did not infringe upon the interests of the Company and the shareholders.

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

By order of the Supervisory Committee

Zheng Yong
Chairman of the Supervisory Committee

Shanghai, PRC, 24 March 2021

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 2020.

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The principal activities of the Company is the research and development, production and marketing of pesticides and other agricultural material products. As at the date of this report, the principal activities of the Group are agrochemical products supply chain services business, financial leasing and commercial factoring services business and agricultural and petrochemical products supply chain services business. The business sectors, namely road and bridge construction business and agricultural big-data services business were deemed to be discontinued operations of the Group. The activities of its subsidiaries are set out in note 7 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 2020 are set out in the consolidated statement of comprehensive income in pages 51 to 52.

The state of affairs of the Group and of the Company as at 31 December 2020 are set out in the consolidated statement of financial position, respectively, in pages 53 to 54 and page 190.

No interim dividend was declared for the six months ended 30 June 2020 (six months ended 30 June 2019: Nil).

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

DIVIDEND POLICY

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

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

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

FIXED ASSETS

Details of movements in property, plant and equipment, right-of-use assets and intangible assets of the Company and the Group are set out in notes 19, 20 and 22 to the consolidated financial statement respectively.

SHARE CAPITAL

Details of movements in the share capital of the Company are set out in note 35 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 45 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 2020, there was no distributable reserves available for distribution to equity holders of the Company.

PRE-EMPTIVE RIGHTS

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

SUMMARY OF FINANCIAL INFORMATION

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

SHARE OPTIONS

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

DIRECTORS

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

Executive Directors

Mr. Lan Huasheng
Mr. Wang Liguo
Mr. Yan Zebin (resigned on 15 January 2021)

Non-executive Director

Mr. Lu Tingfu

Independent Non-executive Directors

Mr. Chung Cheuk Ming
Mr. Yang Gaoyu
Mr. Liu Jun (appointed on 30 June 2020)
Mr. Zhou Jianhao (passed away on 3 February 2020)

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

In accordance with Article 94 of the Articles, all the Directors shall be appointed at the general meeting for a term of three years. A director may serve consecutive terms if re-elected upon the expiration of the terms. The current session of the Board was elected at the AGM convened on 20 June 2019. All members of the current session of the Board have a term of three years commencing from 20 June 2019.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SUPERVISORS

Brief biographical details of the Directors and the Supervisors are set out in pages 15 to 17 of this report.

CHANGE OF DIRECTORS AND BOARD COMMITTEE MEMBERS

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

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

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

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

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

DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

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

EMOLUMENT POLICY

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

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

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

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

As at 31 December 2020, the interests or short positions of the Directors, chief executives and Supervisors in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**")) which were required, (a) to be recorded in the register required to be kept under section 352 of the SFO; or (b) to be notified to the Company and the Stock Exchange pursuant to the Model Code contained in the Listing Rules were as follows:

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

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

L = Long position

Notes:

(1) Shenzhen Dasheng and 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.

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

As at 31 December 2020, the persons (not being a Director, Supervisor or chief executive of the Company) or companies had interests or short positions in the shares or underlying shares of the Company which were required to be recorded in the register required to be kept under section 336 of the SFO, or who were deemed to be interested, directly and/or indirectly, in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company were listed as follows:

Name of Shareholders	Type of shares	Capacity	Total number of shares and underlying shares	Approximate percentage of shareholding in such class of shares of the Company	Approximate percentage of shareholding in the issued shares capital of the Company
1. Qianhai Dasheng	Domestic shares	Interest in controlled corporation	1,818,013,540 (L) *(notes 1 and 2)*	54.29%	19.04%
	H shares	Interest in controlled corporation	247,000,000 (L) *(notes 1 and 3)*	3.98%	2.59%
2. Dasheng Holdings	Domestic shares	Interest in controlled corporation	1,818,013,540 (L) *(notes 1 and 2)*	54.29%	19.04%
	H shares	Interest in controlled corporation	247,000,000 (L) *(notes 1 and 3)*	3.98%	2.59%
3. Shenzhen Dasheng	Domestic shares	Beneficial owner	1,818,013,540 (L) *(notes 1 and 2)*	54.29%	19.04%
	H shares	Interest in controlled corporation	247,000,000 (L) *(notes 1 and 3)*	3.98%	2.59%
4. HK Dasheng Investment	H shares	Beneficial owner	247,000,000 (L) *(note 3)*	3.98%	2.59%
5. Zhenjiang Runde Equity Investment Fund Ltd. (鎮江潤得股權投資基金有限公司) (**"Zhenjiang Runde"**)	Domestic shares	Beneficial owner	1,530,986,460 (L) *(note 4)*	45.71%	16.03%
6. Pu Shi International Investment Limited	H shares	Interest in controlled corporation	755,000,000 (L)	9.20%	6.54%

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) 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. On 22 April 2019, Wang Liguo, 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, representing his entire shareholding in the Company to such independent third party. Following the abovementioned transfer, Wang Liguo ceased to hold any direct or indirect interest in the Company and Zhenjiang Runde remains a direct substantial shareholder of the Company.

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	5.75%
– five largest customers combined	17.68%
Purchases	
– the largest supplier	4.08%
– five largest suppliers combined	16.31%

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 2020.

PURCHASE, SALES OR REDEMPTION OF LISTED SECURITIES

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

CONTINUING CONNECTED TRANSACTION

During the year ended 31 December 2020, the Group had the following continuing connected transactions. The Company confirms that it has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

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 lease back 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. The annual caps of such continuing connected transactions of each year of the term of the lease years are RMB3,099,000, RMB5,129,000 and RMB11,847,000. Relevant details were set out in the announcement of the Company dated 9 June 2017.

Confirmations on Continuing Connected Transaction

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 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 2020 are disclosed in note 42 to the consolidated financial statements. Other than the transactions disclosed in the section headed "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	
	2020	2019
Functions:		
Management	**50**	30
Sales and marketing	**101**	102
Accounting and finance	**35**	53
Administration and human resources	**18**	8
Technical and quality control	**26**	1
Storage centre	**80**	70
Civil engineer	**261**	276
Construction workers	**873**	783
Total	**1,444**	1,323

As at 31 December 2020, the Group had 1,444 employees (31 December 2019: 1,323 employees). During the year under review, total employees' remuneration (including Directors' remuneration) amounted to approximately RMB154,159,000 (2019: approximately RMB135,121,000). Employees' remuneration is determined by reference to industry practice as well as the performance, qualification and working experience of individual employee. Remuneration packages comprised basic salary, discretionary bonus, state-managed retirement benefit schemes for employees in the PRC and mandatory provident funds schemes for employees in Hong Kong.

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

EMPLOYEE RETIREMENT SCHEMES

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

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

Details of the pension scheme contributions of the Group for the year ended 31 December 2020 are set out in notes 4 and 36 to the consolidated financial statements.

ENVIRONMENTAL POLICIES

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

The "Environmental, Social and Governance Report" required by the Listing Rules will be published separately on the websites of the Stock Exchange by the Company within three months from the date of publication of this report and which will set out the performance of the Group in the environmental and social aspects during the year ended 31 December 2020.

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 marketisation, 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.

Default and Late Payment Risk

The businesses of certain customers of the Company have been significantly affected by the CEFC Events and the liquid shortage of Shenzhen Dasheng ("**Shenzhen Dasheng Events**") as detailed in the note 27(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 40 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 and its subsidiaries ("**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 have been 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 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 an adverse effect on the Group's financial conditions and results of operations.

Measures to Mitigate Such Risks

The Company is currently experiencing high debt level, liquidity shortage and adverse change in its financial conditions, and both the Trading Business and the Factoring Business encountered certain operation difficulties and 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 RMB4,750 million and RMB2,728 million in relation to their trade and other receivables as at 31 December 2019 and 31 December 2020, 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 will continue to implement cost controls and adjust the organisation structure (if necessary) from time to time in order to minimise the loss from these businesses.

Apart from cessation of carrying out the cold chain logistics services business and the road and bridge construction business, the Company will also cease to carry out its agricultural big-data service business upon the successful auction of the Shanghai Runtong Shares, which has been put on auction between 27 April 2021 and 30 April 2021 to settle the repayment to the Plaintiffs under the Zhiying Legal Proceedings. As at the date of this report, the Shanghai Runtong Shares have not yet been auctioned. Please refer to the announcements of the Company dated 11 July 2019, 22 January 2020, 26 May 2020, 30 November 2020, 2 December 2020, 25 February 2021 and 14 April 2021 for details.

To the Company's best knowledge and belief, none of the customers and suppliers in the agrochemical products supply chain services 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 continue to 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

As at 31 December 2020, 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.

On 3 February 2020, Mr. Zhou Jianhao, an independent non-executive Director, the chairman of the remuneration and assessment committee, a member of the nomination committee and a member of the audit committee, passed away due to ill health. Following the passing of Mr. Zhou, the Board comprised six members, including three executive directors, one non-executive director and two independent non-executive directors, with the number of independent non-executive directors falling below the minimum number of three as required under Rule 3.10(1) of the Listing Rules. On 28 April 2020, the Board proposed to appoint Mr. Liu Jun as an independent non-executive Director, which was subject to approval by the shareholders of the Company at the annual general meeting held on 30 June 2020 by way of an ordinary resolution according to the Articles. On 7 May 2020, the Stock Exchange granted to the Company a waiver from strict compliance with Rule 3.10(1) of the Listing Rules for the period from 3 May 2020 to 30 June 2020. On 30 June 2020, Mr. Liu Jun was elected as an independent non-executive Director by the shareholders of the Company by way of an ordinary resolution. For details, please refer to the Company's announcement dated 28 April 2020, 7 May 2020 and 30 June 2020.

During the year ended 31 December 2020 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.

CHANGE OF PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

SUFFICIENCY OF PUBLIC FLOAT

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

AUDIT QUALIFICATIONS FOR THE YEAR ENDED 31 DECEMBER 2020

As disclosed in this report, the Auditor issued a disclaimer of opinion ("**2020 Audit Qualifications**") on the consolidated financial statements of the Group for the year ended 31 December 2020 due to the (i) limitation of scope – prior year's scope limitation affecting corresponding figures; and (ii) multiple uncertainties in relation 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 2020 Audit Qualifications:

Management's view on and Plans to Address the 2020 Audit Qualifications

(1) Limitation of scope – prior year's scope limitation affecting corresponding figures

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

(2) Multiple uncertainties in relation to going concern

As at the date of this report, the outstanding material debts from the Group's agricultural and petrochemical products supply chain services business remain stable and had not been called for repayment yet. However, the Company is of the view that, there is no further room for negotiation with the debtors on the probable settlement of the outstanding material debts (including extension/renewal/refinancing/cash repayment/debt conversion to equity etc.) from the remaining business operations of the Group. The Company shall explore other ways to handle the outstanding debts. The Company's action plans to settle its total borrowings of approximately RMB1.28 billion as at 31 December 2020 are as follows:

- Certain outstanding debts owed to the debtors under the Zhiying Legal Proceedings with the consideration of RMB129,166,715, all related overdue interests and other relevant fees will be settled directly by the relevant court to the extent possible with net proceeds from the auction of the Shanghai Runtong Shares, which had been put on auction during the period from 27 February 2021 to 2 March 2021 with a reserve price of RMB28,840,000. On 2 March 2021, the Company noticed from the network platform of Gongpai Auction that the said auction was not successful. As at the date of this report, the Shanghai Runtong Shares have not yet been auctioned. The Group expects that such settlement(s) will be completed within the year ending 31 December 2021;

- the Group commenced agrochemical products supply chain services in 2018 through Anhui Huaxing Group and strives to develop and enhance this continuing operations segment. For the year ended 31 December 2020, the turnover of the agrochemical products supply chain services amounted to approximately RMB1,426.9 million, representing 99% of the Group's total revenue. Anhui Huaxing Group contributed to the overall positive operating cash flow of the Group for the year ended 31 December 2020. The Company is of the view that Anhui Huaxing Group would further improve the Group's liquidity going forward; and

- the Company is proactive in exploring possible debt restructuring opportunities, including disposal of loss-making subsidiaries, devising probable new repayment plans with creditors and reaching out for new investors. As disclosed in the Company's announcement dated 4 March 2019, the Company entered into the Framework Agreement on the same date pursuant to which the Potential Investor intended to invest in the Company. As at the date of this report, the Potential Investment is still pending and the Company has no other concrete investment plans.

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

Audit Committee's view on the 2020 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 2020 Audit Qualifications and the basis thereof.

SIGNIFICANT EVENTS DURING AND AFTER THE REPORTING PERIOD

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

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

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

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

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

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

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

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

Details of the Zhiying Legal Proceedings are set out in the Company's announcement dated 11 July 2019, 22 January 2020, 26 May 2020, 30 November 2020, 2 December 2020, 25 February 2021 and 14 April 2021.

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

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

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

(d) On 16 January 2020, the Company received a civil judgment dated 19 December 2019 made by the Gansu Provincial Higher People's Court* (甘肅省高級人民法院) in relation to the legal proceedings regarding 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 "**Second CEFC Legal Proceedings**"). According to such civil judgment, the Company shall repay CEFC, (i) the principal amount of the loan of RMB300 million; (ii) relevant overdue interest of RMB10,731,945.21; (iii) relevant compound interest of RMB51,680.93; (iv) relevant penalty interest of RMB1,444,684.93; and (v) CEFC legal fees of RMB350,000. The guarantors to the loan, namely, Shenzhen Dasheng, a substantial shareholder (as defined under the Listing Rules) of the Company, together with its subsidiaries, namely Fujian Dasheng and Hong Kong Dasheng shall undertake joint and several guarantee liability for the repayment obligations of the Company under (i) to (v) mentioned above. In the event that the Company fail to fulfil its repayment obligations set out above, CEFC is entitled to the priority of compensation claims against the Company's pledge of account receivables from two independent third parties of approximately RMB406 million, and the interest to be repaid shall be doubled. As at the date of this report, the Company did not make an appeal application on such civil judgment.

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

AUDITOR OF THE COMPANY

The consolidated financial statements for the year ended 31 December 2020 have been audited by Asian Alliance (HK) CPA Limited. Asian Alliance (HK) CPA Limited will retire as the Auditor at the end of the forthcoming AGM and, being eligible, will offer themselves for re-appointment. A resolution will be proposed for approval by Shareholders at the forthcoming AGM to re-appoint Asian Alliance (HK) CPA Limited as the Company's auditor for the year ending 31 December 2021.

** For identification purpose only*

On behalf of the Board

Lan Huasheng
Chairman

Shanghai, PRC, 24 March 2021

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 51 to 190, which comprise the consolidated statement of financial position as at 31 December 2020, 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

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

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

BASIS FOR DISCLAIMER OF OPINION *(continued)*

Multiple uncertainties relating to going concern

As described in Note 2 to the consolidated financial statements, the Group reported loss attributable to the owners of the Company of approximately RMB779,575,000 for the year ended 31 December 2020 and, as of that date, the Group's current liabilities exceeded its current assets by approximately RMB2,093,860,000 and the Group has net liabilities of approximately RMB1,060,474,000. The Group's total borrowings amounted to approximately RMB1,281,700,000 were classified as current liabilities, while its restricted bank deposits and cash and cash equivalents amounted to approximately RMB10,641,000 and RMB55,262,000, respectively as at 31 December 2020. These conditions indicate the existence of material uncertainties which may cast significant doubt about the Group's ability to continue as a going concern and therefore it may be unable to realise its assets and discharge its liabilities in the normal course of business.

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

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

RESPONSIBILITIES OF 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.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

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.

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

Asian Alliance (HK) CPA Limited
Certified Public Accountants (Practising)

Lam Chik Tong
Practising Certificate Number: P05612

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

24 March, 2021

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2020

	Notes	**2020 RMB'000**	2019 RMB'000 (Restated)
Continuing operations			
Revenue	*6*		
– Contracts with customer		**1,426,861**	1,416,705
– Interest under effective interest method		**6,952**	12,111
Total revenue		**1,433,813**	1,428,816
Cost of sales		**(1,109,884)**	(1,161,394)
Gross profit		**323,929**	267,422
Other income	*8*	**28,552**	32,133
Other gains or losses	*8*	**29,615**	(1,102)
Distribution costs		**(54,561)**	(54,931)
Administrative and other expenses		**(223,283)**	(209,400)
Impairment losses, net of reversal	*9*	**(773,598)**	67,986
Share of loss of associates	*23*	**(995)**	(4,034)
Gain (loss) on disposal of subsidiaries, net	*37*	**11,402**	(10,708)
Finance costs	*10*	**(238,906)**	(342,254)
Loss before tax		**(897,845)**	(254,888)
Income tax expense	*11*	**(6,135)**	(6,544)
Loss for the year from continuing operations	*13*	**(903,980)**	(261,432)
Discontinued operations			
Loss for the year from discontinued operations, net of income tax	*12*	**(11,472)**	(592,385)
Loss for the year		**(915,452)**	(853,817)
Other comprehensive (expense) income			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**(1,339)**	1,276
Items that will not be reclassified to profit or loss:			
Fair value loss on equity instruments at fair value through other comprehensive income		**(308)**	(637)
Other comprehensive (expense) income for the year, net of income tax		**(1,647)**	639
Total comprehensive expense for the year		**(917,099)**	(853,178)

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2020

	Notes	2020 RMB'000	2019 RMB'000 (Restated)
Loss for the year attributable to owners of the Company			
– from continuing operations		**(770,397)**	(215,395)
– from discontinued operations		**(9,178)**	(556,092)
		(779,575)	(771,487)
Loss for the year attributable to non-controlling interests			
– from continuing operations		**(133,583)**	(46,037)
– from discontinued operations		**(2,294)**	(36,293)
		(135,877)	(82,330)
		(915,452)	(853,817)
Total comprehensive expense for the year attributable to:			
– Owners of the Company		**(781,160)**	(770,729)
– Non-controlling interests		**(135,939)**	(82,449)
		(917,099)	(853,178)
Loss per share	*18*		
From continuing and discontinued operations			
– Basic and diluted (RMB)		**(0.082)**	(0.081)
From continuing operations			
– Basic and diluted (RMB)		**(0.081)**	(0.023)

Consolidated Statement of Financial Position

At 31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	*19*	**905,368**	887,087
Right-of-use assets	*20*	**90,876**	96,100
Goodwill	*21*	**–**	–
Intangible assets	*22*	**5,913**	14,524
Interests in associates	*23*	**38,318**	24,493
Interests in a joint venture	*24*	**–**	–
Equity instruments at fair value through other comprehensive income ("**FVTOCI**")	*25*	**–**	10,140
Trade and other receivables - non-current portion	*27*	**–**	66,552
Deferred tax assets	*34*	**–**	376
		1,040,475	1,099,272
CURRENT ASSETS			
Inventories	*26*	**319,223**	268,224
Trade and other receivables	*27*	**392,725**	1,121,465
Restricted bank deposits	*28*	**10,641**	151,277
Cash and cash equivalents	*29*	**55,262**	65,222
		777,851	1,606,188
Assets classified as held for sale	*12*	**127,366**	3,259,843
		905,217	4,866,031
CURRENT LIABILITIES			
Trade and other payables	*30*	**1,265,428**	1,253,747
Lease liabilities	*33*	**–**	945
Contract liabilities	*31*	**303,574**	282,203
Borrowings	*32*	**1,281,700**	2,112,786
Tax liabilities		**57,057**	85,598
		2,907,759	3,735,279
Liabilities associated with assets classified as held for sale	*12*	**91,318**	2,755,913
		2,999,077	6,491,192
NET CURRENT LIABILITIES		**(2,093,860)**	(1,625,161)
TOTAL ASSETS LESS CURRENT LIABILITIES		**(1,053,385)**	(525,889)

Consolidated Statement of Financial Position

At 31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
NON-CURRENT LIABILITIES			
Other payables - non-current portion	*30*	**3,961**	4,950
Borrowings	*32*	**–**	139,061
Deferred tax liabilities	*34*	**3,128**	3,063
		7,089	147,074
NET LIABILITIES		**(1,060,474)**	(672,963)
CAPITAL AND RESERVES			
Share capital	*35*	**955,108**	955,108
Reserves		**(2,031,189)**	(1,067,525)
Equity attributable to owners of the Company		**(1,076,081)**	(112,417)
Non-controlling interests		**15,607**	(560,546)
TOTAL DEFICIT		**(1,060,474)**	(672,963)

The consolidated financial statements on pages 51 to 190 were approved and authorised for issue by the Board of Directors on 24 March 2021 and are signed on its behalf by:

Lan Huasheng
Director

Wang Liguo
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2020

	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	Fair value through other comprehensive income reserve RMB'000	Accumulated losses RMB'000	Equity attributable to owners of the Company RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 January 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	–	–	–	–	–	–	(771,487)	(771,487)	(82,330)	(853,817)
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	–	–	–	–	1,276	–	–	1,276	–	1,276
Items that will not be classified to profit or loss:										
Fair value loss on equity instruments at fair value through other comprehensive income	–	–	–	–	–	(518)	–	(518)	(119)	(637)
Total comprehensive income (expense) for the year	–	–	–	–	1,276	(518)	(771,487)	(770,729)	(82,449)	(853,178)
Dividend paid to non-controlling interests	–	–	–	–	–	–	–	–	(15,000)	(15,000)
Transfer to statutory reserve fund	–	–	4,503	–	–	–	(4,503)	–	–	–
Deregistration of a subsidiary	–	–	–	–	–	–	–	–	927	927
Partial disposal of a subsidiary resulting in loss of control	–	–	–	–	–	–	–	–	290	290
Partial disposal of subsidiaries without change of control	–	(56,504)	–	–	–	(82)	504,285	447,699	(447,699)	–
Disposal of subsidiaries	–	–	–	–	11,363	–	–	11,363	(113,784)	(102,421)
At 31 December 2019	955,108	2,309,680	172,837	17,912	3,554	5,050	(3,576,558)	(112,417)	(560,546)	(672,963)

Consolidated Statement of Changes in Equity

For the year ended 31 December 2020

	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	Fair value through other comprehensive income reserve RMB'000	Accumulated losses RMB'000	Equity attributable to owners of the Company RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 January 2020	955,108	2,309,680	172,837	17,912	3,554	5,050	(3,576,558)	(112,417)	(560,546)	(672,963)
Loss for the year	–	–	–	–	–	–	(779,575)	(779,575)	(135,877)	(915,452)
Other comprehensive expense for the year, net of income tax *Items that may be reclassified subsequently to profit or loss:* Exchange differences arising on translation of foreign operations	–	–	–	–	(1,339)	–	–	(1,339)	–	(1,339)
Items that will not be classified to profit or loss: Fair value loss on equity instruments at fair value through other comprehensive income	–	–	–	–	–	(246)	–	(246)	(62)	(308)
Total comprehensive expense for the year	–	–	–	–	(1,339)	(246)	(779,575)	(781,160)	(135,939)	(917,099)
Transfer to statutory reserve fund	–	–	1,944	–		–	(1,944)	–	–	–
Disposal of subsidiaries	–	(160,723)	(2,582)	(17,912)	(793)	(250)	(244)	(182,504)	712,092	529,588
At 31 December 2020	955,108	2,148,957	172,199	–	1,422	4,554	(4,358,321)	(1,076,081)	15,607	(1,060,474)

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 profits, as determined under the PRC accounting regulations, to a statutory reserve fund until the fund aggregates to 50% of its registered capital. The transfer to this reserve shall be made before distribution of dividends to shareholders.

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

(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. The Group has disposed the entire equity interest of these subsidiaries during the year ended 31 December 2020.

Consolidated Statement of Cash Flows

For the year ended 31 December 2020

	2020 RMB'000	2019 RMB'000
OPERATING ACTIVITIES		
Loss for the year		
– continuing operations	**(903,980)**	(261,432)
– discontinuing operations	**(11,472)**	(592,385)
Adjustments for:		
Income tax expenses (credit)	**7,552**	(112,885)
Interest income	**(2,479)**	(938)
Finance costs	**238,906**	350,827
Amortisation of intangible assets	**3,051**	2,795
Depreciation of property, plant and equipment	**84,134**	74,770
Loss on disposal of property, plant and equipment	**5,364**	4,689
Loss on written off of property, plant and equipment	**13**	–
Depreciation of right-of-use assets	**3,449**	4,391
Gain on disposal of right-of-use assets	**(231)**	(3,862)
Loss on disposal of asset classified as held for sale	**252**	–
Share of loss of associates	**995**	4,515
Share of loss of a joint venture	**–**	725
Impairment loss, net of reversal		
– interests in associates	**850**	40,749
– asset classified as held for sale	**17,899**	663,989
– other items subject to expected credit loss	**772,748**	(85,437)
Written off of trade and other receivables	**–**	275
Loss on written-off property, plant and equipment	**–**	2,885
(Gain) loss on disposal of subsidiaries, net	**(11,402)**	11,010
Gain on deemed disposal of a subsidiary	**–**	(302)
Loss on deregistration of a subsidiary	**–**	889
Gain on settlement of other payables	**(35,000)**	–
Operating profit before working capital changes	**170,649**	105,268
(Increase) decrease in inventories	**(51,139)**	14,380
Decrease in trade and other receivables	**101,041**	224,079
(Decrease) increase in trade and other payables	**(25,581)**	119,035
Increase in contract liabilities	**27,150**	43,987
Cash generated from operations	**222,120**	506,749
Interest paid	**(29,361)**	(97,338)
Income taxes paid	**(1,410)**	(24,468)
NET CASH FROM OPERATING ACTIVITIES	**191,349**	384,943

Consolidated Statement of Cash Flows

For the year ended 31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		**(120,795)**	(97,886)
Net cash outflow on disposal of subsidiaries	*37*	**(27,012)**	(2,503)
Capital injection to associates		**(15,670)**	(10,658)
Purchase of intangible asset		**(1,556)**	(4,214)
Payments for right-of-use assets		**–**	(6,005)
Net cash outflow on deemed disposal of subsidiaries	*37*	**–**	(373)
Proceeds from disposal of associates		**–**	33,000
Proceeds from disposal of property, plant and equipment		**766**	2,573
Interest received		**1,597**	938
Proceeds from disposal of right-of-use assets		**2,006**	11,916
Proceeds from disposal of assets classified as held for sale		**3,877**	–
Decrease in restricted bank deposits		**48,824**	60,074
NET CASH USED IN INVESTING ACTIVITIES		**(107,963)**	(13,138)
FINANCING ACTIVITIES			
Repayment of borrowings		**(78,366)**	(387,085)
Repayment of lease liabilities		**(945)**	(4,557)
Dividend paid to non-controlling interests		**–**	(15,000)
New borrowings raised		**–**	65,240
NET CASH USED IN FINANCING ACTIVITIES		**(79,311)**	(341,402)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**4,075**	30,403
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**65,222**	58,394
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		**(1,339)**	1,276
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		**67,958**	90,073
REPRESENTED BY			
Cash and cash equivalents as stated in the consolidated statement of financial position		**55,262**	65,222
Cash and cash equivalents attributable to discontinued operations		**12,696**	24,851
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		**67,958**	90,073

1. GENERAL

Shanghai Dasheng Agriculture Finance Technology Co., Ltd. (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") are principally engaged in (i) road and bridge construction, (ii) trading of petrochemical and agricultural products, (iii) financial services, (iv) agricultural big-data services and (v) 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 discontinued the road and bridge construction business since year 2018 and completed the disposal during the year and discontinued the agricultural big-data services during the year ended 31 December 2020 (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 Reminbi ("**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**").

2. BASIS OF PREPARATION *(continued)*

(b) Going concern basis

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

(i) Certain outstanding debts owed to the debtors under the Zhiying Legal Proceedings (as defined below) will be settled directly by the relevant court to the extent possible with net proceeds from the auction of the Company's 80% equity interests in Shanghai Runtong Industrial and Investment Co., Limited (the "**Shanghai Runtong Shares**"), which had been put on auction during the period from 27 February 2021 to 2 March 2021 with a reserve price of RMB28,840,000. On 2 March 2021, the Company noticed from the network platform of Gongpai Auction that the said auction was not successful. As at the date of this report, the Shanghai Runtong Shares have not yet been auctioned. The Group expects that such settlement(s) will be completed within the year ending 31 December 2021;

(ii) The Group commenced agrochemical products supply chain services in 2018 through Anhui Huaxing Chemical Industry Company Limited ("**Anhui Huaxing**") and its subsidiaries (collectively, the "**Anhui Huaxing Group**") and strives to develop and enhance this continuing operations segment. For the year ended 31 December 2020, the turnover of the agrochemical products supply chain services amounted to approximately RMB1,426.9 million, representing 99% of the Group's total revenue. Anhui Huaxing Group contributed to the overall positive operating cash flow of the Group for the year ended 31 December 2020. The Company is of the view that Anhui Huaxing Group would further improve the Group's liquidity going forward; and

(iii) The Company is proactive in exploring possible debt restructuring opportunities, including disposal of loss-making subsidiaries, devising probable new repayment plans with creditors and reaching out for new investors. As disclosed in the Company's announcement dated 4 March 2019, the Company entered into an intent cooperation framework agreement dated 4 March 2019 pursuant to which the potential investor intended to invest in the Company. As at the date of this report, the potential investment is still pending and the Company has no other concrete investment plans.

The directors of the Company (the "**Directors**") are of the opinion that the Group would be able to have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due for a period of not less than the next twelve months from 31 December 2020 after taking into consideration the above measures.

Accordingly, the Directors are of the opinion that it is appropriate to prepare these consolidated financial statements for the year ended 31 December 2020 on a going concern basis. The consolidated financial statements do not include any adjustments that would result from the failure of the Group to obtain sufficient future funding. Should the Group be unable to continue to operate as a going concern, adjustments would have to be made to reduce the carrying amounts of the assets of the Group to their recoverable amounts, to provide for further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities, respectively.

3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

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

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

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

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

New and Amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

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

[1] Effective for annual periods beginning on or after 1 January 2023.

[2] Effective for annual periods beginning on or after 1 January 2022.

[3] Effective for annual periods beginning on or after a date to be determined.

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

[5] Effective for annual periods beginning on or after 1 June 2020.

3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(continued)*

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

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.

Amendments to HKAS 1 and HKAS 8 Definition of Material

The amendments provide refinements to the definition of material by including additional guidance and explanations in making materiality judgments. In particular, the amendments:

- include the concept of "obscuring" material information in which the effect is similar to omitting or misstating the information;
- replace threshold for materiality influencing users from "could influence" to "could reasonably be expected to influence"; and
- include the use of the phrase "primary users" rather than simply referring to "users" which was considered too broad when deciding what information to disclose in the financial statements.

The amendments also align the definition across all HKFRSs and will be mandatorily effective for the Group's annual period beginning on 1 January 2020. The application of the amendments is not expected to have significant impact on the financial position and performance of the Group but may affect the presentation and disclosures in the consolidated financial statements.

4. SIGNIFICANT ACCOUNTING POLICIES

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

The consolidated financial statements have been prepared on the historical cost basis, 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.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 *Share-based Payment*, leasing transactions that are accounted for in accordance with HKFRS 16 (since 1 January 2019) or HKAS 17 (before application of HKFRS 16), and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 *Inventories* or value in use in HKAS 36 *Impairment of Assets*.

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.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Basis of consolidation *(continued)*

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

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

Changes in the Group's interests in existing subsidiaries

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments in associates and joint ventures *(continued)*

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 is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments in associates 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, 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, 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

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.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue from contracts with customers *(continued)*

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

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

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.

Leases

Definition of a lease

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

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

The Group as a lessee

Allocation of consideration to components of a contract

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

Non-lease components are separated from lease component on the basis of their relative stand-alone prices.

As a practical expedient, leases with similar characteristics are accounted on a portfolio basis when the Group reasonably expects that the effects on the consolidated financial statements would not differ materially from individual leases within the portfolio.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Leases *(continued)*

The Group as a lessee *(continued)*

Short-term leases

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

Right-of-use assets

The cost of right-of-use asset includes:

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

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

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

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

Refundable rental deposits

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

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Leases *(continued)*

The Group as a lessee *(continued)*

Lease liabilities

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

The lease payments include:

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

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

The Group as a lessor

Classification and measurement of leases

Leases for which the Group is a lessor are classified as operating leases.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and such costs are recognised as an expense on a straight-line basis over the lease term except for investment properties measured under fair value model. Variable lease payments for operating leases that depend on an index or a rate are estimated and included in the total lease payments to be recognised on a straight-line basis over the lease term. Variable lease payments that do not depend on an index or a rate are recognised as income when they arise.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Leases *(continued)*

The Group as a lessor *(continued)*

Allocation of consideration to components of a contract

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

Refundable rental deposits

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

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Nonmonetary 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.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Foreign currencies *(continued)*

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.

Any specific borrowing that remain outstanding after the related asset is ready for its intended use or sale is included in the general borrowing pool for calculation of capitalization rate on general borrowings. 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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Government grants *(continued)*

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

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Taxation *(continued)*

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.

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

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 *Income Taxes* requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

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

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Taxation *(continued)*

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.

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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Intangible assets *(continued)*

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 property, plant and equipment, right-of-use assets and intangible assets other than goodwill

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

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

In addition, the Group assesses whether there is indication that corporate assets may be impaired. If such indication exists, corporate assets are also allocated to individual cash-generating units, when a reasonable and consistent basis of allocation can be identified, 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.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment on property, plant and equipment, right-of-use assets and intangible assets other than goodwill *(continued)*

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

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

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).

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Provisions *(continued)*

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.

Financial instruments

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

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) 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 income which are derived from the Group's ordinary course of business are presented as revenue.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets

Classification and subsequent measurement of financial assets

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

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

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

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

All other financial assets are subsequently measured at fair value through profit or loss ("**FVTPL**"), except that at the date of initial application of HKFRS 9/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 *Business Combinations* applies.

A financial asset is held for trading if:

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets *(continued)*

Classification and subsequent measurement of 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 other comprehensive income 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.

(c) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in the "other gains and losses" line item.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets *(continued)*

Impairment of financial assets

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

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("**12m ECL**") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. 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.

The Group always recognises lifetime ECL for trade receivables, contract assets, 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.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets *(continued)*

Impairment of financial assets *(continued)*

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

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

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

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

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

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

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.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets *(continued)*

Impairment of financial assets *(continued)*

(ii) Definition of default

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

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

(iii) Credit-impaired financial assets

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

(a) significant financial difficulty of the issuer or the borrower;
(b) a breach of contract, such as a default or past due event;
(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
(e) the disappearance of an active market for that financial asset because of financial difficulties.

(iv) Write-off policy

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

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets *(continued)*

Impairment of financial assets *(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 HKFRS 16.

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

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets *(continued)*

Impairment of financial assets *(continued)*

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

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

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 equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the FVTOCI reserve is not reclassified to profit or loss, but is transferred to accumulated losses.

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.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial liabilities and equity *(continued)*

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; 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.

Critical judgments in applying accounting policies

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

Going concern and liquidity

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

Key sources of estimation uncertainty

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

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

Key sources of estimation uncertainty *(continued)*

(a) 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 27 and 40(b).

(b) Estimated impairment of property, plant and equipment, right-of-use assets and intangible assets

Property, plant and equipment, right-of-use assets and intangible assets are stated at costs less accumulated depreciation and impairment, if any. In determining whether an asset is impaired, the Group has to exercise judgment and make estimation, particularly in assessing: (1) whether an event has occurred or any indicators that may affect the asset value; (2) whether the carrying value of an asset can be supported by the recoverable amount, in the case of value in use, the net present value of future cash flows which are estimated based upon the continued use of the asset; and (3) the appropriate key assumptions to be applied in estimating the recoverable amounts including cash flow projections and an appropriate discount rate. When it is not possible to estimate the recoverable amount of an individual asset (including right-of-use assets), the Group estimates the recoverable amount of the cash-generating unit to which the assets belong. Changing the assumptions and estimates, including the discount rates or the growth rate in the cash flow projections, could materially affect the net present value used in the impairment test.

Details of the impairment of property, plant and equipment, right of-use assets and intangible assets are disclosed in Notes 19, 20 and 22 respectively.

6. REVENUE

(i) Disaggregation of revenue from contracts with customers

Segments	For the year ended 31 December 2020 Agrochemical products supply chain services RMB'000
Types of goods or services	
Pesticide	**1,221,795**
Chemical products	**205,066**
Total	**1,426,861**
Geographical markets	
Mainland China	**1,063,196**
Hong Kong	**5,083**
India	**74,969**
Brazil	**93,329**
Canada	**65,851**
Pakistan	**22,473**
Thailand	**21,477**
Others	**80,483**
Total	**1,426,861**

6. REVENUE *(continued)*

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

Segments	For the year ended 31 December 2020 Agrochemical products supply chain services RMB'000
Timing of revenue recognition	
A point in time	**1,426,861**
Sales channel	
Wholesale	**1,426,861**

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

For the year ended 31 December 2020

	Segment revenue RMB'000
Agrochemical products supply chain services	**1,426,861**
Revenue from contracts with customers	
Interest under effective interest method	**6,952**
Total revenue	**1,433,813**

6. REVENUE *(continued)*

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

	For the year ended 31 December 2019	
Segments	Agricultural and petrochemical products supply chain services RMB'000	Agrochemical products supply chain services RMB'000
Types of goods or services		
Sale of petrochemical and agricultural products		
Alcohol wholesale	5,768	–
Others	194	–
	5,962	–
Agrochemical products supply chain services		
Pesticide	–	1,183,561
Chemical products	–	227,182
	–	1,410,743
Total	5,962	1,410,743
Geographical markets		
Mainland China	5,962	1,105,493
Hong Kong	–	2,580
India	–	65,795
Brazil	–	60,918
Canada	–	86,861
Pakistan	–	16,358
Thailand	–	24,558
Others	–	48,180
Total	5,962	1,410,743

6. REVENUE *(continued)*

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

Segments	For the year ended 31 December 2019 Agricultural and petrochemical products supply chain services RMB'000	Agrochemical products supply chain services RMB'000
Timing of revenue recognition		
A point in time	5,962	1,410,743
Sales channel		
Wholesale	5,962	1,410,743

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

For the year ended 31 December 2019

	Segment revenue RMB'000
Agricultural and petrochemical products supply chain services	5,962
Agrochemical products supply chain services	1,410,743
Revenue from contracts with customers	1,416,705
Interest under effective interest method	12,111
Total revenue	1,428,816

6. REVENUE *(continued)*

(ii) Performance obligations for contracts with customers

Agricultural and petrochemical products supply chain services

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.

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

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

7. SEGMENT INFORMATION

Information reported to the board of directors 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.

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

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

Operating segments regarding the agricultural big-data services were discontinued during the year ended 31 December 2020. 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 2020

Continuing operations

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

7. SEGMENT INFORMATION *(continued)*

(a) Segment revenues and results *(continued)*

For the year ended 31 December 2019

Continuing operations

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

7. SEGMENT INFORMATION *(continued)*

(b) Segment assets and liabilities

For the year ended 31 December 2020

Continuing operations

	Agricultural and petrochemical products supply chain services RMB'000	Financial leasing and commercial factoring services RMB'000	Agrochemical products supply chain services RMB'000	Total RMB'000
Amounts included in the measure of segment profits or loss or segment assets:				
Amortisation of intangible assets	–	(11)	(1,355)	(1,366)
Depreciation of property plant and equipment	(460)	–	(83,389)	(83,849)
Depreciation of right-of-use assets	(840)	(133)	(2,476)	(3,449)
Capital expenditure	(820)	–	(121,531)	(122,351)
Impairment loss recognised on trade and other receivables	(623,818)	(327,660)	(18,476)	(969,954)
Reversal of impairment of trade and other receivables	187,497	8,895	814	197,206
Finance costs	(147,151)	(46,803)	(44,952)	(238,906)
Interest income	15	–	1,814	1,829
Loss on disposals of property plant and equipment	(66)	–	(5,298)	(5,364)
Share of loss of associates	(757)	–	(238)	(995)
Impairment loss recognised on interests in associates	–	–	(850)	(850)
Gain (loss) on disposals of subsidiaries	23,326	(11,924)	–	11,402
Gain on disposals of right-of-use assets	–	–	231	231
Loss on disposal of asset classified as held for sale	–	–	(252)	(252)

7. SEGMENT INFORMATION *(continued)*

(b) Segment assets and liabilities *(continued)*

For the year ended 31 December 2019

Continuing operations

	Agricultural and petrochemical products supply chain services RMB'000	Financial leasing and commercial factoring services RMB'000	Agrochemical products supply chain services RMB'000	Total RMB'000
Amounts included in the measure of segment profits or loss or segment assets:				
Amortisation of intangible assets	–	(11)	(1,272)	(1,283)
Depreciation of property plant and equipment	(1,192)	(202)	(73,058)	(74,452)
Depreication of right-of-use assets	(1,346)	(384)	(2,661)	(4,391)
Capital expenditure	(7)	(26)	(97,735)	(97,768)
Impairment loss recognised on trade and other receivables	(4,362)	(48,132)	(3,682)	(56,176)
Reversal of impairment of trade and other receivables	78,519	50,353	26,719	155,591
Finance costs	(228,257)	(80,536)	(33,461)	(342,254)
Interest income	13	1	896	910
Loss on disposals of property, plant and equipment	425	(8)	(5,106)	(4,689)
Share of loss of associates	(3,863)	–	(171)	(4,034)
Impairment loss recognised on interests in associates	(31,429)	–	–	(31,429)
Loss on disposals of subsidiaries	(11,010)	–	–	(11,010)
Gain on deemed disposal of a subsidiaries	–	–	302	302
Gain on disposals of right-of-use assets	–	–	3,862	3,862
Written off of property, plant and equipment	(2,785)	(100)	–	(2,885)
Written-off of trade and other receivables	(275)	–	–	(275)

(c) 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.

7. SEGMENT INFORMATION *(continued)*

(d) Information about major customers

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

8A. OTHER INCOME

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

Notes:

(a) Leases

	2020 **RMB'000**	2019 RMB'000
For operating leases:		
Lease payments that are fixed or depend on an index or a rate	**1,035**	785

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

8B. OTHER GAINS OR LOSSES

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

9. IMPAIRMENT LOSSES, NET OF REVERSAL

	2020 RMB'000	2019 RMB'000 (Restated)
Continuing operations		
Impairment losses recognised (reversed) on:		
Impairment loss on interests in associates	**850**	31,429
Impairment losses recongised (reversed) under ECL model:		
Reversal of impairment on trade and other receivables	**(197,206)**	(155,591)
Impairment loss recognised on trade and other receivables	**969,954**	56,176
	773,598	(67,986)

10. FINANCE COSTS

	2020 **RMB'000**	2019 RMB'000 (Restated)
Continuing operations		
Interest expense on borrowings	**238,877**	341,855
Interest expense on lease liabilities	**29**	108
Others	**–**	291
Total finance costs	**238,906**	342,254

11. INCOME TAX EXPENSE

	2020 **RMB'000**	2019 RMB'000 (Restated)
Continuing operations		
Current income tax:		
PRC enterprise income tax ("**EIT**")	**5,177**	7,253
Under-provision in prior years, net		
EIT	**861**	84
	6,038	7,337
Deferred tax	**97**	(793)
	6,135	6,544

11. INCOME TAX EXPENSE *(continued)*

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

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

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

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

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

	2020 **RMB'000**	2019 RMB'000 (Restated)
Loss before tax (from continuing operations)	**(897,845)**	(254,888)
Tax calculated at tax rate of 25% (2019: 25%)	**(224,461)**	(63,722)
Effect of different tax rates for subsidiaries operating in other jurisdiction	**937**	21,954
Tax effect of preferential tax rate granted to a PRC subsidiary	**(3,932)**	(3,828)
Tax effect of income and expense items that are not subject to tax, net	**181,628**	(30,708)
Tax effect of share of associates	**(225)**	(988)
Tax effect of tax losses not recognised	**51,327**	83,752
Under-provision in respect of prior years, net	**861**	84
Income tax expense for the year (relating to continuing operations)	**6,135**	6,544

12. DISCONTINUED OPERATIONS AND DISPOSAL GROUP/ASSETS HELD FOR SALE

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

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

Assets classified as held for sale is set out below:

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

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

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

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

Notes:

(a) Discontinued agricultural big-data services operation

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

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

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

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

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

* *For illustrative purposes only*

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

Notes: (continued)

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

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

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

During the year ended 31 December 2020, the discontinued agricultural big-data services operation occupied approximately RMB45,124,000 (2019: RMB56,234,000) in respect of the Group's net operating cash flows, contributed approximately RMB11,840,000 (2019: RMB2,011,000) in respect of investing activities and contributed approximately RMB65,445,000 (2019: RMB56,019,000) in respect of financing activities.

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

Notes: (continued)

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

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

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

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

Notes: (continued)

(b) Discontinued construction of roads and bridges operation

On 5 June 2018, CEFC Shanghai Securities Limited ("**CEFC**") issued and filed a statement of claim (the "**CEFC Statement of Claim**"), against Shanghai Dasheng Agro-chemical Co., Ltd.* (上海大生農化有限公司) ("**Shanghai Agro-chemical**"), a wholly-owned subsidiary of the Company, under 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**").

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

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

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

* *For illustrative purposes only*

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

Notes: (continued)

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

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

	2019 RMB'000
Revenue	2,387,295
Cost of sales	(2,391,328)
Other income and gains	7,135
Administrative and other expenses	(21,691)
Impairment loss recognised in respect of trade and other receivables	(12,143)
Share of loss of a joint venture	(725)
Finance costs	(8,573)
Loss of the discontinued operation	(40,030)
Impairment loss on a disposal group classified as held for sale	(663,989)
Loss before tax	(704,019)
Income tax credit	63,911
Loss for the year	(640,108)

Loss for the year from discontinued construction of roads and bridges operation includes the following:

Gain on disposal of property, plant and equipment, net	125
Auditor's remuneration	215

During the year ended 31 December 2019, the construction of roads and bridges operation contributed RMB21,652,000 to the Group's net operating cash flows, paid RMB140,010,000 in respect of investing activities and RMB83,325,000 in respect of financing activities.

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

Notes: (continued)

(b) Discontinued 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 2019, which have been presented separately in the consolidated statement of financial position, are as follows:

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

Note:

Assets held for sale directly associated with assets held for sale above are presented before elimination of intra-group balance of RMB53,091,000. The transaction was completed on 19 January 2020.

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

Notes: (continued)

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

(d) 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 approximately RMB209,405,000 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 II**") through the network platform of Ali Auction.

** For illustrative purposes only*

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

Notes: (continued)

(d) *(continued)*

On 21 December 2018, the Company noticed from the network platform of Ali Auction that the auction during the Auction Period II 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 during the period from 17 January 2019 to 18 January 2019 through the network platform of Ali Auction.

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 with an auction result of RMB188,000,000. The disposal was completed on 21 January 2019. Bao Ze did not contribute any profit or loss to the Group during the year ended 31 December 2019. The carrying amounts of the assets and liabilities of Bao Ze at the date of disposal are disclosed in Note 37.

13. LOSS FOR THE YEAR

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

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

14. STAFF COSTS

	2020 RMB'000	2019 RMB'000 (Restated)
Continuing operations		
Employee costs (including directors) comprise (from continuing operations):		
Wages and salaries	**139,893**	114,551
Social security costs	**13,465**	16,880
Retirement scheme contributions	**801**	3,690
	154,159	135,121
Capitalised in inventories	**(44,072)**	(41,643)
	110,087	93,478

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 2020

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	–	912	–	3	915
Mr. Wang Liguo					
(Chief Executive Officer) (note (a))	–	668	–	26	694
Mr. Yan Zebin *(note (b))*	–	973	1,233	134	2,340
	–	2,553	1,233	163	3,949

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

For the year ended 31 December 2020 *(continued)*

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. Lu Tingfu *(note (c))*	–	–	–	–	–

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	107	–	–	–	107
Mr. Zhou Jianhao *(note (d))*	14	–	–	–	14
Mr. Liu Jun *(note (e))*	50	–	–	–	50
Mr. Yang Gaoyu	86	–	–	–	86
	257	–	–	–	257

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. Zheng Yong *(note (f))*	–	–	–	–	–
Ms. Ye Mingzhu	55	–	–	–	55
Mr. Wang Bin	36	182	–	5	223
Ms. Sun Ting	36	198	–	5	239
Mr. Zhao Xufeng *(note (g))*	70	–	–	–	70
	197	380	–	10	587

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

Total:	454	2,933	1,233	173	4,793

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

For the year ended 31 December 2019

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	–	629	–	36	665
Mr. Wang Liguo					
(Chief Executive Officer) (note (a))	–	520	–	61	581
Mr. Yan Zebin *(note (b))*	–	425	1,957	65	2,447
	–	1,574	1,957	162	3,693

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.

Non-executive directors:					
Mr. Lu Tingfu *(note (c))*	–	–	–	–	–
Mr. Zhu Tianxiang *(note (i))*	–	–	–	–	–

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

Independent non-executive directors:					
Mr. Chung Cheuk Ming	106	–	–	–	106
Mr. Zhou Jianhao *(note (d))*	86	–	–	–	86
Mr. Yang Gaoyu	86	–	–	–	86
	278	–	–	–	278

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

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

For the year ended 31 December 2019 *(continued)*

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 *(note (c))*	–	–	–	–	–
Ms. Ye Mingzhu	55	–	–	–	55
Ms. Chen Yuanling *(note (j))*	14	–	–	–	14
Mr. Wang Bin	33	149	–	40	222
Ms. Sun Ting	33	163	–	34	230
Mr. Zhao Xufeng *(note (g))*	41	–	–	–	41
	176	312	–	74	562

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

Total:	454	1,886	1,957	236	4,533

Notes:

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

(b) Ms. Yan Zebin was appointed as executive director on 21 June 2019 and resigned on 15 January 2021.

(c) Mr. Lu Tingfu was re-designated as non-executive director on 21 June 2019.

(d) Mr. Zhou Jianhao was passed away on 3 February 2020.

(e) Mr. Liu Jun was appointed as independent non-executive director on 30 June 2020.

(f) Mr. Zheng Yong was appointed as supervisor on 20 June 2019.

(g) Mr. Zhao Xufeng was appointed as supervisor on 20 June 2019.

(h) Mr. Qian Di was resigned on 11 February 2019.

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

(j) Ms. Chen Yuanling was resigned as supervisor on 20 June 2019.

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 2020 and 2019.

16. FIVE HIGHEST PAID EMPLOYEES

The five highest employees of the Group during the year included three (2019: three) Directors, details of whose emoluments are set out in Note 15 above. Details of the remuneration for the year of the remaining two (2019: two) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2020	2019
	RMB'000	RMB'000
Basic salaries and allowances	**768**	1,086
Retirement scheme contributions	**121**	148
	889	1,234

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

	2020	2019
	Number of individuals	Number of Individuals
Nil to HK$1,000,000	**2**	2

During the years ended 31 December 2020 and 2019, 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 2020, nor has any dividend been proposed since the end of the reporting period (2019: Nil).

18. LOSS PER SHARE

For continuing and discontinued operations

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

18. LOSS PER SHARE *(continued)*

For continuing and discontinued operations *(continued)*

Loss figures are calculated as follows:

	2020 RMB'000	2019 RMB'000
Loss for the year attributable to owners of the Company for the purpose of basic and diluted loss per share	**(779,575)**	(771,487)

Number of shares

	2020	2019
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**9,551,079,812**	9,551,079,812

For continuing operations

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

Loss figures are calculated as follows:

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

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

For discontinued operations

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

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

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 2019	412,721	370	458,968	9,155	7,904	10,345	52,590	952,053
Additions	–	–	8,889	–	891	1,081	87,025	97,886
Disposals	–	–	(8,666)	–	(92)	(2,395)	–	(11,153)
Transfer	30,738	–	57,455	–	719	200	(89,112)	–
Disposal of subsidiaries	–	–	–	–	–	–	(7,056)	(7,056)
Written off	–	–	(695)	(7,096)	(215)	–	–	(8,006)
At 31 December 2019	443,459	370	515,951	2,059	9,207	9,231	43,447	1,023,724
Additions	–	–	12,243	–	979	2,897	104,676	120,795
Disposals	–	–	(7,145)	–	(69)	(1,652)	–	(8,866)
Reclassified assets as held for sale	(13,164)	–	(645)	–	(297)	(371)	–	(14,477)
Transfer	34,981	–	79,056	–	842	–	(114,879)	–
Disposal of subsidiaries	–	–	–	–	(284)	(1,175)	–	(1,459)
Written off	–	–	–	–	(41)	–	–	(41)
At 31 December 2020	**465,276**	**370**	**599,460**	**2,059**	**10,337**	**8,930**	**33,244**	**1,119,676**
ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSS								
At 1 January 2019	23,526	370	34,273	5,926	2,618	4,166	–	70,879
Provided for the year	15,875	–	55,242	309	1,485	1,859	–	74,770
Eliminated on disposals	–	–	(1,794)	–	(35)	(2,062)	–	(3,891)
Written off	–	–	(660)	(4,354)	(107)	–	–	(5,121)
At 31 December 2019	39,401	370	87,061	1,881	3,961	3,963	–	136,637
Provided for the year	17,074	–	63,613	–	1,732	1,715	–	84,134
Eliminated on disposals	–	–	(1,787)	–	(48)	(901)	–	(2,736)
Reclassified assets as held for sale	(1,548)	–	(479)	–	(151)	(235)	–	(2,413)
Disposal of subsidiaries	–	–	–	–	(385)	(901)	–	(1,286)
Written off	–	–	–	–	(28)	–	–	(28)
At 31 December 2020	**54,927**	**370**	**148,408**	**1,881**	**5,081**	**3,641**	**–**	**214,308**
NET BOOK VALUE								
At 31 December 2020	**410,349**	**–**	**451,052**	**178**	**5,256**	**5,289**	**33,244**	**905,368**
At 31 December 2019	404,058	–	428,890	178	5,246	5,268	43,447	887,087

19. PROPERTY, PLANT AND EQUIPMENT *(continued)*

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

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

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

At 31 December 2020, certain property, plant and equipment with carrying value of RMB389,510,000 (2019: RMB420,294,000) were pledged as security for certain of the Group's borrowings (Note 32(a)).

20. RIGHT-OF-USE ASSETS

	Leased properties RMB'000	**Leasehold lands** RMB'000	**Total** RMB'000
As at 1 January 2019	1,683	99,836	101,519
Additions	1,021	6,005	7,026
Disposals	–	(8,054)	(8,054)
Depreciation charges	(1,730)	(2,661)	(4,391)
As at 31 December 2019 and 1 January 2020	974	95,126	96,100
Disposals	–	(1,775)	(1,775)
Depreciation charges	(974)	(2,475)	(3,449)
As at 31 December 2020	**–**	**90,876**	**90,876**

	2020 **RMB'000**	2019 RMB'000
Expense relating to short-term leases and other leases with lease terms end within 12 months	**738**	2,493
Total cash outflow for leases	**1,712**	4,557

20. RIGHT-OF-USE ASSETS *(continued)*

For both years, the Group leases various offices for its operations. Lease contracts are entered into for fixed term of 1 to 2 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

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

During the year, no carrying amounts of right-of-use assets have been written down to their recoverable amounts.

At 31 December 2020, right-of-use assets with carrying value of approximately RMB54,397,000 (2019: RMB57,211,000) were pledged as security for certain of the Group's borrowings (Note 32(a)).

21. GOODWILL

	2020 **RMB'000**	2019 RMB'000
COST		
At 1 January and 31 December	**71,057**	71,057
IMPAIRMENT		
At 1 January and 31 December	**71,057**	71,057
CARRYING VALUES		
At 31 December	**–**	–

22. INTANGIBLE ASSETS

	Payment business license *(Note (a))* RMB'000	Patent *(Note (b))* RMB'000	Computer software *(Note (c))* RMB'000	Total RMB'000
COST				
At 1 January 2019	225,786	5,770	8,961	240,517
Additions	–	1,287	2,927	4,214
At 31 December 2019	225,786	7,057	11,888	244,731
Disposal of subsidiaries	–	–	(58)	(58)
Additions	–	275	1,281	1,556
Reclassified as assets held for sale	–	–	(10,480)	(10,480)
At 31 December 2020	**225,786**	**7,332**	**2,631**	**235,749**
ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSS				
At 1 January 2019	225,786	674	952	227,412
Provided for the year	–	1,031	1,764	2,795
At 31 December 2019	225,786	1,705	2,716	230,207
Disposal of subsidiaries	–	–	(35)	(35)
Provided for the year	–	1,115	1,936	3,051
Reclassified as assets held for sale	–	–	(3,387)	(3,387)
At 31 December 2020	**225,786**	**2,820**	**1,230**	**229,836**
CARRYING VALUES				
At 31 December 2020	**–**	**4,512**	**1,401**	**5,913**
At 31 December 2019	–	5,352	9,172	14,524

During the year, no carrying amounts of intangible assets have been written down to their recoverable amounts.

Notes:

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

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

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

23. INTERESTS IN ASSOCIATES

	2020	2019
	RMB'000	RMB'000
Cost of investment in associates	**64,387**	85,276
Share of post-acquisition profits and other comprehensive income, net of dividends received	**(10,767)**	(9,772)
	53,620	75,504
Impairment loss on investments in associate	**(15,302)**	(51,011)
	38,318	24,493
Share of net assets	**38,318**	24,493

23. INTERESTS IN ASSOCIATES *(continued)*

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

Name	Place of incorporation and type of legal entity	Principal activities and place of operation	Registered capital	Proportion of ownership interest held by the Group		Proportion of voting rights held by the Group	
			RMB	**2020**	2019	**2020**	2019
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	**–**	– *(Note (a))*	**–**	–
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	**39.20%**	39.20%	**39.20%**	39.20%
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	**39.20%**	39.20%	**39.20%**	39.20%
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	**–** *(Note (b))*	39.20%	**–**	39.20%
安徽博洋潤滑科技有限公司 Anhui Boyang Lubrication Technology Co., Ltd.* ("**Anhui Boyang**")	PRC, limited liability company	Agricultural products supply chain service in the PRC	60,000,000	**39%**	29% *(Note (c))*	**39%**	29%
中農普惠金服科技股份有限公司 Zhongnong Puhui Jinfu Technology Ltd.* ("**Zhongnong Puhui**")	PRC, limited liability company	Finance lease business In the PRC	80,000,000	**12%**	12% *(Note (d))*	**14.29%**	14.29%
安徽飛時達化工科技有限公司 Anhui Feishida Chemical Industry Technology Co., Ltd.* ("**Anhui Feishida**")	PRC, limited liability company	Agricultural products supply chain service in the PRC	50,096,500	**30.13%**	30.13%	**30.13%**	30.13%
南京生澤資訊科技有限公司 Nanjing Shengze information Technology Co., Ltd.* ("**Nanjing Shengze**")	PRC, limited liability company	Agricultural big-data service in the PRC	20,000,000	**39.20%**	39.20% *(Note (e))*	**39.20%**	39.20%
和縣星泰能源科技有限公司 Hexian Xingtai Energy Technology Co., Ltd.*	PRC, limited liability company	Agricultural products supply chain service in the PRC	15,000,000	**28%**	–	**28%**	–
濰坊市國維大生供應鏈有限公司 Weifang Guowei Dasheng Supply Chain Co., Ltd.* ("**Weifang Guowei**")	PRC, limited liability company	Supply chain service in the PRC	5,000,000	**31.5%**	31.5%	**31.5%**	31.5%

** For illustrative purposes only.*

23. INTERESTS IN ASSOCIATES *(continued)*

Notes:

a) During the year ended 31 December 2019, the interests in associates, Shanghai Yi He was disposed of through the disposal of Hong Kong Dasheng Agriculture Holding Company Limited ("**HK Dasheng Agriculture**"), a wholly-owned subsidiary of the Company, as detailed in Note 37 to the consolidated financial statements.

b) Huzhou Dasheng ceased its operation in the year ended 31 December 2019 and deregistered during the year ended 31 December 2020.

c) Anhui Boyang was a subsidiary indirectly held by the Group through a wholly-owned subsidiary immediately before the additional capital contribution being made by shareholders during the year ended 31 December 2019. As a result, the Group's equity interests in Anhui Boyang was diluted from 51% to 29%, resulting a loss in control and the interest in Anhui Boyang was reclassified as interests in associates. Detail are disclosed in Note 37.

d) During the year ended 31 December 2019, there was capital injection of approximately RMB23,970,000 by new shareholders in Zhongnong Puhui. As a result, the shareholding held by the Group was diluted from 21.43% to 12%.

e) Nanjing Shengze was a subsidiary indirectly held the Group through a non-wholly owned subsidiary immediately before the Group disposed the 51% equity interest in Bao Ze on 21 January 2019. After the disposal, the Group lost its control but retained significant influence over Nanjing Shengze. Immediately after the disposal, Nanjing Shengze was derecognised as a subsidiary of the Company and accounted for as an associate of the Group. Detail of the disposal are disclosed in Note 37.

23. 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) Anhui Feishida

	2020 **RMB'000**	2019 RMB'000
Current assets	**4,559**	10,417
Non-current assets	**54,868**	16,989
Current liabilities	**42,934**	4,012
Non-current liabilities	**–**	–
Revenue	**–**	–
Loss for the year	**(6,901)**	(1,415)
Other comprehensive income for the year	**–**	–
Total comprehensive income for the year	**(6,901)**	(1,415)
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:

	2020 **RMB'000**	2019 RMB'000
Net assets of Anhui Feishida	**16,493**	23,394
Proportion of the Group's ownership interest in Anhui Feishida	**30.13%**	30.13%
The Group' share of net assets of Anhui Feishida	**4,970**	7,048

Note:

As per the terms of acquisition, the Group does not share profit or loss for post-acquisition of Anhui Feishida.

23. INTERESTS IN ASSOCIATES *(continued)*

Summarised financial information of material associates *(continued)*

(b) Anhui Boyang

	2020 **RMB'000**	2019 RMB'000
Current assets	**23,435**	1,351
Non-current assets	**44,835**	7,057
Current liabilities	**7,615**	1,000
Non-current liabilities	**–**	–
Revenue	**–**	–
Loss for the year	**(613)**	(662)
Other comprehensive income for the year	**–**	–
Total comprehensive income for the year	**(613)**	(662)
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:

	2020 **RMB'000**	2019 RMB'000
Net assets of Anhui Boyang	**60,655**	7,408
Proportion of the Group's ownership interest in Anhui Boyang	**39%**	29%
The Group' share of net assets of Anhui Boyang	**23,655**	2,148

23. INTERESTS IN ASSOCIATES *(continued)*

Summarised financial information of material associates *(continued)*

(c) Zhongnong Puhui

	2020	2019
	RMB'000	RMB'000
Current assets	**26,310**	27,523
Non-current assets	**35,247**	33,101
Current liabilities	**9,419**	2,176
Non-current liabilities	**–**	–
Revenue	**16,270**	42,144
Loss for the year	**(6,310)**	(12,070)
Other comprehensive income for the year	**–**	–
Total comprehensive income for the year	**(6,310)**	(12,070)
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:

	2020	2019
	RMB'000	RMB'000
Net assets of Zhongnong Puhui	**52,138**	58,448
Proportion of the Group's ownership interest in Zhongnong Puhui	**12%**	12%
The Group' share of net assets of Zhongnong Puhui	**6,256**	7,014

24. INTERESTS IN A JOINT VENTURE

	2020 RMB'000	2019 RMB'000
Cost of investment in joint venture	–	124,209
Share of post-acquisition loss and other comprehensive expense	–	(2,345)
Share of net assets	–	121,864
Reclassification as assets held for sale	–	(121,864)
	–	–

The details of the Group's joint venture 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	**2020**	2019	**2020**	2019
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%	–	50%

The Group has a 90% indirect interest in a joint venture, Guanyun Beihuan, a separate structured vehicle incorporated and operating in the PRC as at 31 December 2019. 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.

24. INTERESTS IN A JOINT VENTURE *(continued)*

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

Following the disposal of Nantong Road and Bridge completed on 19 January 2020, Guanyun Beihuan was no longer a joint venture of the Group.

25. EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2020 **RMB'000**	2019 RMB'000
Listed equity securities *(Note (a))*	–	1,890
Unlisted equity securities *(Note (b))*	–	8,250
	–	10,140

Notes:

(a) The above listed equity investments represented 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.

During the year ended 31 December 2020, the listed equity securities were disposed as a result of disposal of subsidiaries. For details, please refer to Note 37.

(b) The above unlisted equity investments represented 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. The unlisted equity investments were reclassified as assets held for sale during the year ended 31 December 2020.

As at 31 December 2020, the unlisted equity securities were reclassified as assets held for sale. For details, please refer to Note 12.

26. INVENTORIES

	2020	2019
	RMB'000	RMB'000
Agrochemical products supply chain		
Consumables	**7,701**	9,726
Raw materials	**68,961**	68,915
Work in progress	**2,852**	2,955
Finished goods	**239,709**	186,459
	319,223	268,055
Agricultural big-data services		
Third party payment services equipment	**–**	169
	319,223	268,224

27. TRADE AND OTHER RECEIVABLES

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

27. TRADE AND OTHER RECEIVABLES *(continued)*

(a) Finance lease receivables

The gross finance lease receivables as at 31 December 2019 were as follows:

	2019		
	Minimum lease payments RMB'000	**Unearned finance lease income** RMB'000	**Present value** RMB'000
Within one year *(note (i))*	35,829	(8,841)	26,988
More than one year but not more than five years	143,748	(14,165)	129,583
	179,577	(23,006)	156,571

Note (i) : As at 31 December 2019, included in finance lease receivables was an amount of approximately RMB28,624,000 loaned to related companies, the beneficial owners of which are Mr. Lan Huasheng, who is an executive Director, and Mr. Lu Tingfu, who was a supervisor and is currently a non-executive Director.

27. TRADE AND OTHER RECEIVABLES *(continued)*

(b) Trade and notes receivables

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

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

27. TRADE AND OTHER RECEIVABLES *(continued)*

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

Notes:

(i) For agricultural and petrochemical products supply chain services, 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.

(ii) 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. During the year ended 31 December 2020, the factoring loan receivables were disposed as a result of disposal of subsidiaries.

(iii) For agricultural big-data services, the credit period is negotiated on individual basis and ranges from 0 day to 540 days. The business has been reclassified to discontinued operation (Note 12).

(iv) For agrochemical products supply chain services, the credit period is negotiated on individual basis and ranges from 30 days to 180 days.

At 31 December 2020, the carrying amounts of trade receivables amounted to approximately RMB10,505,000 (2019: RMB189,597,000) have been pledged as security for the Group's borrowings (Note 32(a)).

(c) Other receivables

As at 31 December 2020, included in other receivables amounted to approximately RMB1,982,806,000 (2019: RMB1,982,806,000) represents the deposit paid for purchasing raw materials from certain suppliers.

(d) Amount due from an associate

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

27. TRADE AND OTHER RECEIVABLES *(continued)*

(e) Amount due from a related company

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

(f) Allowance for credit losses

Details of impairment assessment of trade and other receivables are set out in Note 40.

28. 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 1.5% to 3.1% per annum as at 31 December 2020 (2019: from 1.4% to 2.8% per annum).

Details of impairment assessment of restricted bank deposits are set out in Note 40.

At 31 December 2020, certain restricted bank deposits amounted to approximately RMB641,000 (2019: RMB5,548,000) were pledged as security for certain of the Group's borrowings (Note 32(a)).

29. CASH AND CASH EQUIVALENTS

Bank balances carry interest at market rates which range from 0.01% to 0.35% (31 December 2019: 0.01% to 0.35%) per annum.

For the year ended 31 December 2020 and 2019, 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.

30. TRADE AND OTHER PAYABLES

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

Notes:

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

b) As at 31 December 2020, the Group provided financial guarantees to banks in respect of bank facilities granted to a third party (formerly a subsidiary of the Group). The aggregate amounts that could be required to be paid is RMB206,251,000 if the guarantees were called upon in entirety, of which all of the amount has been utilised by the third party.

30. TRADE AND OTHER PAYABLES *(continued)*

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

	2020	2019
	RMB'000	RMB'000
Agricultural and petrochemical products supply chain services:		
Less than 30 days	–	13
1 year to less than 2 years	–	27,815
2 years to less than 3 years	**27,781**	–
Over 3 years	**207**	207
	27,988	28,035
Agricultural big-data services:		
Less than 1 year	–	407
	–	407
Agrochemical products supply chain services:		
Less than 6 months	**129,305**	100,605
6 months to less than 1 year	**7,985**	1,861
1 year to less than 2 years	**2,155**	1,580
2 years to less than 3 years	**723**	4,150
Over 3 years	**1,893**	519
	142,061	108,715
	170,049	137,157

31. CONTRACT LIABILITIES

	Notes	**2020 RMB'000**	2019 RMB'000
Agricultural and petrochemical products supply chain services	*(i)*	**108,501**	108,501
Agricultural big-data services	*(ii)*	**–**	14,843
Agrochemical products supply chain services	*(iii)*	**195,073**	158,859
		303,574	282,203

As at 1 January 2019, contract liabilities amounted to approximately RMB238,216,000.

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

	Agricultural and petrochemical products supply chain services RMB'000	**Agricultural big-data services RMB'000**	**Agrochemical products supply chain services RMB'000**
For the year ended 31 December 2020			
Revenue recognised that was included in the contract liability balance at the beginning of the year	**–**	**(12,998)**	**(158,859)**
Revenue recognised from performance obligations satisfied in prior periods	**–**	**–**	**701,143**
Consideration from new contract, not previously recognised due to the constraint	**–**	**–**	**(737,357)**
Reclassified as assets held for sale	**–**	**(1,845)**	**–**
For the year ended 31 December 2019			
Revenue recognised that was included in the contract liability balance at the beginning of the year	(108,501)	(12,874)	(116,841)
Revenue recognised from performance obligations satisfied in prior periods	–	6,151	239,754
Consideration from new contract, not previously recognised due to the constraint	–	(8,120)	(281,772)

31. CONTRACT LIABILITIES *(continued)*

Notes:

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

(i) Agricultural and petrochemical products supply chain services

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

(ii) Agricultural big-data 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.

(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.

32. BORROWINGS

	Notes	**2020 RMB'000**	2019 RMB'000
Bank borrowings:			
Secured	*(a) & (b)*	**391,015**	828,294
Other borrowings:			
Secured	*(a) & (c)*	**890,685**	1,423,553
		1,281,700	2,251,847

	2020 RMB'000	2019 RMB'000
The carrying amounts of the above borrowings are repayable*:		
On demand or within one year	**1,281,700**	2,112,786
More than one year, but not exceeding two years	**–**	139,061
	1,281,700	2,251,847
Less: Amounts due within one year shown under current liabilities	**(1,281,700)**	(2,112,786)
Amounts shown under non-current liabilities	**–**	139,061

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

32. BORROWINGS *(continued)*

Notes:

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

(a) The borrowings are secured by:

	2020 RMB'000	2019 RMB'000
Right-of-use assets *(Note 20)*	**54,397**	57,211
Property, plant and equipment *(Note19)*	**389,510**	420,294
Trade receivables, net of impairment loss *(Note 27)*	**10,505**	189,597
Restricted bank deposits *(Note 28)*	**641**	5,548

As at 31 December 2020 and 2019, equity interests of subsidiaries, Anhui Huaxing and Shanghai Agro-chemical have been mortgaged to obtain certain borrowings.

(b) The secured borrowings of the Group to the extent of approximately RMB391,015,000 (2019: secured borrowings of approximately RMB804,402,000) were guaranteed by certain directors of the Company and its subsidiaries.

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

	2020 RMB'000	2019 RMB'000
Fixed-rate borrowings	**446,300**	1,091,990
Variable-rate borrowings	**835,400**	1,159,857
	1,281,700	2,251,847

The floating rate borrowings carried interest at rates up to over 20% to 100% of the benchmark rate of People's Bank of China (2019: 20% to 100% over the benchmark rate of People's Bank of China).

32. BORROWINGS *(continued)*

Notes: (continued)

(b) *(continued)*

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

	2020 **RMB'000**	2019 RMB'000
Effective interest rates:		
Fixed-rate borrowings	**6.05% to 18%**	5.7% to 18%
Variable-rate borrowings	**4.35% to 5.22%**	4.35% to 5.22%

The Group's borrowings are denominated in RMB.

As at 31 December 2020 and 2019, no banking facilities of the Group were subject to the fulfilment of covenants relating to the Company's financial ratios.

(c) All other borrowings of the Group are secured and bearing interest rates ranging from 6.70% to 15.00% (2019: 5.70% to 15.00%).

33. LEASE LIABILITIES

	2020 **RMB'000**	2019 RMB'000
Lease liabilities payable:		
Within one year shows under current liabilities	–	945

As at 31 December 2019, the incremental borrowing rate applied to lease liabilities ranged from 4.75% to 13.90%.

34. 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:

	2020 **RMB'000**	2019 RMB'000
Deferred tax assets	**–**	376
Deferred tax liabilities	**(3,128)**	(3,063)
	(3,128)	(2,687)

Details of the deferred tax assets (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	**Total** RMB'000
At 1 January 2019	376	(60,304)	(59,928)
Credit to profit or loss	–	57,241	57,241
At 31 December 2019	376	(3,063)	(2,687)
Reclassified as assets held for sale	(376)	1	(375)
Credit to profit or loss	–	(66)	(66)
At 31 December 2020	**–**	**(3,128)**	**(3,128)**

At the end of the reporting period, the Group has unused tax losses for PRC subsidiaries of approximately RMB1,586,959,000 (2019: RMB1,739,518,000) available for offset against future profits. No deferred tax asset has been recognised in respect of the unused tax losses due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of approximately RMB726,900,000 with expiry period from one to five year. Other losses of approximately RMB41,313,000 (2019: RMB38,565,000) arising in Hong Kong can be carried forward indefinitely.

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

35. SHARE CAPITAL

	Number of shares	Amount RMB'000
Ordinary shares of RMB0.1 each		
Authorised, issued and fully paid:		
At 31 December 2019 and 31 December 2020 *(Note)*	9,551,079,812	955,108

Note:

The shares rank pari passu in all respects.

36. 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 (2019: 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.

37. DISPOSAL, DEEMED DISPOSAL AND PARTIAL DISPOSAL OF INTERESTS IN SUBSIDIARIES

For the year ended 31 December 2020

(a) Disposal of Nantong Road and Bridge

As disclosed in Note 12(b), Shanghai Agro-chemical failed to fulfill its repayment obligations under 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 Court, pursuant to which the Shanghai Court ordered, inter alia, that the Nantong Shares be sealed up, distrained, auctioned or sold. After successful auction of the Nantong Shares pursuant to the said execution ruling, the disposal of Nantong Road and Bridge was completed on 19 January 2020.

37. DISPOSAL, DEEMED DISPOSAL AND PARTIAL DISPOSAL OF INTERESTS IN SUBSIDIARIES *(continued)*

For the year ended 31 December 2020 *(continued)*

(a) Disposal of Nantong Road and Bridge *(continued)*

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

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

37. DISPOSAL, DEEMED DISPOSAL AND PARTIAL DISPOSAL OF INTERESTS IN SUBSIDIARIES *(continued)*

For the year ended 31 December 2020 *(continued)*

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

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

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

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

**For illustrative purpose only*

***Amount less than RMB1,000*

37. DISPOSAL, DEEMED DISPOSAL AND PARTIAL DISPOSAL OF INTERESTS IN SUBSIDIARIES *(continued)*

For the year ended 31 December 2019

(c) Disposal of Bao Ze

As disclosed in Note 12(d), on 21 January 2019, the Group disposed of its subsidiary, Bao Ze with an auction result of RMB188,000,000. Upon completion of the disposal in 51% of Bao Ze, leading to loss of control of Nanjing Shengze. The transaction was accounted for as disposal of partial interests in subsidiary resulting in loss of control. As a result, Nanjing Shengze became the associates of the Group. The fair value of the 39.20% of retained interest in Nanjing Shengze at the date on which control was lost were regarded as the cost in initial recognition of the Group's interests in associates.

The net assets of the Bao Ze Group as at the date of disposal were as follows:

Analysis of assets and liabilities over which control was lost:	RMB'000
Property, plant and equipment	39,299
Investment properties	435,845
Intangible assets	7,098
Trade and other receivables	42,660
Amount due from the Group	214,980
Cash and cash equivalents	2,498
Trade and other payables	(59,815)
Amounts due to the Group	(272,404)
Contract liabilities	(4,333)
Borrowings	(53,400)
Deferred tax liabilities	(41,225)
Net assets disposed of	311,203
Gain on disposal of subsidiaries:	
Auction result	188,000
Non-controlling interest	113,784
Net assets disposed of	(311,203)
Fair value of 39.20% retained equity interest held by the Group	
– Classified as interests in associates	9,800
Gain on disposal	381
Net cash outflow arising on disposal:	
Cash received	–
Less: cash and cash equivalents disposed of	(2,498)
	(2,498)

37. DISPOSAL, DEEMED DISPOSAL AND PARTIAL DISPOSAL OF INTERESTS IN SUBSIDIARIES *(continued)*

For the year ended 31 December 2019 *(continued)*

(d) Disposal of HK Dasheng Agriculture

On 30 December 2019, the Group entered into a disposal agreement with an independent third party (the "**Purchaser II**"), whereby the Purchaser II has conditionally agreed to purchase and the Group has conditionally agreed to sell the entire 100% equity interests of HK Dasheng Agriculture, to the Purchaser II at a consideration of RMB1. The disposal was completed on 30 December 2019.

Upon completion of the disposal in 100% of HK Dasheng Agriculture, the Group held indirectly through Shenzhen Dasheng Financial Holding Company Limited ("**Shenzhen Dasheng Financial**"), a wholly owned subsidiary, of 64% of equity interest in Ever Fortune. As the Group remained its control over Shenzhen Dasheng Financial, Ever Fortune remained as a subsidiary of the Company after the transaction which is then accounted for as an equity transaction.

The net assets of HK Dasheng Agriculture at the date of disposal were as follows:

Consideration received:	RMB
Cash received	1

Analysis of assets and liabilities over which control was lost:	RMB'000
Trade and other receivables	23
Cash and cash equivalents	5
Net assets disposed of	28
Loss on disposal of a subsidiary:	
Consideration	–
Release of exchange reserve	(11,363)
Net assets disposed of	(28)
Loss on disposal	(11,391)
Net cash outflow arising on disposal:	
Cash received	–
Less: cash and cash equivalents disposed of	(5)
	(5)

37. DISPOSAL, DEEMED DISPOSAL AND PARTIAL DISPOSAL OF INTERESTS IN SUBSIDIARIES *(continued)*

For the year ended 31 December 2019 *(continued)*

(e) Disposal of Anhui Boyang

With the capital injection shares by Anhui Boyang's shareholders on 29 July 2019, the Group's equity interests in Anhui Boyang has been diluted from 51% to 29%, resulting in a loss of control. Accordingly, the interest in Anhui Boyang was reclassified as interests in associates.

The assets and liabilities of Anhui Boyang were deconsolidated from the Group's consolidated statement of financial position and the interest in Anhui Boyang has been accounted for as an associate. The fair value of the 29% retained interest in Anhui Boyang at the date on which the control was lost is regarded as the cost on initial recognition of the investment in Anhui Boyang as an associate.

	RMB'000
Fair value of 29% equity interest retained	8,000
Analysis of assets and liabilities over which control as lost:	RMB'000
Property, plant and equipment	7,056
Other receivables	979
Cash and cash equivalents	373
Trade payables	(1,000)
Net assets disposed of	7,408
Gain on deemed disposal of a subsidiary:	
Fair value of 29% retained equity interest held by the Group	
– classified as interests in associates	8,000
Non-controlling interests	(290)
Net assets disposed of	(7,408)
Gain on deemed disposal	302
Net cash outflow arising on disposal:	
Cash and cash equivalents of deemed disposed of	(373)
	(373)

** For illustrative purposes only*

38. LITIGATIONS AND CONTINGENT LIABILITES

(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. On 14 March 2019, the Company was informed by Bank of Shanghai that, Shenzhen Dasheng has repaid RMB40,000,000 to Bank of Shanghai pursuant to one of the Civil Judgement against Shanghai Agro-chemical. The Company has made a repayment of approximately RMB9,312,000 during the year ended 31 December 2020.

As at 31 December 2020, the outstanding payable of the principal payment and the relevant interest accrued of approximately RMB54,663,000 (2019: RMB63,975,000) in aggregate.

(b) On 18 April 2019, the Company received two enforcement notices dated 10 April 2019 and 12 April 2019 issued by the Shanghai Second Court in relation to an application for compulsory enforcement action of claims made by CEFC Securities pursuant to the Civil Mediation Order. According to such 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 such 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 Investment 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 Nantong Shares be sealed up, distrained, auctioned or sold. As at year ended 31 December 2020, bank deposits of approximately RMB497,000 was frozen. Details of the claim and settlement are disclosed in Note 12(a).

38. LITIGATIONS AND CONTINGENT LIABILITES *(continued)*

(c) 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.

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

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

As at 31 December 2020, the outstanding payable of the principal payment and the relevant interest accrued of approximately RMB411,791,000 (2019: RMB373,313,000) in aggregate.

38. LITIGATIONS AND CONTINGENT LIABILITES *(continued)*

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

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

As at 31 December 2020, the outstanding payable of the principal payment and the relevant interest accrued of approximately RMB51,927,000 (2019: RMB44,336,000) in aggregate.

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

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

38. LITIGATIONS AND CONTINGENT LIABILITES *(continued)*

(e) *(continued)*

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

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

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

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

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

As at 31 December 2020, the outstanding payable of the principal payment and the relevant interest accrued of approximately RMB152,330,000 (2019: RMB141,997,000) in aggregate.

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

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

38. LITIGATIONS AND CONTINGENT LIABILITES *(continued)*

(f) *(continued)*

As at 31 December 2020, the outstanding payable of the principal payment and the relevant interest accrued of approximately RMB85,603,000 (2019: RMB83,240,000) in aggregate, in which extra interest amounting RMB2,363,000 was accrued.

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

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

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

Provision of RMB349,000 has been made for the claim.

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

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

39. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. the Group's operating strategies still focused on establishing the agrochemical products supply chain services business segment, accelerating the adjustment and reorganization of the existing businesses, while actively discussing with potential external investors about possible cooperation opportunities.

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

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

40. FINANCIAL INSTRUMENTS

(a) Categories of Financial Instruments

	2020 **RMB'000**	2019 RMB'000
Financial assets		
Equity instruments at FVTOCI	–	10,140
Loan and receivables (including cash and cash equivalents)	**415,931**	1,365,741
	415,931	1,375,881
Financial liabilities		
Financial guarantee at fair value	**199,580**	–
Amortised cost	**2,351,509**	3,511,489

(b) Financial risk management objectives and policies

The Group's major financial instruments include equity instruments at FVTOCI, trade and other receivables, restricted bank deposits, cash and cash equivalents, trade and other payables, financial guarantee contract, lease liabilities 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, fixed-rate borrowings and lease liabilities as set out in Note 27, Note 32 and Note 33 respectively. The Group is also exposed to cash flow interest rate risk in relation to variable-rate restricted bank deposits, variable-rate bank balances and variable rate borrowings as detailed in Note 28, Note 29 and Note 32 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.

40. 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:

	2020 **RMB'000**	2019 RMB'000
Financial assets at amortised cost	**8,781**	13,021

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

	2020 **RMB'000**	2019 RMB'000
Financial liabilities at amortised cost	**238,906**	342,254

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 points (2019: 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 (2019: 100 basis points) higher/lower and all other variables were held constant, the Group's post-tax loss for the year ended 31 December 2020 would increase/decrease approximately by RMB8,354,000 (2019: increase/decrease by RMB11,600,000).

40. 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. 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. Sensitivity analyses for unquoted equity securities with fair value measurement categorised within Level 3 were disclosed in Note 40(c).

As at 31 December 2020, the Group has no investment in equity securities measured at FVTOCI. As as 31 December 2019, if the prices of the respective equity instruments with fair value measurement categorised within Level 1 had been 10% higher/lower, FVTOCI reserve for the year ended 31 December 2019 would decrease/increase by RMB189,000 as a result of the changes in fair value of equity investments at FVTOCI.

(iv) Credit risk and impairment assessment

Credit risk refers to the risk that the Group's counterparties default on their contractual obligations resulting in financial losses to the Group. The Group's credit risk exposures are primarily attributable to trade and other receivables, finance lease receivables, factoring loan receivables, financial guarantee contracts, restricted bank balances and bank balances.

The carrying amounts of financial assets at amortised cost stated in Note 40 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.

Trade receivables

Before accepting any new customer, the Group uses an internal credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

40. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial risk management objectives and policies *(continued)*

(iv) Credit risk and impairment assessment *(continued)*

Trade receivables (continued)

The Group's concentration of credit risk by geographical locations is mainly in PRC, which accounted for 82% (2019: 96%) of the total trade receivables as at 31 December 2020. In order to minimise the credit risk, the management of the Group are responsible for determination of credit limits and credit approvals.

In addition, the Group performs impairment assessment under ECL model on trade balances individually or based on provision matrix. Impairment of RMB326,982,000 (2019: RMB8,811,000) is recognised during the year. Details of the quantitative disclosures are set out below in this note.

Restricted bank deposits/bank balances

Credit risk on restricted bank deposits/bank balances is limited because the counterparties are reputable banks with high credit ratings assigned by international credit agencies. The Group assessed 12m ECL for restricted bank deposits/bank balances by reference to information relating to probability of default and loss given default of the respective credit rating grades published by external credit rating agencies. Based on the average loss rates, the 12m ECL on restricted bank deposits/bank balances is considered to be insignificant.

Other receivables

For other receivables and deposits, the Directors make periodic individual assessment on the recoverability of other receivables and deposits based on historical settlement records, past experience, and also quantitative and qualitative information that is reasonable and supportive forward-looking information. The Directors believe that there is no significant increase in credit risk of these amounts since initial recognition and the Group provided impairment based on 12m ECL. For the years ended 31 December 2020 and 2019, 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.

Financial guarantee contracts

Except for the financial guarantees given by the group as set out in Note 30, the group does not provide any other financial guarantees which would expose the group to credit risk. The maximum exposure to credit risk in respect of these financial guarantees at the end of the reporting period is disclosed in Note 30.

40. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial risk management objectives and policies *(continued)*

(iv) Credit risk and impairment assessment *(continued)*

Other receivables (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	12m ECL
Watch list	Debtor frequently repays after due dates but usually settle in full	Lifetime ECL – not credit-impaired	12m ECL
Doubtful	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL – not credit-impaired	Lifetime ECL – not credit-impaired
Loss	There is evidence indicating the asset is credit impaired	Lifetime ECL – credit-impaired	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

40. 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:

	Note	External credit rating	Internal credit rating	12m or lifetime ECL	2020 Gross carrying amount		2019 Gross carrying amount	
					RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables – contracts with customers	27	N/A	*(Note 1)*	Lifetime ECL (provision matrix)	**133,915**		171,020	
			Loss *(Note 2)*	Lifetime ECL – credit-impaired	**718,190**	**852,105**	820,890	991,910
Restricted bank deposits	28	Baa2-A1	N/A	12-month ECL		**10,641**		151,277
Bank balances	29	Baa2-A1	N/A	12-month ECL		**55,262**		65,222
Other receivables	27	N/A	*(Note 3)*	Lifetime ECL – not credit-impaired	**103,151**		50,729	
			Loss	Lifetime ECL – credit-impaired	**2,109,052**	**2,212,203**	1,982,806	2,033,535
Finance lease receivables	27	N/A	*(Note 1)*	Lifetime ECL (provision matrix)	**–**		118,541	
			Loss	Lifetime ECL – credit-impaired	**–**	**–**	38,030	156,571
Factoring loan receivables	27	N/A	Loss	Lifetime ECL – credit-impaired	**–**	**–**		2,688,903
Financial guarantee contracts		N/A	Loss *(Note 4)*	Lifetime ECL – credit-impaired	**–**	**206,251**	–	–

40. 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 receivables, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. Except for debtors with significant outstanding balances or credit-impaired, the Group determines the excepted credit losses on these items by using a provision matrix, grouped by past due status.

As part of the Group's credit risk management, the Group uses debtors' aging to assess the impairment for its customers in relation to its businesses of agricultural and petrochemical products supply chain services, 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 within lifetime ECL (not credit-impaired). Trade receivable and finance lease receivables of RMB718,190,000 and Nil was credit-impaired as at 31 December 2020 (2019: RMB820,890,000 and RMB38,030,000) and have been assessed individually.

Gross carrying amount	2020 Estimated loss rate	2020 Trade receivables RMB'000	2019 Estimated loss rate	2019 Trade receivables RMB'000
Agricultural and petrochemical products supply chain services				
Current	–	–	2.38%	304
Over 91-270 days past due	–	–	7.88%	110
Over 270 days past due	–	–	16.99%	38,404
Agrochemical products supply chains services				
Current	**0.87%**	**79,746**	0.70%	97,181
Over 1-180 days past due	**2.55%**	**52,992**	2.31%	27,119
Over 180 days past due	**23.80%**	**1,177**	16.99%	882
Agricultural big-data services				
Current	–	–	1.05%	–
1-180 days past due	–	–	2.34%	–
180-540 days past due	–	–	5.58%	–
Over 540 days past due	–	–	16.99%	7,020
		133,915		171,020

40. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial risk management objectives and policies *(continued)*

(iv) Credit risk and impairment assessment *(continued)*

Note 1: (continued)

Gross carrying amount	2020 Estimated loss rate	2020 Finance lease receivables RMB'000	2019 Estimated loss rate	2019 Finance lease receivables RMB'000
Finance leasing receivables				
Current to 90 days past due	–	–	3.21%	–
Over 91-270 days past due	–	–	4.09%	–
Over 270 days past due	–	–	16.99%	118,541
		–		118,541

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 2020, the Group provided approximately RMB3,421,000 and RMB54,946,000 (2019: RMB4,195,000 and RMBB9,771,000) impairment allowance for trade receivables and finances lease receivables respectively, based on the provision matrix. Impairment allowance of approximately RMB323,561,000 and RMB3,731,000 (2019: RMB4,616,000 and RMB21,009,000) were made an debtors with significant balances and credit-impaired debtors of trade receivables and finance lease receivables respectively.

40. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial risk management objectives and policies *(continued)*

(iv) Credit risk and impairment assessment *(continued)*

Note 1: (continued)

(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 1 January 2019	7,154	536,587	543,741
Changes due to financial instruments recognised as at 1 January:			
– Impairment losses recognised	4,195	4,616	8,811
– Impairment loss reversed	(1,881)	(211)	(2,092)
– Written-off	(275)	–	(275)
As at 31 December 2019	9,193	540,992	550,185
Changes due to financial instruments recognised as at 1 January:			
– Transfer to credit-impaired	(6,542)	6,542	–
– Impairment losses recognised	3,046	323,561	326,607
– Impairment loss reversed	(1,302)	(187,482)	(188,784)
Reclassified as assets held for sale	(2,446)	–	(2,446)
Financial assets originated or acquired during the year	375	–	375
As at 31 December 2020	**2,324**	**683,613**	**685,937**

Change in loss allowance for trade receivables are mainly due to:

	2020	
	Increase (decrease) in lifetime ECL	
	Not credit-impaired RMB'000	**Credit-impaired RMB'000**
Receivables defaulted and transfer to credit-impaired	**(6,542)**	**6,542**
Further impairment made for not credit-impaired and credit-impaired receivables	**3,046**	**323,561**
Settlement received from debtors	**(1,302)**	**(187,482)**
Reclassified as assets held for sale	**(2,446)**	**–**
Financial assets originated or acquired during the year	**375**	**–**

40. 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: *(continued)*

	2019 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	4,195	4,616
Settlement received from debtors	(1,881)	(211)
Written-off	(275)	–

(b) The following tables show reconciliation of loss allowances that has been recognised for finance lease receivables:

	Lifetime ECL (not credit impaired)	**Lifetime ECL (credit impaired)**	**Total**
	RMB'000	RMB'000	RMB'000
As at 1 January 2019	20,465	31,919	52,384
Changes due to financial instruments recognised as at 1 January:			
– Transfer to credit-impaired	(4,752)	4,752	–
– Impairment losses recognised	9,771	21,009	30,780
– Impairment loss reversed	(5,341)	(26,099)	(31,440)
As at 31 December 2019	20,143	31,581	51,724
Changes due to financial instruments recognised as at 1 January:			
– Impairment losses recognised	54,946	3,731	58,677
– Impairment loss reversed	(8,895)	–	(8,895)
– Disposal of subsidiaries	(66,194)	(35,312)	(101,506)
As at 31 December 2020	–	–	–

40. 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:

	2020	
	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	**54,946**	**3,731**
Settlement received from debtors	**(8,895)**	**–**
Disposal of subsidiaries	**(66,194)**	**(35,312)**

	2019	
	Increase (decrease) in lifetime ECL	
	Not credit-impaired	Credit-impaired
	RMB'000	RMB'000
Receivables defaulted and transfer to credit-impaired	(4,752)	4,752
Further impairment made for not credit-impaired and credit-impaired receivables	9,771	21,009
Settlement received from debtors	(5,341)	(26,099)

40. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial risk management objectives and policies *(continued)*

(iv) Credit risk and impairment assessment *(continued)*

Note 1: (continued)

(c) The following tables show reconciliation of loss allowances that has been recognised for factoring loan receivables:

	Lifetime ECL (not credit impaired) RMB'000	Lifetime ECL (credit impaired) RMB'000	Total RMB'000
As at 1 January 2019	–	2,421,473	2,421,473
Changes due to financial instruments recognised as at 1 January:			
– Impairment loss reversed	–	(1,460)	(1,460)
As at 31 December 2019	–	2,420,013	2,420,013
Changes due to financial instruments recognised as at 1 January:			
– Impairment losses recognised	–	268,890	268,890
– Disposal of subsidiaries	–	(2,688,903)	(2,688,903)
As at 31 December 2020	**–**	**–**	**–**

Change in loss allowance for finance lease receivables are mainly due to:

	2020	
	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	**–**	**268,890**
Disposal of subsidiaries	**–**	**(2,688,903)**

	2019	
	Increase (decrease) in lifetime ECL	
	Not credit-impaired RMB'000	Credit-impaired RMB'000
Settlement from debtors	–	(1,460)

40. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial risk management objectives and policies *(continued)*

(iv) Credit risk and impairment assessment *(continued)*

Note 2:

Those trade receivables are related to debtors that were in financial difficulties or were in default in interest and/or principal payments and only a portion of the receivables is expected to be recovered. The Group is still under negotiation with those trade debtors about the settlement arrangement, and will consider will take legal action against those trade debtors if necessary.

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 term**	**Total**
Other receivables	–	2,212,203	2,212,203

40. 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 1 January 2019	17,187	1,838,364	1,855,551
Changes due to financial instruments recognised as at 1 January:			
– Impairment losses recognised	534	17,885	18,419
– Impairment loss reversed	(5,856)	(114,693)	(120,549)
Disposal of a subsidiary	(4,374)	(20,758)	(25,132)
As at 31 December 2019	7,491	1,720,798	1,728,289
Changes due to financial instruments recognised as at 1 January:			
– Transfer to credit-impaired	(748)	748	–
– Impairment losses recognised	10,685	307,455	318,140
– Impairment loss reversed	(857)	–	(857)
Reclassified as assets held for sale	(3,379)	–	(3,379)
Disposal of subsidiaries	(94)	–	(94)
Financial assets originated or acquired during the year	18	–	18
As at 31 December 2020	**13,116**	**2,029,001**	**2,042,117**

Change in loss allowance for other receivables are mainly due to:

	2020	
	Increase (decrease) in lifetime ECL	
	Not credit-impaired RMB'000	**Credit-impaired RMB'000**
Receivables defaulted and transfer to credit-impaired	**(748)**	**748**
Further impairment made for not credit-impaired and credit-impaired receivables	**10,685**	**307,455**
Settlement received from debtors	**(857)**	**–**
Reclassified as assets held for sale	**(3,379)**	**–**
Disposal of subsidiaries	**(94)**	**–**
Financial assets originated or acquired during the year	**18**	**–**

40. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial risk management objectives and policies *(continued)*

(iv) Credit risk and impairment assessment *(continued)*

Note 3: (continued)

	2019	
	Increase/(decrease) in lifetime ECL	
	Not credit-impaired	Credit-Impaired
	RMB'000	RMB'000
Further impairment made for credit-impaired receivables	534	17,885
Settlement received from debtors	(10,230)	(135,451)

Note 4:

For financial guarantee contracts, the gross carrying amount represents the maximum amount the Group has guaranteed under the respective contracts.

(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 2020, the Group has available unutilised bank loan facilities of approximately RMB153,965,695 (2019: RMB134,754,884).

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.

40. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial risk management objectives and policies *(continued)*

(v) Liquidity risk *(continued)*

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 undiscounted cash flow RMB'000	Carrying amount RMB'000
At 31 December 2020							
Borrowings:							
– Fixed rate borrowings	6.05%-18.00%	495,877	–	–	–	495,877	446,300
– Variable rate borrowings	4.35%-5.22%	835,400	–	–	–	835,400	835,400
Trade and other payables	–	1,065,848	3,961	–	–	1,069,809	1,069,809
Financial guarantee contracts	3.23%	206,251	–	–	–	206,251	199,580
		2,603,376	3,961	–	–	2,607,337	2,551,089

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 undiscounted cash flow RMB'000	Carrying amount RMB'000
At 31 December 2019							
Borrowings:							
– Fixed rate borrowings	5.70%-18.00%	1,199,861	–	–	–	1,199,861	1,091,990
– Variable rate borrowings	4.35%-5.22%	1,104,218	150,233	–	–	1,254,451	1,254,451
Lease liabilities	4.75%-13.9%	945	–	–	–	945	945
Trade and other payables	–	1,253,747	4,950	–	–	1,258,697	1,258,697
		3,558,771	155,183	–	–	3,713,954	3,511,489

40. 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.

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.

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 2019			
	Level 1	Level 2	Level 3	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets				
Equity instruments at FVTOCI	1,890	–	8,250	10,140

40. FINANCIAL INSTRUMENTS *(continued)*

(c) Fair value measurements of financial instruments *(continued)*

Financial assets	Fair value at 31 December 2020	Fair value at 31 December 2019	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)
Listed equity securities at FVTOCI	–	Approximately RMB1,890,000	Level 1	Quoted closing prices in an active market	N/A
Unlisted equity investment at FVTOCI	–	Approximately RMB8,250,000	Level 3	Net asset value *(Note)*	N/A

There were no transfers between level of fair value hierarchy during the year ended 31 December 2020.

Note: The entity has determined that the reported net asset value represents fair value at the end of the reporting period.

Reconciliation of Level 3 fair value measurements of financial instruments on recurring basis:

	Assets Unlisted equity instruments at FVTOCI RMB'000
At 1 January 2019	8,846
Fair value changes	(596)
At 31 December 2019 and 1 January 2020	8,250
Reclassified as assets held for sale	(7,942)
Fair value changes	(308)
At 31 December 2020	**–**

Included in other comprehensive income is an amount of approximately RMB308,000 (2019: RMB596,000) 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 "FVTOCI reserve".

The Directors consider that the carrying amounts of financial assets recorded at amortised cost in the consolidated financial statements approximate their fair values.

41. 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:

	Lease liabilities RMB'000	**Borrowings** RMB'000	**Total** RMB'000
At 1 January 2019	1,683	2,573,692	2,575,375
Changes from cash flows:			
Proceeds from borrowings	–	65,240	65,240
Repayment of borrowings	–	(387,085)	(387,085)
New lease entered	3,819	–	3,819
Repayment of lease liabilities	(4,557)	–	(4,557)
At 31 December 2019 and 1 January 2020	945	2,251,847	2,252,792
Changes from cash flows:			
Disposal of assets held for sale	–	(387,990)	(387,990)
Disposal of subsidiaries	–	(503,791)	(503,791)
Repayment of borrowings	–	(78,366)	(78,366)
Repayment of lease liabilities	(945)	–	(945)
At 31 December 2020	**–**	**1,281,700**	**1,281,700**

42. 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:

	2020 **RMB'000**	2019 RMB'000
Finance lease services to:		
Nanjing Dasheng Modern Agriculture Holdings Co., Ltd., a related company *(note 1)*	**1,550**	–
Trading services to:		
Nanjing Dasheng Modern Agriculture Holdings Co., Ltd., a related company *(note 2)*	–	902

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 was a supervisor and is currently a non-executive Director.

2. The amounts represent alcohol wholesale income receivable from two related companies, the beneficial owners of which are Mr. Lan Huasheng, who is an executive Director, and Mr. Lu Tingfu, who was a supervisor and is currently a non-executive Director.

(b) Key management compensation

Remuneration for key management personnel of the Group includes amounts paid to the Directors, supervisors and three (2019: 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.

43. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Details of the subsidiaries directly and indirectly held by the Company at the end of the reporting period are set out below.

Name	Place of incorporation and type of legal entity	Principal activities and place of operation	Issued share capital/ registered capital	Proportion of ownership interest held by the Company				Proportion of voting power held by the Company			
				Directly		Indirectly		Directly		Indirectly	
				2020	2019	**2020**	2019	**2020**	2019	**2020**	2019
南通路橋工程有限公司 Nantong Road and Bridge Engineering Co., Ltd.	PRC, limited liability company	Construction of roads and bridges in the PRC	RMB600,080,000	**–** (Note (e))	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	**–** (Note (e))	–	**–**	91.3%	**–**	–	**–**	91.3%
上海大生農化有限公司 Shanghai Dasheng Agro-chemical Co., Ltd.	PRC, limited liability company	Petrochemical trading in the PRC	RMB200,000,000	**100%**	100%	**–**	–	**100%**	100%	**–**	–
上海泰華石油化工有限公司 Shanghai Taihua Petrochemical Co., Ltd.	PRC, limited liability company	Petrochemical trading in the PRC	RMB210,000,000	**100%**	100%	**–**	–	**100%**	100%	**–**	–
上海大生農產品有限公司 Shanghai Dasheng Agricultural Products Co., Ltd.	PRC, limited liability company	Agricultural product trading in the PRC	RMB350,000,000	**100%**	100%	**–**	–	**100%**	100%	**–**	–
香港大生實業發展有限公司 Hong Kong Dasheng Industrial Development Co., Ltd. ("**HK Dasheng Industrial**") (Note (f))	Hong Kong, limited liability company	Petrochemical trading in Hong Kong	HK$100,000,000 of 100,000,000 ordinary shares	**100%**	100%	**–**	–	**100%**	100%	**–**	–

43. PARTICULARS OF PRINCIPAL 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	
				2020	2019	**2020**	2019	**2020**	2019	**2020**	2019
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.*	PRC, limited liability company	Finance lease business in the PRC	RMB1,000,000,000	**–**	–	**–** (Note (g))	64%	**–**	–	**–**	64%
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	**–**	–	**–** (Note (g))	64%	**–**	–	**–**	64%
廈門瑞盈設備租賃有限公司 Xiamen Ever Fortune Equipment Leasing Co., Limited (Formerly known as 瑞盈信融(廈門)融資租賃有限公司 Ever Fortune (Xiamen) Financial Leasing Co., Ltd.)* (“**Xiamen Ever Fortune**”)	PRC, limited liability company	Finance lease business in the PRC	RMB500,000,000	**–**	–	**–** (Note (g))	48%	**–**	–	**–**	48%
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	**–**	–	**–** (Note (g))	48%	**–**	–	**–**	48%

43. PARTICULARS OF PRINCIPAL 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	
				2020	2019	**2020**	2019	**2020**	2019	**2020**	2019
上海諧易企業管理諮詢有限公司 Shanghai Kaiyi Corporate Management Consultancy Co., Ltd.	PRC, limited liability company	Investment holding and agricultural big-data services in the PRC	RMB20,000,000	**100%**	100%	**–**	–	**100%**	100%	**–**	–
上海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%** (Note (c))	80%	**–**	–	**80%**	80%
安徽華星化工有限公司 Anhui Huaxing Chemical Industry Company Limited*	PRC, limited liability company	Agricultural products supply chain service in the PRC	RMB180,000,000	**100%**	100%	**–**	–	**100%**	100%	**–**	–
安徽中成農業科技有限公司 Anhui Zhongcheng Agriculture Technology Company Limited*	PRC, limited liability company	Agricultural technology development service in the PRC	RMB100,000,000	**–**	–	**100%**	100%	**–**	–	**100%**	100%
麥道石油(合肥)有限公司 Mai Dao Petroleum (Hefei) Co., Ltd.*	PRC, limited liability company	Agricultural products supply chain service in the PRC	RMB10,000,000	**–**	–	**100%**	–	**–**	–	**100%**	–

43. PARTICULARS OF PRINCIPAL 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	
				2020	2019	**2020**	2019	**2020**	2019	**2020**	2019
南京華工農化研究院有限公司 Nanjing Huagong Agrochemical Research Institute Co., Ltd.*	PRC, limited liability company	Agricultural products supply chain service in the PRC	RMB2,000,000	**–**	–	**80%**	–	**–**	–	**80%**	–
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	**–**	–	**–** (Note (e))	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	**–**	–	**–** (Note (e))	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	**–**	–	**–** (Note (e))	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 PRC	RMB21,000,000	**–**	–	**–** (Note (e))	91.3%	**–**	–	**–**	91.3%

43. PARTICULARS OF PRINCIPAL 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	
				2020	2019	**2020**	2019	**2020**	2019	**2020**	2019
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	**–**	–	**–** (Note (e))	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%
上海大生農產品投資控股有限公司 Shanghai Dasheng Agricultural Products Investment Holding Company Limited	PRC, limited liability company	Industrial investment and sale of agricultural products services in the PRC	RMB200,000,000	**100%**	100%	**–**	–	**100%**	100%	**–**	–
上海大生酒業有限公司 Shanghai Dasheng Wine Company Limited	PRC, limited liability company	Sale of agricultural products trading in the PRC	RMB1,000,000	**70%**	70%	**–**	–	**70%**	70%	**–**	–

43. PARTICULARS OF PRINCIPAL 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)*

None of the subsidiaries of the Company has issued any debt securities at the end of the years.

Notes:

(a) For the Company's subsidiaries established in the PRC, the English translation of the company names is for reference only.

(b) HK Dasheng Agriculture was disposed of during the year ended 31 December 2019. Details are disclosed in Note 37.

(c) Shanghai Runtong is reclassified to asset held for sell during the year 31 December 2020. For details, please refer to Note 12(a).

(d) Bao Ze and its subsidiaries were disposed of during the year ended 31 December 2019. Details are disclosed in Note 37.

(e) Nantong Road and Bridge Engineering Co., Ltd. and its subsidiaries were disposed of during the year ended 31 December 2020. Details are disclosed in Note 37.

(f) HK Dasheng Industrial became a directly wholly owned subsidiary during the year 31 December 2019.

(g) Ever Fortune and its subsidiaries were disposed of during the year ended 31 December 2020. Details are disclosed in Note 37.

Details of non-wholly owned subsidiaries that have material non-controlling interests

Name	Proportion of ownership interests and voting rights held by non-controlling interests		Profit allocated to non-controlling interests		Accumulated non-controlling interests	
	2020	2019	**2020 RMB'000**	2019 RMB'000	**2020 RMB'000**	2019 RMB'000
Nantong Road and Bridge and its subsidiaries	**–**	8.7%	**–**	(55,689)	**–**	48,102
Ever Fortune and its subsidiaries	**–**	36%	**–**	(29,903)	**–**	(626,786)
Shanghai Runtong	**20%**	20%	**(2,294)**	9,545	**16,237**	18,593
Individually immaterial subsidiaries with non-controlling interest					**(630)**	(455)
					15,607	(560,546)

43. PARTICULARS OF PRINCIPAL 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% owned subsidiary of the Company, has material non-controlling interest ("**NCI**") as at 31 December 2019. During the year, the Group disposed its equity interest in Nantong Road and Bridge, reducing its continuing interest to from 91.3% to Nil. Summarised financial information in relation to the NCI of Nantong Road and Bridge and its subsidiaries, before intra-group eliminations, is presented below:

	2019 RMB'000
For the year ended 31 December	
Revenue	2,387,295
Loss and total comprehensive expense for the year	(640,108)
Loss and total comprehensive expense attributable to NCI of Nantong Road and Bridge	(55,689)
Dividends paid to NCI of Nantong Road and Bridge	(15,000)
Cash flows generated from operating activities	74,743
Cash flows used in investing activities	(140,010)
Cash flows used in financing activities	(83,325)
Net cash outflow	(148,592)
At 31 December	
Current assets	1,161,131
Non-current assets	2,147,672
Current liabilities	(2,722,155)
Non-current liabilities	(33,756)
Net assets	552,892
Accumulated NCI of Nantong Road and Bridge	48,102

43. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY *(continued)*

Details of non-wholly owned subsidiaries that have material non-controlling interests *(continued)*

During the year ended 31 December 2019, the Group disposed of 22.5% of its interest in Ever Fortune through the disposal of HK Dasheng Agriculture, reducing its continuing interest to from 86.5% to 64.0%. An amount of RMB447,699,000 (being the proportionate share of the carrying amount of the net assets of Ever Fortune) has been transferred to non-controlling interests.

During the year ended 31 December 2020, the Group disposed of its equity interest in Ever Fortune and its subsidiaries to independent third parties. Upon completion of the disposal, the Group does not hold equity interest in Ever Fortune and Ever Fortune ceased to be the subsidiary of the Group.

Summarised financial information in relation to the NCI of Ever Fortune and its subsidiaries, before intra-group eliminations, is presented below:

	2019 RMB'000
For the year ended 31 December	
Revenue	12,111
Loss and total comprehensive expense for the year	(84,043)
Loss attributable to NCI of Ever Fortune	(29,903)
Dividends paid to NCI of Ever Fortune	–
Cash flows generated from operating activities	27,397
Cash flows generated from investing activities	287,782
Cash flows used in financing activities	(315,399)
Net cash outflow	(220)
At 31 December	
Current assets	225,771
Non-current assets	68,826
Current liabilities	(2,008,193)
Non-current liabilities	–
Net liabilities	(1,713,596)
Accumulated NCI of Ever Fortune	(626,786)

43. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY *(continued)*

Details of non-wholly owned subsidiaries that have material non-controlling interests *(continued)*

Shanghai Runtong, a 80% (2019: 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:

	2020 RMB'000	2019 RMB'000
For the year ended 31 December		
Revenue	**12,998**	14,971
(Loss) profit and total comprehensive income for the year	**(11,780)**	47,723
(Loss) profit attributable to NCI of Shanghai Runtong	**(2,294)**	9,545
Dividends paid to NCI of Shanghai Runtong	**–**	–
Cash flows used in operating activities	**(45,124)**	(56,234)
Cash flows used in investing activities	**(11,840)**	(2,011)
Cash flows generated from financing activities	**65,445**	56,019
Net cash inflow (outflow)	**8,481**	(2,226)
At 31 December		
Current assets	**150,264**	199,619
Non-current assets	**15,464**	17,320
Current liabilities	**(84,540)**	(123,970)
Non-current liabilities	**(1)**	(2)
Net assets	**81,187**	92,967
Accumulated NCI of Shanghai Runtong	**16,237**	18,593

44. EVENTS AFTER THE REPORTING PERIOD

Save for disclosed in other notes in the consolidated financial statements, the event after the reporting period is as follow:

(a) The auction of the Shanghai Runtong Shares originally scheduled between 8 January 2021 and 11 January 2021 did not proceed due to a request received by the Shanghai Second Court to re-assess the valuation of the Shanghai Runtong Shares. The Company further noticed recently that an updated auction announcement has been published on Gongpai Auction by the Shanghai Second Court putting the Shanghai Runtong Shares on auction during the period between 27 February 2021 and 2 March 2021, with a same reserve price of RMB28,840,000. On 2 March 2021, the Company noticed from the network platform of Gongpai Auction that said auction was not successful. As at the date of this report, the Shanghai Runtong Shares have not yet been auctioned.

(b) The outbreak of coronavirus disease ("**COVID-19**") spread throughout the PRC and to countries across the world during the first quarter of 2020. The COVID-19 pandemic has certain impact on the business operations of the Group in particular the supply chain from the PRC, and the degree of the impact depends on the situation of the epidemic preventive measures and the duration of the epidemic. However, as the pandemic gradually become under control in the PRC in the second quarter of 2020, there was a steady recovery in the Group's supply chain business. The Group will monitor the developments of COVID-19 situation closely, assess and react actively to its impacts on the financial position and operating results of the Group. Up to the date of this report, the assessment is still in progress. Other than those disclosed above, the Group had no material events for disclosure subsequent to 31 December 2020 and up to the date of this report.

45. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	2020 RMB'000	2019 RMB'000
NON-CURRENT ASSETS		
Property, plant and equipment	**156**	530
Right-of-use assets	**–**	320
Investment in subsidiaries	**499,288**	481,482
Investment in associates	**4,250**	5,008
	503,694	487,340
CURRENT ASSETS		
Trade and other receivables	**303,747**	510,506
Restricted bank deposits	**458**	358
Cash and cash equivalents	**470**	1,768
	304,675	512,632
CURRENT LIABILITIES		
Trade and other payables	**715,052**	636,396
Contract liabilities	**60,421**	60,455
Financial guarantee contracts	**558,249**	349,428
Borrowings	**403,742**	800,732
Tax liabilities	**8,050**	8,050
	1,745,514	1,855,061
NET CURRENT LIABILITIES	**(1,440,839)**	(1,342,429)
NET LIABILITIES	**(937,145)**	(855,089)
CAPITAL AND RESERVES		
Share capital	**955,108**	955,108
Reserves	**(1,892,253)**	(1,810,197)
CAPITAL DEFICIENCY	**(937,145)**	(855,089)

The Company's statement of financial position was approved and authorised for issue by the Board on 24 March 2021 and are signed on its behalf by:

Lan Huasheng
Director

Wang Liguo
Director

45. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY *(continued)*

Movement in the Company's reserves

	Capital reserve RMB'000	Statutory reserve fund RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2019	2,148,959	79,504	(3,575,750)	(1,347,287)
Loss for the year	–	–	(462,910)	(462,910)
At 31 December 2019	2,148,959	79,504	(4,038,660)	(1,810,197)
Loss for the year	–	–	(82,056)	(82,056)
At 31 December 2020	**2,148,959**	**79,504**	**(4,120,716)**	**(1,892,253)**

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