



鲜驰达

FRESH EXPRESS DELIVERY
HOLDINGS GROUP CO.,LTD.

2018 Interim Report

FRESH EXPRESS DELIVERY
HOLDINGS GROUP CO., LTD.

鲜驰达控股集团有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code : 1175)

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CORPORATE INFORMATION

BOARD OF DIRECTORS

EXECUTIVE DIRECTORS

Mr. Pan Junfeng (*Chairman*)
Mr. Tang Dacong

NON-EXECUTIVE DIRECTORS

Mr. Wen Cyrus Jun-ming

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. Leung Hoi Ming
Mr. Mak Ka Wing, Patrick
Mr. Sung Wing Sum

COMPANY SECRETARY

Mr. Wan Oi Ming Kevin

AUDITOR

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Unit 701, 7/F,
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PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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Royal Bank House – 3rd Floor,
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HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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REGISTERED OFFICE

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HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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PRINCIPAL BANKERS

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MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is engaged in cold chain food integrated distribution in the PRC. From the previous year, 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, the cold chain food business had achieved growth in revenue from small and medium-sized clients. Our cold chain logistic facilities and sales network were deployed efficiently, resulting in the rapid increase of market share. Meanwhile, the Group is committed to actively exploring wider markets and developing more categories, in addition to focusing on online sales on our online e-commerce platform, from which the income from online sales has become the most significant source of income. The new business model and businesses in other regions were formally operated from October; at present, branches in Nanjing, Zhengzhou, Shenzhen, Hefei, etc. are in the process of stable operating.

RESULTS AND APPROPRIATIONS

Revenue

The revenue of the Group was approximately RMB59.7 million (six months ended 30 September 2017: approximately RMB584.5 million), representing a decrease of approximately 89.8% from the six months ended 30 September 2017. The Group's revenue decreased over the current period since the Group gradually reduced offline bulk trade businesses. In urban upgrade and reconstruction in Eastern China, especially Shanghai, traditional physical wholesale food markets were basically replaced, and the number of wholesale markets in Shanghai decreased from over 50 to over 10; in addition, primary wholesale markets were closed, and our original partners carried out transformation; during the current year, the Group changed its sale model to a pure online model which was based on sale on e-commerce platforms and mobile apps.

Gross Profit

Gross profit of the Group decreased from approximately RMB31.9 million for the six months ended 30 September 2017 to approximately RMB1.4 million for the six months ended 30 September 2018. The gross profit margin for the current period decreased from 5.4% to 2.3%. The unit cost of procurement increased due to the decrease in sales volume, and the gross profit decreased accordingly.

MANAGEMENT DISCUSSION AND ANALYSIS

Staff costs

Staff costs of the Group were approximately RMB3.6 million (six months ended 30 September 2017: approximately RMB12.9 million), representing a significant decrease of approximately 72.1% from the six months ended 30 September 2017. Due to the change of sales model of the Group, the sales platform has been shifted from wholesale markets to online platform, there is less demand on staff of selling department, resulting in a decrease of overall staff costs.

Depreciation

Depreciation expense increased from approximately RMB10.3 million during for six months ended 30 September 2017 to approximately RMB12.2 million for the six months ended 30 September 2018, indicating an increase of approximately 18.4% from the six months ended 30 September 2017.

Profit for the period attributable to owners

The loss for the period attributable to owners of the Company amounted to approximately RMB22.1 million for the six months ended 30 September 2018 (six months ended 30 September 2017: profit of approximately RMB2.4 million). Basic loss per share was approximately RMB1.34 cents as compared with basic earnings per share of approximately RMB0.18 cents for the preceding period. The profit for the period attributable to owners of the Company decreased was mainly due to decline in sales income and gross profit during the period.

LIQUIDITY, FINANCIAL RESOURCES AND FUNDING

Bank and cash balances as at 30 September 2018 was approximately RMB40.4 million (31 March 2018: approximately RMB30.6 million). The Group's debt-to-equity ratio measured on the basis of the Group's total liabilities of approximately RMB57.5 million (31 March 2018: approximately RMB23.5 million) to the total equity of approximately RMB731.6 million (31 March 2018: approximately RMB752.0 million) is 0.08 (31 March 2018: 0.03).

CAPITAL STRUCTURE

During the period under review, there was no change in the share capital of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

PROSPECTS

The Group is mainly engaged in online sale of provisions and providing warehousing and cold-chain logistics services for suppliers and customers in China.

In consideration of the increase in demands of medium and small-sized enterprises for online ordering, the Group is committed to expanding the group of medium and small sized corporate customers. In addition to existing main markets in East China, it has rapidly expanded its businesses to twenty cities in China, including Guangzhou, Shenzhen, Beijing, Tianjin, Chengdu, Chongqing, Zhengzhou and Wuhan, through sales platforms for online e-commerce enterprises.

The Group has actively developed more markets, expanded online e-commerce platform businesses, better established a platform to serve upstream and downstream enterprises in the supply chain, and enlarged the brand influence. It has been committed to providing a complete series of high-quality services for food manufacturers, suppliers and marketing enterprises. As the size of the food industry in China is huge, the Group has the confidence to become the largest professional third-party service provider in the food industry.

EMPLOYMENT

As at 30 September 2018, the Group had 47 (31 March 2018: 97) full-time employees, most of whom were working in the Company's subsidiaries in the PRC. 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 2018, there were no charges on the Group's assets.

CAPITAL AND OTHER COMMITMENTS

The Group had capital commitment of approximately RMB5.0 million as at 30 September 2018 (31 March 2018: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

CONTINGENT LIABILITIES

The Group had no any contingent liabilities as at 30 September 2018 (31 March 2018: 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 2018.

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

As at the end of the financial period under review, none of the Directors, chief executive or their associates had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept under section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited ("Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

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

As at 30 September 2018, the following shareholders (other than the Directors or chief executives of the Company whose interests and short positions in the shares, underlying shares and debentures of the Company are disclosed in the section headed "Directors and chief executives' interests and short positions in the shares, underlying shares and debentures" above) had interests in the shares and underlying shares of the Company which were recorded in the register to be kept by the Company under section 336 of the SFO:

Name of shareholders	Capacity/ Nature of interest	Number of Shares held		Percentage of total holding (Note 6)
		Long position	Short position	
Marvel Light Holdings Limited (Note 1)	Beneficial owner	340,115,352	–	20.66

MANAGEMENT DISCUSSION AND ANALYSIS

Name of shareholders	Capacity/ Nature of interest	Number of Shares held		Percentage of total holding (Note 6)
		Long position	Short position	
Bomao Holdings Limited (柏貿控股有限公司)	Interest in controlled corporation (Note 1)	340,115,352	–	20.66
Harvest (Overseas) Investment Limited	Interest in controlled corporation (Note 1)	340,115,352	–	20.66
Anhui Harvest Investment Company Limited* (安徽豐收投資有限公司)	Interest in controlled corporation (Note 1)	340,115,352	–	20.66
Anhui Province Venture Investment Company Ltd.* (安徽省創業投資有限公司)	Interest in controlled corporation (Note 1)	340,115,352	–	20.66
Anhui Province Investment Group Co., Ltd.* (安徽省投資集團控股有限公司)	Interest in controlled corporation (Note 1)	340,115,352	–	20.66
STI LSN 1 Limited	Security interest (Note 4)	222,115,352	–	13.49
Tung Sun Tat Clement	Interest in controlled corporation (Note 4)	222,115,352	–	13.49
Fortunate Gravity Hongkong Limited (Note 2) (“Fortunate Gravity”)	Beneficial owner	298,840,000	–	18.15
Queen’s Central Hongkong Holdings Limited (“Queen’s Central”)	Interest in controlled corporation (Note 2)	298,840,000	–	18.15
Wuxi Wangxing Wanglu Technology Limited* (無錫網行網路科技有限公司) (“Wuxi Wangxing”)	Interest in controlled corporation (Note 2)	298,840,000	–	18.15
Mr. Zhu Wei (朱偉)	Interest in controlled corporation (Note 2)	298,840,000	–	18.15

MANAGEMENT DISCUSSION AND ANALYSIS

Name of shareholders	Capacity/ Nature of interest	Number of Shares held		Percentage of total holding (Note 6)
		Long position	Short position	
Ms. Huang Xia* (黃霞)	Family interest (Notes 2 and 3)	298,840,000	–	18.15
GREAT SAIL GLOBAL LIMITED (偉航環球有限公司) (“Great Sail”)	Security interest (Note 5)	298,840,000	–	18.15
Easyknit International Holdings Limited (永義國際集團有限公司*) (“Easyknit”)	Interest in controlled corporation (Note 5)	298,840,000	–	18.15

Notes:

- Marvel Light Holdings Limited is wholly-owned by Bomao Holdings Limited, which in turn is wholly-owned by Harvest (Overseas) Investment Limited, which in turn is wholly-owned by 安徽豐收投資有限公司 (Anhui Harvest Investment Company Limited*), which in turn is owned as to 40% by 安徽省創業投資有限公司 (Anhui Province Venture Investment Ltd*) and is wholly-owned by 安徽省投資集團控股有限公司 (Anhui Province Investment Group Co., Ltd*). Accordingly, each of the above companies is deemed to be interested, or taken to be, interested in all the shares of the Company (the “Shares”) held by Marvel Light Holdings Limited by virtue of the SFO.
- Fortunate Gravity is owned as to 90% by Queen’s Central. Queen’s Central is wholly-owned by Wuxi Wangxing, which is in turn owned as to 99% by Mr. Zhu Wei and 1% by Ms. Huang Xia (黃霞). Accordingly, each of Queen’s Central, Wuxi Wangxing and Mr. Zhu Wei is deemed to be interested, or taken to be, interested in all the Shares held by Fortunate Gravity by virtue of the SFO.
- Ms. Huang Xia (黃霞) is the spouse of Mr. Zhu Wei. Accordingly, Ms. Huang Xia is deemed to be, or taken to be, interested in all the interest in the Company held by Mr. Zhu Wei by virtue of the SFO.
- STI LSN 1 Limited, which is interested in 222,115,352 Shares in its capacity as a person having a security interest in the Shares, is wholly-owned by Mr. Tung Sun Tat Clement. Accordingly, Mr. Tung Sun Tat Clement is deemed to be interested, or taken to be, interested in all the interest in the Company held by STI LSN 1 Limited by virtue of the SFO.

MANAGEMENT DISCUSSION AND ANALYSIS

5. Great Sail, which is interested in 298,840,000 Shares in its capacity as a person having a security interest in the Shares, is wholly-owned by Easyknit. Accordingly, Easyknit is deemed to be interested, or taken to be, interested in all the interest in the Company held by Great Sail by virtue of the SFO.
6. The percentage is calculated based on the number of issued share capital of the Company as at 30 September 2018, which are 1,646,287,188 shares.

* *For identification purpose only*

Save as disclosed above, as at 30 September 2018, no person had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

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 2018, except for the deviation of A.2.1 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 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 2018 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 2018.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2018

	Notes	Six months ended 30 September	
		2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)
Revenue	4	59,696	584,514
Cost of inventories sold		<u>(58,301)</u>	<u>(552,662)</u>
Gross profit		1,395	31,852
Other income		1	719
Staff costs		(3,646)	(12,873)
Operating lease rentals		(1,384)	(1,582)
Depreciation		(12,172)	(10,336)
Amortisation of prepaid land lease payments		(338)	(338)
Other operating expenses		<u>(4,866)</u>	<u>(2,124)</u>
(Loss)/profit from operations		(21,010)	5,318
Finance costs		<u>(1,075)</u>	<u>(802)</u>
(Loss)/profit before tax	5	(22,085)	4,516
Income tax	6	<u>-</u>	<u>(2,162)</u>
(Loss)/profit for the period		(22,085)	2,354
Other comprehensive income:			
<i>Items that may be reclassified to profit or loss:</i>			
Exchange differences on translating foreign operations		<u>1,646</u>	<u>3,309</u>
Total comprehensive (loss)/income for the period		<u>(20,439)</u>	<u>5,663</u>

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2018

	Notes	Six months ended 30 September	
		2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)
(Loss)/profit for the period attributable to:			
Owners of the Company		(22,085)	2,395
Non-controlling interests		—	(41)
		<u>(22,085)</u>	<u>2,354</u>
Total comprehensive (loss)/income for the period attributable to:			
Owners of the Company		(20,439)	5,704
Non-controlling interests		—	(41)
		<u>(20,439)</u>	<u>5,663</u>
(Loss)/earnings per share			
Basic (RMB cents per share)	7	<u>(1.34)</u>	<u>0.18</u>
Diluted (RMB cents per share)		<u>(1.34)</u>	<u>0.18</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2018

	<i>Notes</i>	At 30 September 2018 RMB'000 (Unaudited)	At 31 March 2018 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment	9	665,327	671,701
Deposits paid for acquisition of property, plant and equipment		29,000	–
Prepaid land lease payments		22,830	23,168
		<u>717,157</u>	<u>694,869</u>
Current assets			
Inventories		2,672	4,799
Trade receivables	10	140	28,856
Prepaid land lease payments		676	676
Prepayments, deposits and other receivables	11	28,068	15,662
Bank and cash balances		40,351	30,643
		<u>71,907</u>	<u>80,636</u>
Current liabilities			
Trade payables	12	1,432	11,723
Accruals and other payables		2,848	6,807
Bank loan	13	53,000	–
Current tax liabilities		214	4,966
		<u>57,494</u>	<u>23,496</u>
Net current assets		<u>14,413</u>	<u>57,140</u>
NET ASSETS		<u>731,570</u>	<u>752,009</u>
Capital and reserves			
Share capital	14	13,869	13,869
Reserves		717,701	738,140
Equity attributable to owners of the Company		<u>731,570</u>	<u>752,009</u>
Non-controlling interests		–	–
TOTAL EQUITY		<u>731,570</u>	<u>752,009</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Company							
	Share capital	Share premium	Share-based payment reserve	Foreign	Accumulated losses	Total	Non-controlling interests	Total
				currency translation reserve				
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	
At 1 April 2017	11,329	2,190,823	1,893	(84,596)	(1,448,732)	670,717	62	670,779
Placing of new shares	2,309	54,416	-	-	-	56,725	-	56,725
Share issued under share option scheme	101	4,621	(794)	-	-	3,928	-	3,928
Total comprehensive income/ (loss) for the period	-	-	-	3,309	2,395	5,704	(41)	5,663
At 30 September 2017	<u>13,739</u>	<u>2,249,860</u>	<u>1,099</u>	<u>(81,287)</u>	<u>(1,446,337)</u>	<u>737,074</u>	<u>21</u>	<u>737,095</u>
At 1 April 2018	13,869	2,256,513	-	(77,876)	(1,440,497)	752,009	-	752,009
Total comprehensive income/ (loss) for the period	-	-	-	1,646	(22,085)	(20,439)	-	(20,439)
At 30 September 2018	<u>13,869</u>	<u>2,256,513</u>	<u>-</u>	<u>(76,230)</u>	<u>(1,462,582)</u>	<u>731,570</u>	<u>-</u>	<u>731,570</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended 30 September	
	2018	2017
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Net cash used in operating activities	(10,141)	(94,551)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(5,798)	(842)
Deposits paid for acquisition of property, plant and equipment	(29,000)	–
Interest received	1	1
Net cash used in investing activities	(34,797)	(841)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net proceeds from placing of shares	–	56,725
Net proceeds from exercise of share options	–	3,928
Repayment of bank loans	(3,000)	–
Bank and other loans raised	56,000	25,554
Net cash generated from financing activities	53,000	86,207
Net increase/(decrease) in cash and cash equivalents	8,062	(9,185)
Effect of foreign exchange rate changes	1,646	3,309
Cash and cash equivalents at beginning of period	30,643	19,291
Cash and cash equivalents at end of period	40,351	13,415

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 2018 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 2018 except as stated below.

(a) Financial assets

Financial assets are recognised and derecognised on a trade date basis where the purchase or sale of an asset is under a contract whose terms require delivery of the asset within the timeframe established by the market concerned, and are initially recognised at fair value, plus directly attributable transaction costs except in the case of investments at fair value through profit or loss. Transaction costs directly attributable to the acquisition of investments at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets of the Group is classified as Financial assets at amortised cost.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (Continued)

(a) Financial assets (Continued)

Financial assets at amortised cost

Financial assets (including trade and other receivables) are classified under this category if they satisfy both of the following conditions:

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

They are subsequently measured at amortised cost using the effective interest method less loss allowance for expected credit losses.

(b) Loss allowances for expected credit losses

The Group recognises loss allowances for expected credit losses on financial assets at amortised cost. Expected credit losses are the weighted average of credit losses with the respective risks of a default occurring as the weights.

At the end of each reporting period, the Group measures the loss allowance for a financial instrument at an amount equal to the expected credit losses that result from all possible default events over the expected life of that financial instrument (“lifetime expected credit losses”) for trade receivables or if the credit risk on that financial instrument has increased significantly since initial recognition.

If, at the end of the reporting period, the credit risk on a financial instrument (other than trade receivables) has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to the portion of lifetime expected credit losses that represents the expected credit losses that result from default events on that financial instrument that are possible within 12 months after the reporting period.

The amount of expected credit losses or reversal to adjust the loss allowance at the end of the reporting period to the required amount is recognised in profit or loss as an impairment gain or loss.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (Continued)

(c) Revenue from contracts with customers

Revenue is measured based on the consideration specified in a contract with a customer with reference to the customary business practices and excludes amounts collected on behalf of third parties. For a contract where the period between the payment by the customer and the transfer of the promised product or service exceeds one year, the consideration is adjusted for the effect of a significant financing component.

The Group recognises revenue when it satisfies a performance obligation by transferring control over a product or service to a customer. Depending on the terms of a contract and the laws that apply to that contract, a performance obligation can be satisfied over time or at a point in time. A performance obligation is satisfied over time if:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance;
- the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; 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.

If a performance obligation is satisfied over time, revenue is recognised by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the product or service.

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 2018. 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.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Continued)

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 trading of convenience food products.

	Convenience food products	
	Six months ended 30 September	
	2018	2017
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Revenue from external customers	59,696	584,514

Disaggregation of revenue from contracts with customers:

	Convenience food products	
	Six months ended 30 September	
	2018	2017
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Geographical markets		
PRC	59,696	584,514
Major product		
Frozen food products	59,696	584,514
Timing of revenue recognition		
At a point in time	59,696	584,514

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

5. (LOSS)/PROFIT BEFORE TAX

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

	Six months ended 30 September	
	2018	2017
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Interest income	(1)	(1)
Cost of inventories sold	58,301	552,662
Amortisation of prepaid land lease payments	338	338
Depreciation	12,172	10,336
Minimum lease payments under operating leases in respect of land and buildings	1,384	1,582
Directors' remuneration	299	249
	<u> </u>	<u> </u>

6. INCOME TAX

	Six months ended 30 September	
	2018	2017
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current tax – PRC enterprise income tax		
Provision for the period	–	2,162
	<u> </u>	<u> </u>

No provision for Hong Kong Profits Tax has been made for the periods ended 30 September 2018 and 30 September 2017 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 2018 and 30 September 2017, 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 2018 and 30 September 2017 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.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

7. (LOSS)/EARNINGS PER SHARE

Basic loss per share

The calculation of basic loss per share attributable to owners of the Company is based on the loss for the six months period attributable to owners of the Company of approximately RMB22,085,000 (six months ended 30 September 2017: earnings of approximately RMB2,395,000) and the weighted average number of 1,646,287,188 (six months ended 30 September 2017: 1,361,000,084) 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 2018 (six months ended 30 September 2017: Nil).

9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2018, the Group has acquired property, plant and equipment of approximately RMB5,798,000 (30 September 2017: RMB842,000).

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

10. TRADE RECEIVABLES

Other than cash sales, invoices are normally payable within 30 days of issuance. Trade receivables are recognised and carried at their original invoiced amounts less allowance for impairment when collection of the full amount is no longer probable. Bad debts are written off as incurred. An aging analysis of the trade receivables at the end of the reporting period, based on invoice dates, is as follows:

	At 30 September 2018 RMB'000 (Unaudited)	At 31 March 2018 RMB'000 (Audited)
30 days or less	113	16,606
31 to 90 days	27	7,913
91 to 120 days	–	4,337
	<u>140</u>	<u>28,856</u>

11. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	At 30 September 2018 RMB'000 (Unaudited)	At 31 March 2018 RMB'000 (Audited)
Prepayments	9,738	7,452
Deposits	5,646	557
Other receivables	12,684	7,653
	<u>28,068</u>	<u>15,662</u>

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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 2018 RMB'000 (Unaudited)	At 31 March 2018 RMB'000 (Audited)
30 days or less	664	10,928
31 to 90 days	–	467
Over 90 days	768	328
	<u>1,432</u>	<u>11,723</u>

13. BANK LOAN

	At 30 September 2018 RMB'000 (Unaudited)	At 31 March 2018 RMB'000 (Audited)
Bank loan	<u>53,000</u>	–
On demand or within one year	53,000	–
Less: Amount due for settlement within 12 months (show under current liabilities)	<u>(53,000)</u>	–
Amount due for settlement after 12 months	<u>–</u>	<u>–</u>

The bank loan of the Group is secured by corporate guarantee obtained from related companies. The effective interest rates per annum at the end of the period is 6.87%.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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 1 April 2017, 31 March 2018, 1 April 2018 and 30 September 2018	19,800,000,000	157,061
Preference shares of HK\$0.01 each At 1 April 2017, 31 March 2018, 1 April 2018 and 30 September 2018	200,000,000	1,586
<i>Issued and fully paid:</i>		
Ordinary shares of HK\$0.01 each At 31 March 2018, 1 April 2018 and 30 September 2018	1,646,287,188	13,869

15. CONTINGENT LIABILITIES

The Directors were not aware of any significant contingent liabilities of the Group as at 30 September 2018 (31 March 2018: Nil).

16. CAPITAL COMMITMENTS

	At 30 September 2018 RMB'000 (Unaudited)	At 31 March 2018 RMB'000 (Audited)
Contracted but not provided for: Purchase of plant and machinery	5,000	–

17. APPROVAL OF THE INTERIM FINANCIAL STATEMENTS

These Interim Financial Statements were approved and authorised for issue by the Board of Directors on 30 November 2018.