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FRESH EXPRESS DELIVERY HOLDINGS GROUP CO., LTD

鮮馳達控股集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code : 1175)

INTERIM RESULTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2016

The board (the “Board”) of directors of Fresh Express Delivery Holdings Group Co., Ltd (the “Company”) announces the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively referred to as the “Group”) for the six months ended 30 September 2016 together with comparative figures for the previous period:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2016

	Notes	Six months ended	
		30 September	2015
		2016	2015
		RMB'000	RMB'000
		(Unaudited)	(Unaudited)
Revenue	4	957,960	931,622
Cost of inventories sold		(894,461)	(881,362)
Gross profit		63,499	50,260
Other income		333	2,744
Staff costs		(8,276)	(4,514)
Operating lease rentals		(1,183)	(1,524)
Depreciation		(5,637)	(353)
Fuel and utility costs		(548)	(317)
Other operating expenses		(3,627)	(6,649)
Profit from operations		44,561	39,647
Finance costs		(917)	(811)
Profit before tax	5	43,644	38,836
Income tax	6	(4,893)	(3,338)

		Six months ended	
		30 September	
	<i>Notes</i>	2016	2015
		RMB'000	RMB'000
		(Unaudited)	(Unaudited)
Profit for the period		38,751	35,498
Other comprehensive income:			
<i>Items that may be reclassified to profit or loss:</i>			
Exchange differences on translating foreign operations		<u>1,164</u>	<u>1,078</u>
Total comprehensive income for the period		<u>39,915</u>	<u>36,576</u>
Profit/(loss) for the period attributable to:			
Owners of the Company		38,777	35,498
Non-controlling interests		<u>(26)</u>	<u>–</u>
		<u>38,751</u>	<u>35,498</u>
Total comprehensive income for the period attributable to:			
Owners of the Company		39,941	36,576
Non-controlling interests		<u>(26)</u>	<u>–</u>
		<u>39,915</u>	<u>36,576</u>
Earnings per share			
Basic (<i>RMB per share</i>)	7	<u>0.04</u>	<u>0.07</u>
Diluted (<i>RMB per share</i>)		<u>0.04</u>	<u>0.07</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		At 30 September 2016 <i>RMB'000</i> (Unaudited)	At 31 March 2016 <i>RMB'000</i> (Audited)
	<i>Notes</i>		
Non-current assets			
Property, plant and equipment	9	660,422	12,667
Prepaid land lease payments		24,182	–
		684,604	12,667
Current assets			
Inventories		20,822	58,497
Trade receivables	10	179,770	202,121
Prepaid land lease payments		676	–
Prepayments, deposits and other receivables	11	10,203	131,985
Bank and cash balances		300,250	124,187
		511,721	516,790
Current liabilities			
Trade payables	12	89,551	84,259
Accruals and other payables		60,874	76,159
Consideration payable		79,000	–
Current tax liabilities		8,821	7,710
Borrowings	13	38,000	18,000
		276,246	186,128
Net current assets		235,475	330,662
Total assets less current liabilities		920,079	343,329
Non-current liabilities			
Borrowings	13	333,569	–
NET ASSETS		586,510	343,329
Capital and reserves			
Share capital	14	9,086	5,277
Reserves		577,352	337,954
Equity attributable to owners of the Company		586,438	343,231
Non-controlling interests		72	98
TOTAL EQUITY		586,510	343,329

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Fresh Express Delivery Holdings Group Co., Limited was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and principal place of business is Unit D, 12/F, Seabright Plaza, 9-23 Shell Street, North Point, Hong Kong. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company is an investment holding company. During the period, the Company and its subsidiaries (collectively "the Group") were principally engaged in cold chain food integrated distribution in People's Republic of China (the "PRC").

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial statements ("Interim Financial Statements") have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

The Interim Financial Statements should be read in conjunction with the 2016 annual financial statements. The accounting policies and methods of computation used in the preparation of the Interim Financial Statements are consistent with those used in the annual financial statements for the year ended 31 March 2016.

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current period, the Group has adopted all the new and revised HKFRSs issued by the HKICPA that are relevant to its operations and effective for its accounting period beginning on 1 April 2016. HKFRSs comprise Hong Kong Financial Reporting Standards; Hong Kong Accounting Standards; and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's financial statements and amounts reported for the current period and prior periods.

The Group has not applied new and revised HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of those new and revised HKFRSs but is not yet in a position to state whether these new and revised HKFRSs would have a material impact on its results of operations and financial position.

4. REVENUE AND SEGMENT INFORMATION

The Group has only one operating segment which is principally engaged in the cold chain food integrated distribution in the PRC.

	Six months ended 30 September	
	2016	2015
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Revenue from external customers	957,960	931,622

5. PROFIT BEFORE TAX

The Group's profit before tax is stated after charging/(crediting) the following:

	Six months ended 30 September	
	2016	2015
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Interest income	(333)	(2,744)
Cost of inventories sold	894,461	881,362
Amortisation of prepaid land lease payment	169	–
Depreciation	5,468	353
Minimum lease payments under operating leases in respect of land and buildings	1,183	1,524
Directors' remuneration	432	297

6. INCOME TAX

	Six months ended 30 September	
	2016	2015
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Current tax – PRC enterprise income tax Provision for the period	4,893	3,338

No provision for Hong Kong Profits Tax has been made for the periods ended 30 September 2016 and 30 September 2015 as the Group did not generate any assessable profits arising in Hong Kong during these periods. The Group entities incorporated in the PRC are subject to PRC enterprise income tax that were taxed based on the statutory income tax rate of 25% for the period ended 30 September 2016 and 30 September 2015, in which, an entity incorporated in the Tibet Autonomous Region of the PRC was entitled to preferential tax rates of 9% for the periods ended 30 September 2016 and 30 September 2015 as determined in accordance with the relevant PRC income tax rules and regulations.

Tax charge on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretation and practices in respect thereof.

7. EARNINGS PER SHARE

Basic earnings per share

The calculation of basic earnings per share attributable to owners of the Company is based on the profit for the six months period attributable to owners of the Company of approximately RMB38,777,000 (six months ended 30 September 2015: approximately RMB35,498,000) and the weighted average number of 897,157,860 (six months ended 30 September 2015: 536,337,188) of ordinary shares in issue during the period.

Diluted earnings per share

No diluted earnings per share is presented, as the Company did not have any outstanding dilutive potential ordinary shares for the periods.

8. INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30 September 2016 (six months ended 30 September 2015: nil).

9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2016, the Group has acquired property, plant and equipment of approximately RMB653,223,000 through the acquisition of a subsidiary.

10. TRADE RECEIVABLES

Other than cash sales, invoices are normally payable within 30 days of issuance, except for certain well-established customers where the terms are extended up to 90 days. An aging analysis of the trade receivables at the end of the reporting period, based on invoice dates, is as follows:

	At 30 September 2016 <i>RMB'000</i> (Unaudited)	At 31 March 2016 <i>RMB'000</i> (Audited)
30 days or less	84,828	71,874
31 to 90 days	94,942	130,247
	<u>179,770</u>	<u>202,121</u>

11. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	At 30 September 2016 <i>RMB'000</i> (Unaudited)	At 31 March 2016 <i>RMB'000</i> (Audited)
Prepayments	9,770	131,558
Deposits	341	335
Other receivable	92	92
	<u>10,203</u>	<u>131,985</u>

12. TRADE PAYABLES

An aging analysis of the trade payables at the end of the reporting period, based on invoice dates, is as follows:

	At 30 September 2016 <i>RMB'000</i> (Unaudited)	At 31 March 2016 <i>RMB'000</i> (Audited)
30 days or less	39,145	28,304
31 to 90 days	50,406	55,955
	<u>89,551</u>	<u>84,259</u>

13. BORROWINGS

	At 30 September 2016 <i>RMB'000</i> (Unaudited)	At 31 March 2016 <i>RMB'000</i> (Audited)
Bank borrowings	38,000	18,000
Other borrowings	333,569	–
	<u>371,569</u>	<u>18,000</u>

The borrowings are repayable as follows:

On demand or within one year	38,000	18,000
In the second year	333,569	–
	<u>371,569</u>	<u>18,000</u>

The carrying amounts of the Group's bank borrowings are denominated in RMB, the interest rates at 30 September 2016 are 5.61% and 6% (31 March 2016: 5.61%).

Bank borrowings are arranged at fixed interest rates and expose the Group to fair value interest rate risk.

The Group's bank borrowings are secured by (i) the related parties' property and (ii) personal guarantee from related parties as at 30 September 2016 and 31 March 2016.

Other borrowings are unsecured, non-interest bearing and shall not be repayable within one year.

14. SHARE CAPITAL

A summary of the share capital of the Company is as follows:

	Number of shares	Amount RMB'000
<i>Authorised:</i>		
Ordinary shares of HK\$0.01 each At 31 March 2016, 1 April 2016 and 30 September 2016	<u>19,800,000,000</u>	<u>157,061</u>
Preference shares of HK\$0.01 each At 31 March 2016, 1 April 2016 and 30 September 2016	<u>200,000,000</u>	<u>1,586</u>
<i>Issued and fully paid:</i>		
Ordinary shares of HK\$0.01 each At 31 March 2016 and 1 April 2016	643,597,188	5,277
Placing of shares	<u>450,510,000</u>	<u>3,809</u>
As at 30 September 2016	<u>1,094,107,188</u>	<u>9,086</u>

Completion of the placing took place on 20 June 2016 pursuant to which 450,510,000 shares were issued under the placing agreement at the price of HK\$0.54 per share. Accordingly, the Company's issued share capital was increased by approximately RMB3,809,000 and its share premium account was increased by approximately RMB199,457,000. Net proceeds were approximately RMB203,266,000 after deducting the issuing expenses of approximately RMB2,405,000.

15. EVENTS AFTER THE REPORTING PERIOD

On 25 November 2016, the Company entered into a placing agreement with a placing agent in respect of the placement of 218,820,000 ordinary shares to not less than six independent Placees at a price of HK\$0.41 per share. Details please refer to the announcement of the Company dated 25 November 2016.

FINANCIAL REVIEW

For the six months ended 30 September 2016, the revenue of the Group was approximately RMB958 million (six months ended 30 September 2015: approximately RMB932 million), representing an increase of approximately 3% from the six months ended 30 September 2015. The consolidated profit attributable to owners of the Company amounted to approximately RMB39 million for the six months ended 30 September 2016 (six months ended 30 September 2015: approximately RMB35 million). Earnings per share was approximately RMB0.04 for the six months ended 30 September 2016 (six months ended 30 September 2015: approximately RMB0.07).

RESULTS AND APPROPRIATIONS

Revenue

The revenue of the Group was approximately RMB958 million (six months ended 30 September 2015: approximately RMB932 million), representing an increase of approximately 3% from the six months ended 30 September 2015. The Group is currently maintaining the market shares in the market.

Gross Profit

Gross profit of the Group increased from approximately RMB50 million for the six months ended 30 September 2015 to approximately RMB63 million for the six months ended 30 September 2016. The gross profit margin for the current period increased from 5.4% to 6.7% as the Company targets to generate higher market shares.

Other operating expenses

Other operating expenses of the Group were approximately RMB3.6 million (six months ended 30 September 2015: approximately RMB6.6 million), representing a significant decrease of approximately 45.5% from the six months ended 30 September 2015 mainly due to the implement of cost control.

Profit for the period attributable to owners

The profit for the period attributable to owners of the Company amounted to approximately RMB38.8 million for the six months ended 30 September 2016 (six months ended 30 September 2015: approximately RMB35.5 million). Basic earnings per share were approximately RMB0.04 as compared with basic earnings per share of approximately RMB0.07 for the preceding period. The profit for the period attributable to owners of the Company increased was mainly due to enlarging the market shares during the period.

LIQUIDITY, FINANCIAL RESOURCES AND FUNDING

Bank and cash balances as at 30 September 2016 was approximately RMB300.3 million (31 March 2016: approximately RMB124.2 million). The Group's debt-to-equity ratio measured on the basis of the Group's total liabilities of approximately RMB609.8 million (31 March 2016: approximately RMB186.1 million) to the total equity of positive of approximately RMB586.5 million (31 March 2016: positive of approximately RMB343.3 million) is 1.04 (31 March 2016: 0.54).

CAPITAL STRUCTURE

On 20 June 2016, the Company has issued 450,510,000 Placing Shares under the placing agreement. Details were set out in the circular and announcement of the Company dated 20 June 2016.

PROSPECTS

As mentioned in the annual report of FY2015/2016, the direction for future developments in the business of the Group will still be the rapid establishment of a nation-wide cold chain logistics purchasing network for various kinds of food and a nation-wide cold chain logistics food distribution network based on its cold chain food logistic distribution plant, with an aim to become the most competitive cold chain food distribution and delivery services provider in China.

EMPLOYMENT

It is the Group's policy that remuneration of the employees is in line with the market and commensurate with the level of pay for similar responsibilities within the industry. Discretionary year-end bonuses are payable to the employees based on individual performance. Other benefits to the employees included medical insurance, retirement schemes, training programs and education subsidies.

CHARGES ON GROUP'S ASSETS

As at 30 September 2016, there were no charges on the Group's assets.

CAPITAL AND OTHER COMMITMENTS

The Group had no any capital commitment as at 30 September 2016 (31 March 2016: Nil).

CONTINGENT LIABILITIES

The Group had no any contingent liabilities as at 30 September 2016 (31 March 2016: Nil).

EVENTS AFTER THE REPORTING PERIOD

On 25 November 2016, the Company entered into a placing agreement with a placing agent in respect of the placement of 218,820,000 ordinary shares to not less than six independent Placees at a price of HK\$0.41 per share. Details please refer to the announcement of the Company dated 25 November 2016.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 September 2016.

CORPORATE GOVERNANCE

In the opinion of the Directors, the Company has complied with the code provisions of the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Listing Rules throughout the six months ended 30 September 2016, except for the deviation of A.2.1, A.4.1 and F.1.2 of the Code.

Pursuant to A.2.1 of the Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual, with the division of responsibilities between the chairman and chief executive clearly established and set out in writing. The Company does not at present have any officer holding the position of Chief Executive Officer ("CEO"). Mr. Pan Junfeng ("Mr. Pan") is the chairman of the Company and has also carried out the responsibilities of CEO. Mr. Pan possesses the essential leadership skills to manage the Board and extensive knowledge in the business of the Group. The Board considers the present structure to be more suitable to the Company because it can promote the efficient formulation and implementation of the Company's strategies. The Board will review the effectiveness of this arrangement from time to time and will consider appointing an individual as CEO when it thinks appropriate.

Pursuant to A.4.1 of the Code, non-executive directors should be appointed for specific terms, subject to re-election. For the period ended 30 September 2016, all the existing independent non-executive Directors were not appointed for a specific term but are subject to retirement and re-election at the forthcoming annual general meeting of the Company (the "AGM") and retirement by rotation and re-election at least once every three years at the AGM in accordance with the provisions of the Company's bye-laws.

Pursuant to F.1.2 of the Code, the appointment of the company secretary should be dealt with by a physical board meeting rather than a written resolution. The appointment of the current company secretary was dealt with by a written resolution in September 2013. The Board considers that, prior to the execution of the written resolution to appoint the current company secretary, all Directors were individually consulted on the matter without any dissenting opinion and there was no need to approve the matter by a physical board meeting instead of a written resolution.

REVIEW OF INTERIM REPORT

The Audit Committee constitutes three independent non-executive Directors. The unaudited results of the Group for the six months ended 30 September 2016 have been reviewed by the Audit Committee.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules. Having made specific enquiry to all Directors, they have confirmed that they complied with the required standards as set out in the Model Code during the six months ended 30 September 2016.

PUBLICATION OF INFORMATION ON WEBSITES

This results announcement is available for viewing on the website of the Company at www.fujicateringhk.com.

By order of the Board
Fresh Express Delivery Holdings Group Co., Ltd
Pan Junfeng
Executive Director and Chairman

Hong Kong, 30 November 2016

As at the date of this announcement, the Board comprises Mr Pan Junfeng, Mr Tang Dacong and Mr Chung Yuk Lun as executive Directors, and Dr Leung Hoi Ming, Mr Mak Ka Wing, Patrick, Mr Sung Wing Sum and Ms Hui Wai Man Shirley as independent non-executive Directors.