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FRESH EXPRESS DELIVERY HOLDINGS GROUP CO., LTD

鲜驰达控股集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code : 1175)

INTERIM RESULTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2017

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 2017 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 2017

		Six months ended 30 September	
	Notes	2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)
Revenue	4	584,514	957,960
Cost of inventories sold		<u>(552,662)</u>	<u>(894,461)</u>
Gross profit		31,852	63,499
Other income		719	333
Staff costs		(12,873)	(8,276)
Operating lease rentals		(1,582)	(1,183)
Depreciation		(10,336)	(5,468)
Amortisation of prepaid land lease payments		(338)	(169)
Other operating expenses		<u>(2,124)</u>	<u>(4,175)</u>
Profit from operations		5,318	44,561
Finance costs		<u>(802)</u>	<u>(917)</u>

		Six months ended	
		30 September	
		2017	2016
	<i>Notes</i>	RMB'000	RMB'000
		(Unaudited)	(Unaudited)
Profit before tax	5	4,516	43,644
Income tax	6	(2,162)	(4,893)
Profit for the period		2,354	38,751
Other comprehensive income:			
<i>Items that may be reclassified to profit or loss:</i>			
Exchange differences on translating foreign operations		3,309	1,164
Total comprehensive income for the period		5,663	39,915
Profit/(loss) for the period attributable to:			
Owners of the Company		2,395	38,777
Non-controlling interests		(41)	(26)
		2,354	38,751
Total comprehensive income/(loss) for the period attributable to:			
Owners of the Company		5,704	39,941
Non-controlling interests		(41)	(26)
		5,663	39,915
Earnings per share	7		
Basic (<i>RMB cents per share</i>)		0.18	4.32
Diluted (<i>RMB cents per share</i>)		0.18	4.32

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		At 30 September 2017 <i>RMB'000</i> (Unaudited)	At 31 March 2017 <i>RMB'000</i> (Audited)
	<i>Notes</i>		
Non-current assets			
Property, plant and equipment	9	662,398	671,892
Prepaid land lease payments		<u>23,506</u>	<u>23,844</u>
		<u>685,904</u>	<u>695,736</u>
Current assets			
Inventories		170,640	162,112
Trade receivables	10	181,945	146,767
Prepaid land lease payments		676	676
Prepayments, deposits and other receivables	11	196,941	185,332
Bank and cash balances		<u>13,415</u>	<u>19,291</u>
		<u>563,617</u>	<u>514,178</u>
Current liabilities			
Trade payables	12	24,359	67,295
Accruals and other payables		124,391	127,880
Borrowings	13	359,123	–
Current tax liabilities		<u>4,553</u>	<u>10,391</u>
		<u>512,426</u>	<u>205,566</u>
Net current assets		<u>51,191</u>	<u>308,612</u>
Total assets less current liabilities		<u>737,095</u>	<u>1,004,348</u>
Non-current liabilities			
Borrowings	13	–	333,569
NET ASSETS		<u>737,095</u>	<u>670,779</u>
Capital and reserves			
Share capital	14	13,739	11,329
Reserves		<u>723,335</u>	<u>659,388</u>
Equity attributable to owners of the Company		737,074	670,717
Non-controlling interests		<u>21</u>	<u>62</u>
TOTAL EQUITY		<u>737,095</u>	<u>670,779</u>

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Fresh Express Delivery Holdings Group Co., Ltd. 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 2017 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 2017.

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 2017. 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 reportable operating segment for financial reporting purposes, reported as cold chain food integrated distribution in PRC.

	Six months ended 30 September	
	2017	2016
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Revenue from external customers	584,514	957,960

5. PROFIT BEFORE TAX

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

	Six months ended 30 September	
	2017	2016
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Interest income	(1)	(333)
Cost of inventories sold	552,662	894,461
Amortisation of prepaid land lease payments	338	169
Depreciation	10,336	5,468
Minimum lease payments under operating leases in respect of land and buildings	1,582	1,183
Directors' remuneration	249	432

6. INCOME TAX

	Six months ended 30 September	
	2017	2016
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Current tax – PRC enterprise income tax Provision for the period	2,162	4,893

No provision for Hong Kong Profits Tax has been made for the periods ended 30 September 2017 and 30 September 2016 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 2017 and 30 September 2016, 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 2017 and 30 September 2016 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 equity holders of the Company of approximately RMB2,395,000 (six months ended 30 September 2016: approximately RMB38,777,000) and the weighted average number of 1,361,000,084 (six months ended 30 September 2016: 897,157,860) 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 2017 (six months ended 30 September 2016: nil).

9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2017, the Group has acquired property, plant and equipment of approximately RMB842,000.

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 2017 <i>RMB'000</i> (Unaudited)	At 31 March 2017 <i>RMB'000</i> (Audited)
30 days or less	46,533	55,815
31 to 90 days	112,671	90,952
Over 90 days	22,741	—
	<u>181,945</u>	<u>146,767</u>

11. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	At 30 September 2017 <i>RMB'000</i> (Unaudited)	At 31 March 2017 <i>RMB'000</i> (Audited)
Prepayments	130,728	133,273
Deposits	341	341
Other receivables	65,872	51,718
	<u>196,941</u>	<u>185,332</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 2017 <i>RMB'000</i> (Unaudited)	At 31 March 2017 <i>RMB'000</i> (Audited)
30 days or less	24,359	65,355
31 to 90 days	–	1,940
	<u>24,359</u>	<u>67,295</u>

13. BORROWINGS

	At 30 September 2017 <i>RMB'000</i> (Unaudited)	At 31 March 2017 <i>RMB'000</i> (Audited)
Other borrowings	359,123	333,569
The borrowings are repayable as follows:		
On demand or within one year	359,123	–
In the second year	–	333,569
	<u>359,123</u>	<u>333,569</u>

The carrying amount of approximately RMB333,569,000 of the Group's other borrowings is unsecured, repayable in May 2018 and interest-free.

The carrying amount of approximately RMB25,554,000 of the Group's other borrowings is denominated in Hong Kong dollar of approximately HK\$30,000,000. The borrowing, which is secured by the shares of certain subsidiaries, is arranged at fixed interest rate of 13% per annum and is repayable in February 2018.

14. SHARE CAPITAL

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

	<i>Notes</i>	Number of share	Amount RMB'000
<i>Authorised:</i>			
Ordinary shares of HK\$0.01 each At 1 April 2016, 31 March 2017, 1 April 2017 and 30 September 2017		19,800,000,000	157,061
Preference shares of HK\$0.01 each At 1 April 2016, 31 March 2017, 1 April 2017 and 30 September 2017		200,000,000	1,586
<i>Issued and fully paid:</i>			
Ordinary shares of HK\$0.01 each At 31 March 2017 and 1 April 2017		1,346,827,188	11,329
Shares issued under share option scheme	<i>(a)</i>	11,500,000	101
Placing of shares	<i>(b)</i>	271,660,000	2,309
As at 30 September 2017		1,629,987,188	13,739

- (a) During the period, 11,500,000 share options were exercised under the share option scheme at the price of HK\$0.40 per share. Accordingly, the Company's issued share capital was increased by approximately RMB101,000 and its share premium account was increased by approximately RMB4,621,000.
- (b) Completion of the placing took place on 27 September 2017 pursuant to which 271,660,000 shares were issued under the placing agreement at the price of HK\$0.25 per share. Accordingly, the Company's issued share capital was increased by approximately RMB2,309,000 and its share premium account was increased by approximately RMB54,416,000. Net proceeds were approximately RMB56,725,000 after deducting the issuing expenses of approximately RMB1,010,000.

FINANCIAL REVIEW

For the six months ended 30 September 2017, the revenue of the Group was approximately RMB585 million (six months ended 30 September 2016: approximately RMB958 million), representing a decrease of approximately 39% from the six months ended 30 September 2016. The consolidated profit attributable to owners of the Company amounted to approximately RMB2 million for the six months ended 30 September 2017 (six months ended 30 September 2016: approximately RMB39 million). Earnings per share was approximately RMB0.18 cents for the six months ended 30 September 2017 (six months ended 30 September 2016: approximately RMB4.32 cents).

RESULTS AND APPROPRIATIONS

Revenue

The revenue of the Group was approximately RMB585 million (six months ended 30 September 2016: approximately RMB958 million), representing a decrease of approximately 39% from the six months ended 30 September 2016. The Group's sales revenue decreased over the current period, due to the strategic adjustment of the Group in focusing on the development of small and medium-sized clients and gradually reducing our reliance on the sales to a few major customers.

Gross Profit

Gross profit of the Group decreased from approximately RMB63 million for the six months ended 30 September 2016 to approximately RMB32 million for the six months ended 30 September 2017. The gross profit margin for the current period decreased from 6.6% to 5.4% due to the strategic adjustment.

Staff costs

Staff costs of the Group were approximately RMB12.9 million (six months ended 30 September 2016: approximately RMB8.3 million), representing a significant increase of approximately 55.4% from the six months ended 30 September 2016. Due to the shift of the Group's sales channel from offline to online, more information technology background support is needed. Therefore, staffing expenses of the Group's information technology department increased, resulting in an increase of overall staff costs.

Depreciation

Depreciation expense increased from approximately RMB5.5 million for the six months ended 30 September 2016 to approximately RMB10.3 million for the six months ended 30 September 2017, indicating an increase of approximately 87.3% from the six months ended 30 September 2016. As the Group's major property, plant and equipment were purchased during the period ended 30 September 2016, depreciation expense of approximately 3 months was provided from the purchase date to the period ended 30 September 2016. The depreciation expense increased significantly for the current period ended 30 September 2017 because full depreciation expense of 6 months was provided for the corresponding property, plant and equipment.

Profit for the period attributable to owners

The profit for the period attributable to owners of the Company amounted to approximately RMB2.4 million for the six months ended 30 September 2017 (six months ended 30 September 2016: approximately RMB38.8 million). Basic earnings per share were approximately RMB0.18 cents as compared with basic earnings per share of approximately RMB4.32 cents for the preceding period. The profit for the period attributable to owners of the Company decreased was mainly due to decline in sales revenue during the period.

LIQUIDITY, FINANCIAL RESOURCES AND FUNDING

Bank and cash balances as at 30 September 2017 was approximately RMB13.4 million (31 March 2017: approximately RMB19.3 million). The Group's debt-to-equity ratio measured on the basis of the Group's total liabilities of approximately RMB512.4 million (31 March 2017: approximately RMB539.1 million) to the total equity of positive of approximately RMB737.1 million (31 March 2017: positive of approximately RMB670.8 million) is 0.70 (31 March 2017: 0.80).

CAPITAL STRUCTURE

During the period, 11,500,000 share options were exercised under the share option scheme at the price of HK\$0.40 per share. Accordingly, the Company's issued share capital was increased by approximately RMB101,000 and its share premium account was increased by approximately RMB4,621,000.

On 27 September 2017, the Company has issued 271,660,000 Placing Shares under the placing agreement. Details were set out in the circular and announcement of the Company dated 27 September 2017.

PROSPECTS

As mentioned in the annual report of FY2016/2017, 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 2017, there were no charges on the Group's assets.

CAPITAL AND OTHER COMMITMENTS

The Group had no any capital commitment as at 30 September 2017 (31 March 2017: Nil).

CONTINGENT LIABILITIES

The Group had no any contingent liabilities as at 30 September 2017 (31 March 2017: Nil).

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 2017.

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 2017, 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. Mr. Pan Junfeng (“Mr. Pan”) is the chairman of the Company since 24 June 2016 and has also carried out the responsibilities of CEO. He is responsible for managing the Board and the business of the Group. The Board considers that Mr. Pan possesses the essential leadership skills to manage the Board and extensive knowledge in the business of the Group. The present structure is 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 2017, 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 RESULTS

The Audit Committee constitutes three independent non-executive Directors. The unaudited results of the Group for the six months ended 30 September 2017 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 2017.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This announcement of interim results is available for viewing on the website of Hong Kong Exchange and Clearings Limited at www.hkex.com.hk under “Latest Listed Company Information” and on the company website at www.freshexpressdelivery.com. The interim report of the Company containing all the information required by the Listing Rules will be published on the above websites in due course.

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

Hong Kong, 30 November 2017

As at the date of this announcement, the Board comprises Mr Pan Junfeng and Mr Tang Dacong as executive Directors, Mr Wen Cyrus Jun-ming as non-executive Director and Dr Leung Hoi Ming, Mr Mak Ka Wing, Patrick and Mr Sung Wing Sum as independent non-executive Directors.