

**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)

2017
Annual Report



鮮馳達

**FRESH EXPRESS DELIVERY
HOLDINGS GROUP CO.,LTD.**

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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

ZHONGHUI ANDA CPA Limited
Unit 701, 7/F,
Citicorp Centre
18 Whitfield Road,
Causeway Bay
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

SMP Partners (Cayman) Limited
Royal Bank House – 3rd Floor,
24 Shedden Road,
P.O. Box 1586,
Grand Cayman,
KY1-1110,
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
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REGISTERED OFFICE

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HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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9-23 Shell Street,
North Point,
Hong Kong

PRINCIPAL BANKERS

Hang Seng Bank
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Hong Kong

WEBSITE

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CONTACT

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Chairman's Statement

For the year ended 31 March 2017, the “Internet + Cold Chain Food” strategy implemented by the Group continued. We keep working hard in food chain distribution industry for actively expanding our cold-chain food distribution network nationwide.

“Fresh Express Food Distribution Platform”, the open distribution platform for bulk buying of frozen food, was launched by the Group last financial year. Having been upgraded, the platform continuously contributed the Group better sales and profit in current financial year. It accounts for a much bigger proportion of the Group's total sales income as compared to last year. Conventional retail was once the main source of the Group's income, but now it has been gradually replaced by both conventional bulk distribution business and our online e-commerce platform.

For the current financial year, the operating gross profit margin and the operating income of the Group have shown a slight increase over last year. As the Group acquired a significant land and housing equipment asset in June 2016, there is new depreciation charges for the year. Thus, the consolidated profit has shown a slight drop from last year. As of 31 March 2017, the sales income of the Group is approximately RMB1.52 billion, with earning of RMB40.28 million.

This year, the Group has endeavoured to expand its upstream and downstream channels and explore new business models. We have signed strategic cooperation agreements with several large and medium sized origins of premium food. In addition to our brands, other food brands are also available on our distribution platform, the sales of which is excellent.

The Group is actively expanding its business nationwide under the guideline of its stated strategic plan while also considering the relaunch of its “off-shore purchase” (“海外購”), an import and export business. We may acquire or hold interests in outstanding food enterprises when appropriate. The Group has transformed its business successfully under the new economic environment. As the country's consumption increases, “Providing premium and safe food to people” (“植根優質食品,安全服務人民”) is the principle that we always hold on to, aiming at offering quick, safe, efficient food solutions to our customers. Our business is expected to grow significantly in the next three years, and we are going to become the leading company in the industry.

Mr. Pan Junfeng

Chairman

30 June 2017

Management Discussion and Analysis

BUSINESS REVIEW

The Group is engaged in cold chain food integrated distribution in the PRC. During the year, the cold chain food business had maintained the existing market shares in the market, with slightly increment in revenue.

RESULTS AND APPROPRIATIONS

Revenue

The revenue of the Group was approximately RMB1,520.85 million (2016: approximately RMB1,482.67 million), representing an increase of approximately 2.6% from the last financial year. The slightly increment reflected the Group was maintaining the current market shares in the market.

Gross Profit

Gross profit of the Group increased from approximately RMB81.39 million to approximately RMB94.78 million in 2017 due to the increment in revenue of trading of convenience food products. The gross profit margin for the current year increased from 5.49% to 6.23%.

Other operating expenses

Other operating expenses of the Group were approximately RMB11.16 million (2016: approximately RMB4.84 million), representing an increase of approximately RMB6.32 million. The increment was mainly due to the equity-settled share-based payment expenses to consultants of approximately RMB3.50 million and legal and professional fees of approximately RMB2.44 million incurred from acquisition of assets during the year.

Profit for the year attributable to owners of the Company

The profit for the year attributable to owners of the Company amounted to approximately RMB40.28 million for the year ended 31 March 2017 (2016: approximately RMB57.61 million). Basic earnings per share were approximately RMB4 cents as compared with approximately RMB10 cents for the preceding year.

LIQUIDITY, FINANCIAL RESOURCES AND FUNDING

Bank and cash balances as at 31 March 2017 was approximately RMB19.29 million (2016: approximately RMB124.19 million). The Group's debt-to-equity ratio measured on the basis of the Group's total liabilities of approximately RMB539.14 million (2016: approximately RMB186.13 million) to the total equity of approximately RMB670.78 million (2016: approximately RMB343.33 million) is 0.80 (2016: 0.54).

Management Discussion and Analysis

Placing of shares completed on 20 June 2016

During the year, 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. Out of the net proceeds, approximately RMB203,266,000 was paid for the acquisition of assets during the year.

Placing of shares completed on 8 December 2016

During the year, completion of the placing took place on 8 December 2016 pursuant to which 218,820,000 shares were issued under the placing agreement at the price of HK\$0.41 per share. Accordingly, the Company's issued share capital was increased by approximately RMB1,942,000 and its share premium account was increased by approximately RMB76,868,000. Net proceeds were approximately RMB78,810,000 after deducting the issuing expenses of approximately RMB802,000. Out of the net proceeds, approximately RMB78,810,000 was used to settle the trade payables

Shares issued under share option scheme

During the year, 33,900,000 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 RMB301,000 and its share premium account was increased by approximately RMB14,318,000. Net proceeds were approximately RMB12,245,000, which was used to settle the trade payables.

EMPLOYMENT

As at 31 March 2017, the Group had 117 (2016: 126) full-time employees, most of whom were working in the Company's subsidiaries in the PRC. During the year under review, the total employees' costs including Directors' remuneration were approximately RMB18.87 million (2016: RMB11.70 million). 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 31 March 2017, there were no charges on the Group's assets.

CAPITAL AND OTHER COMMITMENTS

The Group had no any capital commitment as at 31 March 2017 (2016: Nil).

CONTINGENT LIABILITIES

The Group had no any contingent liabilities as at 31 March 2017 (2016: Nil).

Corporate Governance Report

The board of directors of the Company (the “Board”) is committed to maintain good corporate governance standard and procedures to ensure the integrity, transparency and quality of disclosure in order to enhance the shareholders’ value.

The Company has applied the principles and complied with all the applicable code provisions of the Code on Corporate Governance Practices (“Code”) as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “Listing Rules”) for the year ended 31 March 2017, save for the deviations discussed below. The Board will continuously review and improve the corporate governance practices and standards of the Company to ensure that business activities and decision making processes are regulated in a proper and prudent manner.

DIRECTORS’ SECURITIES TRANSACTION

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding directors’ securities transactions (the “Model Code”). Having made specific enquiry of all directors of the Company, the directors of the Company have confirmed that they have fully complied with the required standard as set out in the Model Code throughout the year ended 31 March 2017.

BOARD OF DIRECTORS

As at the date of this report, the Board is made up of Six Directors, including two executive Directors, one non-executive Director and three independent non-executive Directors (the “INEDs”). The Directors are, collective and individually, aware of their responsibilities to the shareholders. One of the INEDs possesses appropriate professional accounting qualifications and financial management expertise. The Directors’ biographical details are set out in the section of “Directors and Senior Management Profiles” on pages 26 to 29.

The Board members during the year ended 31 March 2017 and as at the date up to this report were:

Executive Directors

Mr. Pan Junfeng (*Chairman*)

Mr. Tang Dacong (appointed on 24 June 2016)

Mr. Huang Shourong (resigned on 14 July 2016)

Mr. Chung Yuk Lun (appointed on 15 July 2016 and resigned on 1 December 2016)

Non-executive Directors

Mr. Wen Cyrus Jun-ming (appointed on 8 December 2016)

Corporate Governance Report

Independent Non-executive Directors

Dr. Leung Hoi Ming
Mr. Mak Ka Wing, Patrick
Mr. Sung Wing Sum
Ms. Hui Wai Man Shirley (appointed on 15 July 2016 and resigned on 1 December 2016)

The Board conducts at least four regular Board meetings a year at approximately quarterly intervals in addition to other Board meetings that are required for significant and important issues, and for statutory purposes. Appropriate and sufficient information is provided to the Board members in a timely manner to keep them abreast of the Group's latest development and thus assist them in discharging their duties.

During the year, the Board held thirteen meetings and the attendance of the directors at the Board Meetings for the year ended 31 March 2017 is set out as below:

Name of Directors	Number of attendance/Number of Meetings
Executive Directors	
Mr. Pan Junfeng (<i>Chairman</i>)	12/13
Mr. Tang Dacong (<i>Note 1</i>)	8/8
Mr. Huang Shourong (<i>Note 2</i>)	1/7
Mr. Chung Yuk Lun (<i>Note 3</i>)	1/2
Non-executive Director	
Mr. Wen Jun-ming (<i>Note 4</i>)	1/2
Independent Non-executive Directors	
Dr. Leung Hoi Ming	13/13
Mr. Mak Ka Wing, Patrick	12/13
Mr. Sung Wing Sum	13/13
Ms. Hui Wai Man Shirley (<i>Note 3</i>)	1/2

Notes:

1. Appointed on 24 June 2016
2. Resigned on 14 July 2016
3. Appointed on 15 July 2016 and resigned on 1 December 2016
4. Appointed on 8 December 2016

Corporate Governance Report

Board minutes are recorded in appropriate details and draft minutes are circulated to all directors and committee members for comments before being approved by the Board at the next immediate meeting. All minutes are kept by the Company Secretary and are open for inspection by the directors.

The Board is responsible for the leadership and control of the Group and oversees the Group's business, strategic decisions and financial performance. The Board directly, and indirectly through its committees, leads and provides direction to management by laying down strategies and overseeing their implementation, monitors the Group's operational and financial performance, and ensures that sound internal control and risk management systems are in place. The Board delegates to the management team the day-to-day management of the Company's business including the preparation of annual and interim reports, and for implementation of internal control, risk management system, business strategies and plans developed by the Board.

The Company has received from each of its independent non-executive directors an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules and considers all the independent non-executive directors to be independent.

The Board members have no financial, business, family or other material/relevant relationship with each other except those disclosed in the director biographical details.

According to the Company's Articles of Association, all directors (including independent non-executive Directors) are subject to retirement by rotation and re-election at annual general meeting of the Company, notwithstanding that every Director shall be retired at least once every three years.

Pursuant to A.4.1 of the Code, non-executive directors should be appointed for specific terms, subject to re-election. For the year ended 31 March 2017, all the existing non-executive Director and 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 Articles of Association.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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.

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 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.

Corporate Governance Report

CONTINUING PROFESSIONAL DEVELOPMENT

Directors keep abreast of responsibilities as a director of the Company and of the conduct, business activities and development of the Group. Every director is fully aware of his responsibilities and obligations under the Listing Rules and relevant statutory requirements. Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant.

During the year under review and up to the date of this Annual Report, relevant materials including regulatory updates have been provided to the directors for their reference and study.

BOARD COMMITTEES

The Board has established three committees with clearly-defined written terms of reference. The independent view and recommendations of the three committees ensure proper control of the Group and the continual achievement of the high standard corporate governance practices.

Remuneration Committee

As at the date of this report, the Remuneration Committee (the "RC") comprises three Independent non-executive directors, namely, Dr. Leung Hoi Ming, Mr. Mak Ka Wing, Patrick and Mr. Sung Wing Sum.

The duties of the RC as per the terms of reference were as follows:

- (a) to make recommendations to the Board on the remuneration policy for of all directors and senior management and on the establishment of a formal and transparent procedure for developing remuneration policy.
- (b) to review and approve on the remuneration policy of the Group proposed by the Chief Executive Officer and make recommendations to the Board.
- (c) to review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives.
- (d) to make recommendations to the Board on the remuneration packages of individual executive directors and senior management, including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment.

Corporate Governance Report

- (e) to make recommendations to the Board on the remuneration of non-executive directors.
- (f) to consider salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Group.
- (g) to review and approve compensation payable to executive directors and senior management for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive.
- (h) to review and approve compensation arrangements relating to dismissal or removal of directors for misconduct to ensure that they consistent with contractual terms and are otherwise reasonable and appropriate.
- (i) to ensure that no director or any of his associates is involved in deciding his own remuneration.
- (j) to advise shareholders on how to vote with respect to any service contracts of directors that require shareholders' approval.
- (k) to do any such things to enable the Committee to discharge its duties conferred on it by the Board.
- (l) to conform to any requirement, direction, and regulation that may from time to time be prescribed by the Board or contained in the Company's constitution or imposed by legislation and/or rules.

The RC has every right to access to professional advice relating to remuneration proposal if considered necessary. The RC has begun to review the remuneration policy for the Directors and senior management.

The RC held three meetings during the year ended 31 March 2017 and the attendance of the members is as follows:

Name of Members	Number of attendance/Number of Meetings
Dr. Leung Hoi Ming (<i>Chairman</i>)	3/3
Mr. Mak Ka Wing, Patrick	3/3
Mr. Sung Wing Sum	3/3

Corporate Governance Report

Audit Committee

As at the date of this report, the Audit Committee (the “AC”) comprises three Independent non-executive directors, namely, Dr. Leung Hoi Ming, Mr. Mak Ka Wing, Patrick and Mr. Sung Wing Sum.

The duties of the AC as per the terms of reference were as follows:

- (a) to be primarily responsible for making recommendations to the Board on the appointment, reappointment and removal of the external auditors, and to approve the remuneration and terms of engagement of the external auditors, and any questions of its resignation or dismissal.
- (b) to review and monitor the external auditors’ independence and objectivity and the effectiveness of the audit process in accordance with applicable standards. The Committee should discuss with the external auditors the nature and scope of the audit and reporting obligations before the audit commences.
- (c) to develop and implement policy on an external auditor to supply non-audit services. For this purpose, “external auditors” includes any entity that is under common control, ownership or management with the audit firm or any entity that a reasonable and informed third party knowing all relevant information would reasonably conclude to be part of the audit firm nationally or internationally. The Committee should report to the Board, identifying and making recommendations on any matters where action or improvement is needed.
- (d) to act as the key representative body for overseeing the Company’s relation with the external auditors.
- (e) to monitor integrity of the Company’s financial statements and annual report and accounts, half-year report and, if prepared for publication, quarterly reports, and to review significant financial reporting judgments contained in them. In reviewing these reports before submission to the Board, the Committee should focus particularly on:–
 - (i) any changes in accounting policies and practices;
 - (ii) major judgmental areas;
 - (iii) significant adjustments resulting from audit;
 - (iv) the going concern assumptions and any qualifications;
 - (v) compliance with accounting standards; and
 - (vi) compliance with the Listing Rules and legal requirements in relation to financial reporting.

Corporate Governance Report

- (f) Regarding sub-paragraph (e) above:–
 - (i) members of the Committee should liaise with the Board and senior management and the Committee must meet, at least twice a year, with the external auditors; and
 - (ii) the Committee should consider any significant or unusual items that are, or may need to be, reflected in the report and accounts, it should give due consideration to any matters that have been raised by the Company's staff responsible for the accounting and financial reporting function, compliance officer or external auditors.
- (g) to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board.
- (h) to review and monitor the training and continuous professional development of directors and senior management.
- (i) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements.
- (j) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and directors.
- (k) to review the Company's compliance with the Corporate Governance Code and report to the Board on the matters set out in Appendix 14 of the Listing Rules "Corporate Governance Code and Corporate Governance Report".
- (l) to review the Company's financial controls, internal control and risk management systems.
- (m) to discuss the internal control system with management to ensure that management has performed its duty to have an effective internal control system. This discussion should include the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function.
- (n) to consider major investigation findings on internal control matters as delegated by the Board or on its own initiative and management's response to these findings.
- (o) where an internal audit function exists, to ensure co-ordination between the internal and external auditors, and to ensure that the internal audit function is adequately resourced and has appropriate standing within the Company, and to review and monitor its effectiveness.
- (p) to review the Group's financial and accounting policies and practices.

Corporate Governance Report

- (q) to review the external auditors' management letter, any material queries raised by the auditors to management about accounting records, financial accounts or systems of control and management's response.
- (r) to ensure that the Board will provide a timely response to the issues raised in the external auditors' management letter.
- (s) to review arrangements employees of the Group can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters. The Committee should ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action.
- (t) to report to the Board on the matters in this Terms of Reference.
- (u) to consider other topics, as defined by the Board.

The AC is authorized by the Board to investigate any activity and seek any information it requires within its term of reference. It is also authorized to obtain outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary.

Reporting to the Board of Directors of the Company, the AC is dedicated to review and supervise the Group's financial reporting process and internal controls. The financial results for the year ended 31 March 2017 has been reviewed by the Audit Committee. The AC has reviewed the risk management report on monitoring of the risk management and internal control systems of the Group.

The AC conducts at least two regular meetings a year in addition to other meetings that are required for significant and important issues, and for statutory purposes. The AC held two meetings during the year ended 31 March 2017 and the attendance of the members is as follows:

Name of Members	Number of attendance/Number of Meetings
Dr. Leung Hoi Ming	2/2
Mr. Mak Ka Wing, Patrick	2/2
Mr. Sung Wing Sum (<i>Chairman</i>)	2/2

During the year ended 31 March 2017, the Audit Committee had reviewed the Company's annual report for the year ended 31 March 2017 and the interim report for the six months ended 30 September 2016.

Corporate Governance Report

Nomination Committee

As at the date of this report, the Nomination Committee (the “NC”) comprises three Independent non-executive directors, namely, Dr. Leung Hoi Ming, Mr. Mak Ka Wing, Patrick and Mr. Sung Wing Sum.

The duties of the NC as per the terms of reference were as follows:

- (a) to review the structure, size and composition (including the skills, knowledge, experience and length of service) of the Board at least annually; and make recommendations on the followings:
 - (i) any proposed changes to the Board to complement the Company’s corporate strategy; and
 - (ii) any proposed changes to the Executive Committee by the Chief Executive Officer.
- (b) to consider the selection criteria of the directors, and develop procedures for the sourcing and selection of candidates to stand for election by the Company’s shareholders (the “Shareholders”).
- (c) to identify and nominate candidates to the Board for it to recommend to the Shareholders for election as the directors. Sufficient biographical details of nominated candidates shall be provided to the Board and the Shareholders to enable them to make an informed decision.
- (d) to identify and nominate candidates to fill casual vacancies of the directors for the Board’s approval.
- (e) to assess candidates proposed by the Chief Executive Officer as new member(s) of the Executive Committee or to fill Committee vacancies as they arises for the approval of the Board.
- (f) to assess the independence of independent non-executive directors on a regular basis having regard to relevant guidelines or requirements of the Listing Rules, review the independent non-executive directors’ annual confirmations on their independence and make disclosure of its review results in the Corporate Governance Report.
- (g) to regularly review the time required from the director to perform his responsibilities.
- (h) to make recommendations to the Board on the appointment or re-appointment of directors and the succession planning for directors, in particular the Chairman of the Board and the Chief Executive Officer.
- (i) to do any such things to enable the Committee to discharge its powers and functions conferred on it by the Board.
- (j) to conform to any requirement, direction, and regulation that may from time to time be prescribed by the Board or contained in the Company’s constitution or imposed by legislation.

Corporate Governance Report

The NC held three meetings during the year ended 31 March 2017 and the attendance of the members is as follows:

Name of Members	Number of attendance/Number of Meetings
Dr. Leung Hoi Ming	3/3
Mr. Mak Ka Wing, Patrick (<i>Chairman</i>)	3/3
Mr. Sung Wing Sum	3/3

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities for the preparation of the financial statements of the Group and ensure that the financial statements are in accordance with statutory requirements and applicable accounting standard. The Directors also ensure the timely publication of the financial statements of the Group.

The Statement of external auditors of the Company, ZHONGHUI ANDA CPA Limited, about their reporting responsibilities on the financial statement of the Group is set out in the Report of Auditors on pages 30 to 33.

The Directors confirm that, to the best of their knowledge, information and belief, having made all reasonable enquiries, they are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

AUDITORS' REMUNERATION

For the year ended 31 March 2017, fees payable to the auditor of the Group for audit and non-audit services amounting to HK\$1,200,000 and HK\$215,000 respectively.

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board is responsible for establishing and maintaining a sound system of risk management and internal control within the Group and reviewing their effectiveness. However, such system was designed to manage various risks of the Group within certain acceptable risk level, rather than complete the elimination of the risk of failure to achieve the business objectives of the Group, and can only provide reasonable but not absolute assurance against material misstatement or loss.

The Audit Committee assists the Board to oversee management in the design, implementation and monitoring of the risk management and internal control systems.

Corporate Governance Report

The Group has established a risk management framework, including the construction of the architecture for the aforementioned organisation and definition of the responsibilities of all parties concerned, and prepared risk management policies and processes and clarified the risk assessment procedures, which, specifically include risk identification, risk analysis, risk control and risk report.

1. Risk identification – identify current risks exposed to the Group and business and existing management and control measures therefor.
2. Risk analysis – analyse the possibility, extent of influence and existing management and control measures, identify risk exposure, and propose further countermeasures.
3. Risk control – implement and periodically detect the identified risks to ensure effective operation of risk countermeasures.
4. Risk report – summarise the results of risk management analysis, prepare action plans and report to the management, Audit Committee and the Board.

The Board has engaged an external professional service firm to conduct the annual review of the risk management and internal control systems for the year ended 31 March 2017. The findings and areas for improvement were reported to the Audit Committee and management. The Audit Committee are of the view that there are no material internal control defects noted. All recommendations are properly followed up by the Group to ensure that they are implemented within a reasonable period of time. The Board therefore considered that the risk management and internal control systems are effective and adequate.

The Company does not have an internal audit function and the Board is currently of the view that there is no immediate need to set up an internal audit function within the Group in light of the size, nature and complexity of the Group's business. It was decided that the Board would be directly responsible for internal control of the Group and for reviewing its effectiveness.

Arrangements are in place to facilitate employees of the Company to raise, in confidence, concerns about possible improprieties in financial reporting, internal control or other matters of the Company.

PROCEDURES AND INTERNAL CONTROLS FOR THE HANDLING AND DISSEMINATION OF INSIDE INFORMATION

The Group complies with requirements of Securities & Futures Ordinance ("SFO") and the Listing Rules. The Group will disclose inside information to the public as soon as reasonably practicable unless the information falls within any of the "safe harbours" provisions under the SFO and satisfy the conditions. Before the information is fully disclosed to the public, the Group will ensure that the information is kept strictly confidential. If the Group believes that the necessary degree of confidentiality cannot be maintained or that confidentiality may have been breached, the Group would immediately disclose the information to the public. The Group is committed to ensure that information contained in announcements are not false or misleading as to a material fact, or false or misleading through the omission of a material fact in view of presenting information in a clear and balanced way, which requires equal disclosure of both positive and negative facts.

Corporate Governance Report

COMPANY SECRETARY

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.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

To enhance transparency and effectively communicate with shareholders and investors, the board and the Company maintain an on-going dialogue with shareholders mainly through the Company's financial reports, annual general meeting and other general meetings.

The Company also maintains a website at <http://www.freshexpressdelivery.com>, as one of communication channel for the shareholders and investors. For any enquiries, the shareholders, the investors, media or the public may contact the Company directly, contact details of which are posted on the Company's website.

During the year ended 31 March 2017, the Company held an annual general meeting and an extraordinary general meeting. The attendance of the directors at the meetings was as follows:

Name of Directors	Number of attendance/Number of Meetings
Executive Directors	
Mr. Pan Junfeng (<i>Chairman</i>)	2/2
Mr. Tang Dacong (<i>Note 1</i>)	1/1
Mr. Huang Shourong (<i>Note 2</i>)	0/1
Mr. Chung Yuk Lun (<i>Note 3</i>)	1/1
Non-executive Director	
Mr. Wen Jun-ming (<i>Note 4</i>)	0/0
Independent Non-executive Directors	
Dr. Leung Hoi Ming	2/2
Mr. Mak Ka Wing, Patrick	1/2
Mr. Sung Wing Sum	2/2
Ms. Hui Wai Man Shirley (<i>Note 3</i>)	1/1

Notes:

1. Appointed on 24 June 2016
2. Resigned on 14 July 2016
3. Appointed on 15 July 2016 and resigned on 1 December 2016
4. Appointed on 8 December 2016

Corporate Governance Report

CONSTITUTIONAL DOCUMENTS

During the year ended 31 March 2017, there had been no significant change in the Company's constitutional documents.

SHAREHOLDERS' RIGHTS

Procedures for convening an extraordinary general meeting by shareholders

Pursuant to Article 58 of the Articles of Association of the Company, any one or more shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two (2) months after the deposit of such requisition. If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Putting forward proposals at general meetings

Members are welcomed to suggest proposals relating to the operations, strategy and/or management of the Group to be discussed at members' meeting. Proposal shall be sent to the Board or the Company Secretary by written requisition. Pursuant to the Articles of Association of the Company, members who wish to put forward a proposal should convene an extraordinary general meeting by the procedures set out in "Procedures for convening an extraordinary general meeting by shareholders" above.

Putting forward enquiries to the Board

For putting forward any enquires to the board of the Company, shareholders may send written enquires to the Company by post or delivery to the principal place of business of the Company in Hong Kong at Unit D, 12/F., Seabright Plaza, 9-23 Shell Street, North Point, Hong Kong.

Directors' Report

The directors (the "Directors") of Fresh Express Delivery Holdings Group Co. Limited (the "Company") (and together with its subsidiaries, the "Group") are pleased to present their report and the audited consolidated financial statements of the Group for the year ended 31 March 2017.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding and the principal activities of its subsidiaries are production and sale of convenience food products and related business in the People's Republic of China (the "PRC").

BUSINESS REVIEW

A review of the business of the Group during the year, a discussion on the Group's future business development and an analysis of the Group's performance during the year using key financial performance indicators are provided in the "Chairman Statement" on page 3 and the "Management Discussion and Analysis" on pages 4 to 5 of this Annual Report.

Principal risks and uncertainties

The principal risks and uncertainties facing by the Group include market and financial risks.

Market Risks

The fluctuation of food price exposes us to risks. If we fail to pass on in full the increased cost of food to customers without affecting our sales, the results of the Group could be adversely affected.

Financial Risks

The financial risk management objectives and policies of the Group are shown in note 5 to the consolidated financial statements on pages 53 to 55 of this Annual Report.

Compliance with relevant laws and regulations

During the year ended 31 March 2017, as far as the Company is aware, there was no material breach of or non-compliance with applicable laws and regulations by the Group that has a significant impact on the business and operations of the Group.

Environmental protection

The Group is committed to the sustainable development of the environment and our society. The Group has endeavored to comply with laws and regulations regarding environmental protection and adopted effective environmental policies to ensure its business operations meet the required standards and ethics in respect of environmental protection.

For more details regarding the Company's environmental policies and practices, please refer to the "Environmental, Social and Governance Report" which will be published within three months after the publication of this Annual Report on the websites of the Company and the Stock Exchange.

Directors' Report

Relationships with employees, customers and suppliers

The Group recognizes that employees, customers and suppliers and business associates are key stakeholders to the Group's success. It strives to achieve corporate sustainability through engaging its employees, providing quality products and services to its customers, collaborating with business partners (including suppliers and contractors) to deliver quality products and services and supporting our community.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Environmental, Social and Governance Report of the Company prepared in accordance with Appendix 27 to the Listing Rules will be published within three months after the publication of this Annual Report on the websites of the Company and the Stock Exchange.

RESULTS

The results of the Group for the year ended 31 March 2017 are set out on pages 34 to 35 of this annual report.

FINANCIAL SUMMARY

A summary of the published results and of the assets and liabilities of the Group for the last five financial years is set out on page 76 of this annual report.

SHARE CAPITAL

Movement in share capital of the Company is set out in note 24 to the financial statements.

DISTRIBUTABLE RESERVES

There is no reserve available for distribution to shareholders as at 31 March 2017.

MATERIAL RELATED PARTY TRANSACTIONS

Details of the related party transactions are set out in note 29 to the consolidated financial statements.

DIRECTORS

The Directors during the year and up to the date of this report were:

Executive Directors

Mr. Pan Junfeng (*Chairman*)

Mr. Tang Dacong (appointed on 24 June 2016)

Mr. Huang Shourong (resigned on 14 July 2016)

Mr. Chung Yuk Lun (appointed on 15 July 2016 and resigned on 1 December 2016)

Directors' Report

Non-executive Directors

Mr. Wen Cyrus Jun-ming (appointed on 8 December 2016)

Independent Non-executive Directors

Dr. Leung Hoi Ming

Mr. Mak Ka Wing, Patrick

Mr. Sung Wing Sum

Ms. Hui Wai Man Shirley (appointed on 15 July 2016 and resigned on 1 December 2016)

In accordance with Article (87) of the Company's Articles of Association, one-third of the Directors for the time being shall retire (by rotation at least once every three years) and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

DIRECTOR'S SERVICE CONTRACTS

No Directors proposed for re-election at the forthcoming annual general meeting has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensations).

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

As at the end of the financial year under review, none of the Directors and chief executive 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.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBT SECURITIES

Other than as disclosed in the section headed "Share Capital" in this report, at no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable any directors or chief executives of the Company (including their spouses or children under 18 years of age) to have any right to subscribe for securities of the Company or any of its associated corporations as defined in the SFO or to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

Directors' Report

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

As at the end of the year or at any time during the year, there was no transactions, arrangement or contracts of significance in relation to the Company's business, to which the Company or any of its subsidiaries was a party, subsisted, and in which a Director had, whether directly or indirectly, a material interest.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at the date of this Annual Report, none of the directors of the Company and directors of the Company's subsidiaries, or their respective associates had interests in businesses, other than being a director of the Company and/or its subsidiaries and their respective associates, which compete or are likely to compete either directly or indirectly, with the businesses of the Company and its subsidiaries as required to be disclosed pursuant to the Listing Rules.

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

As at 31 March 2017, 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 required 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	–	25.25
Bomao Holdings Limited	Interest in controlled corporation (Note 1)	340,115,352	–	25.25
Harvest (Overseas) Investment Limited	Interest in controlled corporation (Note 1)	340,115,352	–	25.25
安徽豐收投資有限公司 (Anhui Harvest Investment Company Limited*)	Interest in controlled corporation (Note 1)	340,115,352	–	25.25
安徽省創業投資有限公司 (Anhui Province Venture Investment Company Ltd.*)	Interest in controlled corporation (Note 1)	340,115,352	–	25.25
安徽省投資集團控股有限公司 (Anhui Province Investment Group Co., Ltd.*)	Interest in controlled corporation (Note 1)	340,115,352	–	25.25

Directors' Report

Name of shareholders	Capacity/Nature of interest	Number of Shares held		Percentage of total holding (Note 6)
		Long position	Short position	
Fortunate Gravity Hongkong Limited (Note 2)	Beneficial owner	233,720,000	–	17.35
Queen's Central Hongkong Holdings Limited	Interest in controlled corporation (Note 2)	233,720,000	–	17.35
無錫網行網路科技有限公司	Interest in controlled corporation (Note 2)	233,720,000	–	17.35
Zhu Wei (朱偉)	Interest in controlled corporation (Note 2)	233,720,000	–	17.35
黃霞	Family interest (Notes 2 and 3)	233,720,000	–	17.35
STI LSN 1 Limited	Security interest (Note 4)	340,115,352	–	25.25
Tung Sun Tat Clement	Interest in controlled corporation (Note 4)	340,115,352	–	25.25
Great Sail Global Limited (偉航環球有限公司)	Security interest (Note 5)	233,720,000	–	17.35
Easyknit International Holdings Limited (永義國際集團有限公司)	Interest in controlled corporation (Note 5)	233,720,000	–	17.35

* For identification purpose only

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 *). All above interests duplicate each other.
- Fortunate Gravity Hongkong Limited is owned as to as to 90% by Queen's Central Hongkong Holdings Limited. Queen's Central Hongkong Holdings Limited is wholly owned by 無錫網行網路科技有限公司, which is in turn owned as to 99% by Mr. Zhu Wei and 1% by 黃霞. All above interests duplicate each other.
- 黃霞 is the spouse of Mr. Zhu Wei and is deemed interested in, and duplicated, the interests Mr. Zhu is interested in.
- STI LSN 1 Limited is wholly owned by Mr. Tung Sun Tat Clement. All above interests duplicate each other.
- Great Sail Global Limited is wholly owned by Easyknit International Holdings Limited. All above interests duplicate each other.
- The percentage is calculated based on the number of issued share capital of the Company as at 31 March 2017, which are 1,346,827,188 shares.

Directors' Report

Save as disclosed above, as at 31 March 2017, 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.

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 year ended 31 March 2017.

PERMITTED INDEMNITY PROVISION

Under Articles of Association 167(1) of the Company's articles, the directors shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty, or supposed duty, in their respective offices, provided that this indemnity shall not extend to any matter in respect of any fraud or dishonesty which may be attached to any of them. Such permitted indemnity provision is currently in force and was in force throughout the financial year.

MAJOR CUSTOMERS AND SUPPLIERS

Sales to the five largest customers of the Group accounted for approximately 43% (2016: approximately 95%) of the Group's total revenue for the year. In particular, sales to the largest customer of the group accounted for approximately 11% (2016: approximately 45%) of the Group's total revenue for the year.

Purchases from the five largest suppliers of the Group accounted for approximately 99% (2016: approximately 100%) of the Group's total purchases for the year. In particular, purchases from the Group's largest supplier accounted for approximately 45% (2016: approximately 38%) of the Group's total purchases for the year.

As far as the Directors are aware, neither the Directors nor any of their associates nor any shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any beneficial interests in any of the Group's five largest customers or five largest suppliers.

SHARE OPTION SCHEME

Details of the Company's share option scheme and movements in share options during the year are set out in note 26 to the consolidated financial statements.

Directors' Report

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's articles of association or the laws of the Cayman Islands which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the directors, the Company has maintained a sufficient public float of not less than 25% of the Company's issued shares as required under the Listing Rules throughout the year ended 31 March 2017.

AUDITOR

The accompanying financial statements have been audited by ZHONGHUI ANDA CPA Limited who will retire at the forthcoming annual general meeting and a resolution for their re-appointment as the auditor of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the Board

Fresh Express Delivery Holdings Group Co., Limited

Pan Junfeng

Chairman and Executive Director

Hong Kong, 30 June 2017

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTOR

Mr. Pan Junfeng (“Mr. Pan”), aged 60 is currently the deputy general manager of a shipping company that principally engaged in oil and bulk goods trading business in Yangtze region.

Mr. Pan was an executive director of Yuan Heng Gas Holdings Limited (stock code: 332) (retired on 23 September 2014).

Mr. Tang Dacong (“Mr. Tang”), aged 49, has over 25 years’ experience in procurement of raw food materials. From 1998 to 2013, Mr. Tang was running his own food materials upstream and downstream trading business. Mr. Tang was previously chairman of 廣西美通食品有限公司 (Guangxi Meitong Foods Co., Ltd.*) (“Guangxi Meitong”) for the period from December 2013 to mid June 2016 and he resigned from the position after Guangxi Meitong has sold 無錫美通食品科技有限公司 (Wuxi Meitong Food Technology Co., Ltd.*) to the Company.

NON-EXECUTIVE DIRECTOR

Mr. Wen Cyrus Jun-ming (“Mr. Wen”), aged 31, is a partner at STI Financial Group and oversees its structured finance, special situations, private equity and quantitative trading businesses. He is responsible for the sourcing, evaluating, structuring, executing, monitoring and divesting of the company’s businesses and investments. He currently serves as a portfolio manager in Ayers Alliance Quantum Fund that runs various systematic trading strategies. He is also one of the founders of Harborx, a European based online forex brokerage. Prior to joining STI, he worked at various financial service companies such as VMS Investment Group and Citigroup. He graduated from Washington University in St. Louis with a Bachelor of Science in Business Administration in 2008.

Mr. Wen is a responsible officer of STI Asset Management Limited licensed to carry on type 4 (advising on securities) and type 9 (asset management) regulated activities and a representative of STI Asset Management Limited licensed to carry on type 1 (dealing in securities) regulated activities under the Securities and Futures Ordinance. He was also a non-executive director of Wuyi International Pharmaceutical Company Limited (Stock Code: 1889) for the period from 15 June 2015 to 3 March 2016.

Biographical Details of Directors and Senior Management

INDEPENDENT NON-EXECUTIVE DIRECTOR

Dr. Leung Hoi Ming (“Dr. Leung”), aged 49, has extensive knowledge and experience in risk management of financial instruments, treasury business and financial derivative products. He has served DBS Bank for eight years and was Senior Vice President in the Treasury and Markets Division upon his departure from the bank on 22 May 2009. Dr. Leung started his career in the finance industry in 1996 with Citibank as quantitative analyst in the Equity Derivatives Asia Department. He had served a few other financial institutes before joining DBS Bank Ltd as a financial product specialist as well and had held various roles in business development, trading and risk management.

Dr. Leung, a native Hong Kong citizen with Chinese nationality, holds a Bachelor (First Class Honours) degree of Science (1990) from the Chinese University of Hong Kong, a Master degree of Science in Mathematics (1993) and a Doctor degree of Philosophy in Mathematics (1996) from the California Institute of Technology, and a Master degree of Science in Investment Management (1999) from the Hong Kong University of Science and Technology.

He also has been in the position of independent non-executive director for Yuan Heng Gas Holdings Limited (Stock Code: 332) since 19 January 2010.

Mr. Mak Ka Wing, Patrick (“Mr. Mak”), aged 52, has been appointed as an independent non-executive Director with effect from 8 July 2013. He is also chairman of the Nomination Committee and a member of both Audit Committee and Remuneration Committee of the Company. Mr. Mak is a registered solicitor of the High Court of Hong Kong and Managing Partner of Patrick Mak & Tse, Solicitors. Mr. Mak has over 20 years’ experience in the legal field. He was awarded the Common Professional Examination Certificate in Laws by the University of Hong Kong in 1995 and was awarded his Postgraduate Certificate in Laws (P.C.LL) by the University of Hong Kong in 1998.

Mr. Mak is currently independent non-executive director of U-Right International Holdings Limited (stock code: 627) and Convoy Global Holdings Limited (stock code: 1019), each of the companies whose shares are listed on the main Board of the Stock Exchange of Hong Kong Limited.

Mr. Mak was appointed as independent non-executive Director of Tianli Holdings Group Limited (formerly known as EYANG Holdings (Group) Co., Limited) (stock code: 117) from 18 September 2013 to 15 July 2015. Mr. Mak was appointed as independent non-executive Director of Golden Shield Holdings (Industrial) Limited (in liquidation) (stock code: 2123) for the period from 6 November 2014 to 11 May 2015. A winding-up order against Golden Shield Holdings (Industrial) Limited (in liquidation) was made by the High Court of Hong Kong on 11 May 2015 and the Official Receiver was appointed as its Provisional Liquidator. The subject winding-up petition was filed by a former legal adviser of Golden Shield Holdings (Industrial) Limited (in liquidation) in respect of a claim of approximately HK\$833,000.

Biographical Details of Directors and Senior Management

Mr. Sung Wing Sum (“Mr. Sung”), aged 58, has over 30 years of experience in accounting, auditing and financial management in Hong Kong and the PRC including over 20 years in several audit firms. Mr. Sung worked at the audit departments of Kwan Wong Tan & Fong for about 16 years since March 1981 and later worked for Deloitte Touche Tohmatsu from August 1997 to December 1999. Mr. Sung worked as the qualified accountant and company secretary for Tungda Innovative Lighting Holdings Limited since its listing to October 2003, a company whose shares were previously listed on the Growth Enterprise Market of the Stock Exchange but were delisted on 16 December 2013.

Mr. Sung had become a member of the Hong Kong Institute of Certified Public Accountants since 1996 and was admitted as a fellow of the association in 2004. Mr. Sung was admitted as a fellow of the Association of Chartered Certified Accountants in 2000. In 2003, Mr. Sung obtained an executive master of business administration from the West Coast Institute of Management and Technology of Australia. In 2005, Mr. Sung became the associate of the Institute of Chartered Secretaries and Administrators and the Hong Kong Institute of Chartered Secretaries. Mr. Sung was admitted as an associate of the Institute of Chartered Accountants in England and Wales in 2007. Mr. Sung is currently a practicing member of the Hong Kong Institute of Certified Public Accountants.

Mr. Sung also has been in the position of independent non-executive director for Hidili Industry International Development Limited (Stock code: 1393) since 14 March 2016.

SENIOR MANAGEMENT

Ms. Gong Yi Heng (“Ms. Gong”), aged 46, obtained a bachelor’s degree in finance and accounting from Changsha University (長沙大學) in China in 1994. Ms. Gong also obtained master of business administration, an online distance learning programme from Columbia Southern University in 2004. Ms. Gong has years of experience in financial management. Before joining the Group, Ms. Gong served as the chairman of the board of supervisors in Guangdong Sunrise Holdings Company Limited (廣東盛潤集團股份有限公司). Ms. Gong joined the Group in September 2011 and is currently the vice president of the accounting department of the Group.

Ms. Du Wei Wei (“Ms. Du”), aged 36, obtained a bachelor’s degree of chemical engineering and crafts from Xiamen University* (廈門大學) in China in 2003 and a master in business administration from University Aix-Marseille III in France in 2009. Ms. Du has 8 years of experience in business administration and participated in several international projects. She worked at the international project department of Chiway Education Group* (中銳教育集團) for 4 years since July 2003 and at Lafarge Group in France in September 2008 to February 2009. Ms. Du joined the Group in June 2009 and is currently the vice president in law and contract management department of the Group.

Mr. Zhou Aijie (“Mr. Zhou”), aged 45, graduated from East China Institute of Chemical Technology* (華東工業大學) with a bachelor of system engineering in 1996 from East China Institute of Chemical Technology* (華東工業大學), which has later been renamed as East China University of Science and Technology* (華東理工大學) in May 1996. He also obtained a master in business administration from Fudan University* (復旦大學) in China in 2002. Mr. Zhou joined the Group in February 2003 as business development manager and was responsible for the overall development of the Group and is currently the department head of the catering services business department of the Group. Mr. Zhou is currently also working as the guest graduate school instructor of the School of Management of Shanghai University* (上海大學管理學院) since May 2012.

Biographical Details of Directors and Senior Management

Mr. Tan Rucheng, aged 46, obtained a bachelor's degree in food science and engineering from Huazhong Agricultural University in 1997 and a master's degree in microbiology science from Huazhong Agricultural University in 2004. He worked at Huazhong Agricultural University as the lecturer during 1997 to 2008, and then worked at Fresh Express Delivery Holdings Group Co., Limited (formerly known as FU JI Food and Catering Services Holdings Limited) as the director of research and development department from September 2008 to April 2013. After that, he worked as the marketing director of food business department for Guangxi Yangxiang Holdings Limited* (廣西揚翔股份有限公司) from September 2013 to November 2014. Currently, he is the person in charge of product research and development department at Fresh Express Delivery Holdings Group Co., Limited (formerly known as FU JI Food and Catering Services Holdings Limited) since November 2014.

Zou Dengfeng, aged 39, obtained a bachelor's degree in computer and applied engineering from Hubei Institute of Technology in 2000 and joined the Group in November 2016 as deputy head of IT business department, responsible for the Group e-commerce system background support. Before joining the Group, Mr. Zou worked at Fujitsu's China Information Department as assistant director of the manufacturing solutions division and worked on the development and design of Japan software system for many years. After returning from Tokyo, he focused on large-scale IT system integration, from consulting plan to the final implementation of the landing work, with more than 10 years of rich invoicing, financial and logistics industry solutions experience.

Wu Xudong, aged 38, obtained a bachelor's degree in computer information management from Japan Kyushu University of Technology in 2001 and a jointly awarded master's degree in international business administration from Tsinghua University – University of Bangor, England in 2016. Mr. Wu has many years of professional work experience in the field of Internet information technology and enterprise information technology support system study. He has rich theoretical and practical experience in enterprise information strategic planning, structure, information and culture fusion and information compliance and is a senior architect for cloud computing and mobile connectivity. Mr. Wu joined the Group in October 2016 as the head of the IT business department, responsible for the Group's e-commerce system development and operation. Before joining the Group, Mr. Wu served as branch technology deputy general manager at iSoftStone Information Technology (Group) Co., Ltd. between 2014 and 2016. From 2009 to 2014, he worked for IBM China as chief architect for cloud computing and mobile connectivity department. Prior to 2009, has worked in China Telecom Shanghai Branch, Shu-ding (上大鼎正) and other companies, responsible for information technology management.

Independent Auditor's Report



TO THE SHAREHOLDERS OF FRESH EXPRESS DELIVERY HOLDINGS GROUP CO., LTD

(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Fresh Express Delivery Holdings Group Co., Ltd (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 34 to 75, which comprise the consolidated statement of financial position as at 31 March 2017, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSA") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. 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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Independent Auditor's Report

Trade receivables and prepayments, deposits and other receivables

Refer to Notes 18 and 19 to the consolidated financial statements

The Group tested the amount of trade receivables and prepayments, deposits and other receivables for impairment. This impairment test is significant to our audit because the balances of trade receivables and prepayments, deposits and other receivables of RMB146,767,000 and RMB185,332,000 respectively as at 31 March 2017 are material to the consolidated financial statements. In addition, the Group's impairment test involves application of judgement and is based on estimates.

Our audit procedures included, among others:

- Assessing the Group's procedures on granting credit limits and credit periods to customers and debtors;
- Assessing the Group's relationship and transaction history with the customers and debtors;
- Evaluating the Group's impairment assessment;
- Assessing aging of the debts;
- Checking subsequent settlements from the customers and debtors;
- Assessing creditworthiness of the customers and debtors; and
- Assessing the disclosure of the Group's exposure to credit risk in the consolidated financial statements.

We consider that the Group's impairment test for trade receivables and prepayments, deposits and other receivables are supported by the available evidence.

Inventories

Refer to Note 17 to the consolidated financial statements

The Group tested the amount of inventory for impairment. This impairment test is significant to our audit because the balance of inventory of RMB162,112,000 as at 31 March 2017 is material to the consolidated financial statements. In addition, the Group's impairment test involves application of judgement and is based on estimates.

Independent Auditor's Report

Our audit procedures included, among others:

- Assessing the Group's procedures on ordering and holding of inventory;
- Evaluating the Group's impairment assessment;
- Assessing the marketability of the inventory;
- Assessing the aging of the inventory;
- Assessing the net realisable values of the inventory; and
- Checking subsequent sales and usage of the inventory.

We consider that the Group's impairment test for inventory is supported by the available evidence.

OTHER INFORMATION IN THE ANNUAL REPORT

The directors are responsible for the other information. The other information comprises all the information in the Company's annual report, but does not include the consolidated financial statements and our auditor's report thereon. The other information is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

Independent Auditor's Report

RESPONSIBILITIES OF DIRECTORS 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 HKFRSs issued by the 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.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSA's will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is located at the HKICPA's website at:

<http://www.hkicpa.org.hk/en/standards-and-regulations/standards/auditing-assurance/auditre/>

This description forms part of our auditor's report.

ZHONGHUI ANDA CPA Limited

Certified Public Accountants

Fong Tak Ching

Audit Engagement Director

Practising Certificate Number P06353

Hong Kong, 30 June 2017

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 March 2017

	<i>Notes</i>	2017 RMB'000	2016 RMB'000
Revenue	6	1,520,846	1,482,665
Cost of inventories sold		(1,426,070)	(1,401,274)
Gross profit		94,776	81,391
Other income	7	1,412	9,436
Staff costs		(18,871)	(11,696)
Operating lease rentals		(1,972)	(2,306)
Depreciation		(14,801)	(416)
Other operating expenses		(11,157)	(4,838)
Profit from operations		49,387	71,571
Finance costs	9	(1,906)	(1,326)
Profit before tax		47,481	70,245
Income tax	10	(7,238)	(12,701)
Profit for the year	11	40,243	57,544
Other comprehensive (loss)/income			
<i>Items that may be reclassified to profit or loss:</i>			
Exchange differences on translating foreign operations		(11,381)	985
Total comprehensive income for the year		28,862	58,529

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 March 2017

<i>Notes</i>	2017 RMB'000	2016 RMB'000
Profit/(loss) for the year attributable to:		
Owners of the Company	40,279	57,609
Non-controlling interests	(36)	(65)
	40,243	57,544
Total comprehensive income/(loss) for the year attributable to:		
Owners of the Company	28,898	58,594
Non-controlling interests	(36)	(65)
	28,862	58,529
Earnings per share	14	
Basic (RMB per share)	0.04	0.10
Diluted (RMB per share)	0.04	0.10

Consolidated Statement of Financial Position

At 31 March 2017

	<i>Notes</i>	2017 RMB'000	2016 RMB'000
Non-current assets			
Property, plant and equipment	15	671,892	12,667
Prepaid land lease payments	16	23,844	–
		695,736	12,667
Current assets			
Inventories	17	162,112	58,497
Trade receivables	18	146,767	202,121
Prepaid land lease payments	16	676	–
Prepayments, deposits and other receivables	19	185,332	131,985
Bank and cash balances	20	19,291	124,187
		514,178	516,790
Current liabilities			
Trade payables	21	67,295	84,259
Accruals and other payables	22	127,880	76,159
Borrowings	23	–	18,000
Current tax liabilities		10,391	7,710
		205,566	186,128
Net current assets		308,612	330,662
Total assets less current liabilities		1,004,348	343,329
Non-current liabilities			
Borrowings	23	333,569	–
NET ASSETS		670,779	343,329
Capital and reserves			
Share capital	24	11,329	5,277
Reserves	25(a)	659,388	337,954
Equity attributable to owners of the Company		670,717	343,231
Non-controlling interests		62	98
TOTAL EQUITY		670,779	343,329

Approved and authorised for issue by the board of directors on 30 June 2017 and signed on its behalf by:

Pan Junfeng
Director

Tang Dacong
Director

Consolidated Statement of Changes in Equity

For the year ended 31 March 2017

	Attributable to owners of the Company							
	Share capital RMB'000	Share premium RMB'000	Share-based payment reserve RMB'000	Foreign currency translation reserve RMB'000	Accumulated losses RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 April 2015	3,864	1,732,553	-	(74,200)	(1,546,620)	115,597	163	115,760
Total comprehensive income/(loss) for the year	-	-	-	985	57,609	58,594	(65)	58,529
Placing of new shares	1,413	167,627	-	-	-	169,040	-	169,040
At 31 March 2016	5,277	1,900,180	-	(73,215)	(1,489,011)	343,231	98	343,329
At 1 April 2016	5,277	1,900,180	-	(73,215)	(1,489,011)	343,231	98	343,329
Total comprehensive income/(loss) for the year	-	-	-	(11,381)	40,279	28,898	(36)	28,862
Placing of new shares	5,751	276,325	-	-	-	282,076	-	282,076
Equity-settled share-based transaction	-	-	4,267	-	-	4,267	-	4,267
Share issued under share option scheme	301	14,318	(2,374)	-	-	12,245	-	12,245
At 31 March 2017	11,329	2,190,823	1,893	(84,596)	(1,448,732)	670,717	62	670,779

Consolidated Statement of Cash Flows

For the year ended 31 March 2017

	2017 RMB'000	2016 RMB'000
Cash flows from operating activities		
Profit before tax	47,481	70,245
Adjustments for:		
Depreciation	14,801	416
Amortisation	507	–
Interest income	(335)	(9,436)
Equity-settled share-based payment	4,267	–
Operating cash flows before working capital changes	66,721	61,225
Change in inventories	(102,986)	(34,933)
Change in trade receivables	55,354	(38,746)
Change in prepayments, deposits and other receivables	(3,674)	(64,319)
Change in trade payables	(16,964)	(71,966)
Change in accruals and other payables	(27,280)	(6,574)
Cash used in operations	(28,829)	(155,313)
Income tax paid	(4,557)	(17,990)
Net cash used in operating activities	(33,386)	(173,303)
Cash flows from investing activities		
Change in pledged bank deposits	–	10,000
Purchase of prepaid land lease	(25,027)	–
Purchase of property, plant and equipment	(322,758)	(12,123)
Interest received	335	9,436
Net cash (used in)/generated from investing activities	(347,450)	7,313

Consolidated Statement of Cash Flows

For the year ended 31 March 2017

	2017 RMB'000	2016 RMB'000
Cash flows from financing activities		
Bank loans raised	38,000	–
Repayment of bank loans	(56,000)	(10,000)
Net proceeds from the placing of shares	282,076	169,040
Net proceeds from the issue of shares under share option	12,245	–
Net cash generated from financing activities	276,321	159,040
Net decrease in cash and cash equivalents	(104,515)	(6,950)
Effect of foreign exchange rate changes	(381)	808
Cash and cash equivalents at beginning of year	124,187	130,329
Cash and cash equivalents at end of year	19,291	124,187
Analysis of cash and cash equivalents		
Bank and cash balances	19,291	124,187
	19,291	124,187

Notes to the Consolidated Financial Statements

For the year ended 31 March 2017

1. GENERAL INFORMATION

Fresh Express Delivery Holdings Group Co., Ltd (the “Company”) was incorporated in the Cayman Islands on 8 April 2004 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 and principal place of business are disclosed in the corporate information section of the annual report. 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 year, the Company and its subsidiaries (collectively the “Group”) was principally engaged in cold chain food integrated distribution in the People’s Republic of China (the “PRC”). The principal activities of the Company’s subsidiaries are set out in note 31 to the consolidated financial statements.

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

In the current year, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants that are relevant to its operations and effective for its accounting year 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 year and prior years.

The Group has not applied the new and revised HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these 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.

3. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

These consolidated financial statements have been prepared in accordance with HKFRSs, and the applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

These consolidated financial statements have been prepared under the historical cost convention. The functional currencies of the Company and its subsidiaries in the PRC are Hong Kong dollars (“HK\$”) and Renminbi (“RMB”) respectively. For the purpose of presenting the consolidated financial statements, the Group adopted RMB as its presentation currency.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2017

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Statement of compliance *(continued)*

The preparation of consolidated financial statements in conformity with HKFRSs requires the use of certain key assumptions and estimates. It also requires the directors to exercise its judgements in the process of applying the accounting policies. The areas involving critical judgements and areas where assumptions and estimates are significant to these consolidated financial statements, are disclosed in note 4 to the consolidated financial statements.

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below.

Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 March. Subsidiaries are entities over which the Group has control. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group has power over an entity when the Group has existing rights that give it the current ability to direct the relevant activities, i.e. activities that significantly affect the entity's returns.

When assessing control, the Group considers its potential voting rights as well as potential voting rights held by other parties, to determine whether it has control. A potential voting right is considered only if the holder has the practical ability to exercise that right.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date the control ceases.

The gain or loss on the disposal of a subsidiary that results in a loss of control represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that subsidiary and (ii) the Company's share of the net assets of that subsidiary plus any remaining goodwill relating to that subsidiary and any related accumulated foreign currency translation reserve.

Intragroup transactions, balances and unrealised profits are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2017

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Consolidation *(continued)*

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to the Company. Non-controlling interests are presented in the consolidated statement of financial position and consolidated statement of changes in equity within equity. Non-controlling interests are presented in the consolidated statement of profit or loss and other comprehensive income as an allocation of profit or loss and total comprehensive income for the year between the non-controlling shareholders and owners of the Company.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling shareholders even if this results in the non-controlling interests having a deficit balance.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (i.e. transactions with owners in their capacity as owners). The carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. 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 the owners of the Company.

Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in RMB, which is the Company's presentation currency and the functional currency of the principal operating subsidiaries of the Group.

(b) Transactions and balances in each entity's financial statements

Transactions in foreign currencies are translated into the functional currency on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognised in profit or loss.

Non-monetary items that are measured at fair values in foreign currencies are translated using the exchange rates at the dates when the fair values are determined.

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2017

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Foreign currency translation *(continued)*

(c) Translation on consolidation

The results and financial position of all the Group entities that have a functional currency different from the Company's presentation currency are translated into the Company's presentation currency as follows:

- Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- Income and expenses are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and
- All resulting exchange differences are recognised in the foreign currency translation reserve.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities and of borrowings are recognised in the foreign currency translation reserve. When a foreign operation is sold, such exchange differences are recognised in consolidated profit or loss as part of the gain or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised in profit or loss during the period in which they are incurred.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2017

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property, plant and equipment *(continued)*

Depreciation of property, plant and equipment is calculated at rates sufficient to write off their cost less their residual values over the estimated useful lives on a straight-line basis. The principal annual rate is as follows:

Buildings	Over the unexpired terms of the lease
Furniture and equipment	10%-33%
Leasehold improvement	Over the unexpired terms of the lease

The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at the end of each reporting period.

Construction in progress represents buildings under construction and plant and machinery pending installation, and is stated at cost less impairment losses. Depreciation begins when the relevant assets are available for use.

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in profit or loss.

Operating leases

Leases that do not substantially transfer all the risks and rewards of ownership of assets to the Group are accounted for as operating leases. Lease payments (net of any incentives received from the lessor) are recognised as an expense on a straight-line basis over the lease term.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average basis. The cost of finished goods and work in progress comprises raw materials, direct labour and an appropriate proportion of all production overhead expenditure, and where appropriate, subcontracting charges. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the statement of financial position when the Group becomes a party to the contractual provisions of the instruments.

Financial assets are derecognised when the contractual rights to receive cash flows from the assets expire; the Group transfers substantially all the risks and rewards of ownership of the assets; or the Group neither transfers nor retains substantially all the risks and rewards of ownership of the assets but has not retained control on the assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2017

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Recognition and derecognition of financial instruments *(continued)*

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss.

The Group's financial assets include pledged bank deposits, bank and cash balances and trade and other receivables.

Trade and other receivables

Trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment. An allowance for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the allowance is the difference between the receivables' carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate computed at initial recognition. The amount of the allowance is recognised in profit or loss.

Impairment losses are reversed in subsequent periods and recognised in profit or loss when an increase in the recoverable amount of the receivables can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the receivables at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value. Bank overdrafts which are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents.

Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under HKFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2017

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

Trade and other payables

Trade and other payables are stated initially at their fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably.

- (a) Revenue from sales of food products is recognised on the transfer of significant risks and rewards of ownership;
- (b) Interest income is recognised on a time-proportion basis using the effective interest method; and
- (c) Rental income is recognised on a straight-line basis over the lease term.

Employee benefits

- (a) *Short term employee benefits and defined contribution retirement plans*

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payments or settlement is deferred and the effect would be material, these amounts are stated at their present values.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2017

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Employee benefits *(continued)*

(b) Pension obligations

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (“MPF Scheme”) under the Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on 5% of the employees’ relevant income, subject to a ceiling of monthly relevant income of HK\$30,000 (before 1 June 2014: HK\$25,000) and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group’s employer contributions vest fully with the employees when contributed into the MPF Scheme.

The Group also participates in a defined contribution retirement scheme organised by the government in the PRC. The Group is required to contribute a specific percentage of the payroll of its employees to the retirement scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the retirement scheme. No forfeited contributions may be used by the employers to reduce the existing level of contributions.

(c) Termination benefits

Termination benefits are recognised at the earlier of the dates when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs and involves the payment of termination benefits.

Share-based payments

The Group issues equity-settled share-based payments to certain employees and consultants. Equity-settled share-based payments are measured at the fair value (excluding the effect of non market-based vesting conditions) of the equity instruments at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group’s estimate of shares that will eventually vest and adjusted for the effect of non market-based vesting conditions.

Equity-settled share-based payments to directors and employees are measured at the fair value (excluding the effect of non market-based vesting conditions) of the equity instruments at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group’s estimate of shares that will eventually vest and adjusted for the effect of non market-based vesting conditions.

Equity-settled share-based payments to consultants are measured at the fair value of the services rendered or if the fair value of the services rendered cannot be reliably measured, at the fair value of the equity instruments granted. The fair value is measured at the date the Group receives the services and is recognised as an expense.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2017

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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 capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. 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.

To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Taxation

Income tax represents the sum of the current tax and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit recognised in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes 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 differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses or unused tax credits can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, 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.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2017

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Taxation *(continued)*

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

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 by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Related parties

A related party is a person or entity that is related to the Group.

- (a) A person or a close member of that person's family is related to the Group if that person:
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Company or of a parent of the Company.
- (b) An entity is related to the Group if any of the following conditions applies:
 - (i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2017

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Related parties *(continued)*

(b) *(continued)*

- (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group.
- (vi) The entity is controlled or jointly controlled by a person identified in (a); or
- (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
- (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Company or to a parent of the Company.

Segment reporting

Operating segments and the amounts of each segment item reported in the financial statements are identified from the financial information provided regularly to the Group's most senior executive management for the purpose of allocating resources and assessing the performance of the Group's various lines of business.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

Impairment of assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets other than inventories and receivables, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2017

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of assets *(continued)*

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit 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 (net of amortisation or depreciation) had no impairment loss been recognised for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow is remote.

Events after the reporting period

Events after the reporting period that provide additional information about the Group's position at the end of the reporting period or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes to the financial statements when material.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2017

4. CRITICAL JUDGEMENTS AND KEY ESTIMATES

Key sources of estimation uncertainty

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

(a) *Impairment loss for bad and doubtful debts*

The Group makes impairment loss for bad and doubtful debts based on assessments of the recoverability of the trade and other receivables, including the current creditworthiness and the past collection history of each debtor. Impairments arise where events or changes in circumstances indicate that the balances may not be collectible. The identification of bad and doubtful debts requires the use of judgement and estimates. Where the actual result is different from the original estimate, such difference will impact the carrying value of the trade and other receivables and doubtful debt expenses in the year in which such estimate has been changed. If the financial conditions of the debtors were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

(b) *Net realisable value of inventories*

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expense. These estimates are based on the current market condition and the historical experience of manufacturing and selling products of similar nature. It could change significantly as a result of changes in customer taste and competitor actions. The Group will reassess the estimates by the end of each reporting period.

(c) *Property, plant and equipment and depreciation*

The Group determines the estimated useful lives, residual values and related depreciation charges for the Group's property, plant and equipment. This estimate is based on the historical experience of the actual useful lives and residual values of property, plant and equipment of similar nature and functions. The Group will revise the depreciation charge where useful lives and residual values are different to those previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

(d) *Income tax*

Significant estimates are required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

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For the year ended 31 March 2017

5. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: foreign currency risk, credit risk, liquidity risk and interest rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Foreign currency risk

The Group's entities operating in the PRC have minimal exposures to foreign currency risk as most of their business transactions, assets and liabilities are principally denominated in Renminbi ("RMB"), the functional currencies of those entities.

The Group currently does not have a foreign currency hedging policy in respect of foreign currency assets and liabilities. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

(b) Credit risk

The Group's maximum exposure to credit risk in the event that counterparties fail to perform their obligations at the end of the reporting period in relation to each class of recognised financial assets is the carrying amounts of those assets as stated in the consolidated statement of financial position. The Group's credit risk is primarily attributable to its trade and other receivables and bank balances. In order to minimise credit risk, the Directors review the recoverable amount of each individual receivable regularly to ensure that adequate impairment losses are recognised for irrecoverable receivable. In this regard, the Directors consider that the Group's credit risk is significantly reduced.

At the end of the reporting period, the Group had certain concentration of credit risk as approximately 15% (2016: 42%) and 36% (2016: 72%) of the Group's trade receivables were due from the Group's largest customer and the five largest customers, respectively.

(c) Liquidity risk

Liquidity risk is the risk that the Group is unable to meet its current obligations when they fall due.

The Group's management monitors the working capital position to ensure that there is adequate liquidity to meet all the financial obligations when they become due and to maximise the return of the Group's financial resources.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2017

5. FINANCIAL RISK MANAGEMENT (continued)

(c) Liquidity risk (continued)

The following table details the remaining contractual maturities of the Group's financial liabilities at the end of the reporting period, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of reporting period and the earliest date the Group can be required to pay).

	Carrying amounts		Contractual undiscounted cash flow			Total and within 1 year or on demand 2016 RMB'000
	2017 RMB'000	2016 RMB'000	Total 2017 RMB'000	Within 1 year or on demand 2017 RMB'000	Between 1 and 2 years 2017 RMB'000	
Trade payables	67,295	84,259	67,295	67,295	-	84,259
Accruals and other payables	113,171	28,868	113,171	113,171	-	28,868
Borrowings	333,569	18,000	333,569	-	333,569	18,180
	514,035	131,127	514,035	180,466	333,569	131,307

(d) Interest rate risk

The Group's bank deposits and bank borrowings bear interests at fixed interest rates and therefore are subject to fair value interest rate risks.

The Group's exposure to interest-rate risk arises from its bank balances. These bank balances bear interests at variable rates varied with the then prevailing market condition.

At the end of the reporting period, if interest rates had been increased or decreased by 0.5% (2016: 0.5%) and all other variables were held constant, the consolidated profit after tax of the Group would increase or decrease by approximately RMB96,000 (2016: RMB371,000) mainly as a result of higher or lower interest income on floating rate bank deposits and after netting off the interest expenses on borrowings.

(e) Fair values

The carrying amounts of the Group's financial assets and financial liabilities as reflected in the consolidated statement of financial position approximate their respective fair values.

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For the year ended 31 March 2017

5. FINANCIAL RISK MANAGEMENT *(continued)*

(f) Financial instruments by category

The carrying amounts of each of the category of the financial instruments as at the end of the reporting period are as follows:

	2017 RMB'000	2016 RMB'000
Financial assets		
Loans and receivables:		
Trade receivables	146,767	202,121
Prepayments, deposits and other receivables	52,059	427
Bank and cash balances	19,291	124,187
	218,117	326,735
Financial liabilities		
Financial liabilities at amortised cost:		
Trade payables	67,295	84,259
Accruals and other payables	113,171	28,868
Borrowings	-	18,000
	180,466	131,127

6. REVENUE

The Group's revenue is analysed as follows:

	2017 RMB'000	2016 RMB'000
Revenue from external customers	1,520,846	1,482,665

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For the year ended 31 March 2017

7. OTHER INCOME

	2017 RMB'000	2016 RMB'000
Interest income	335	9,436
Rental income	1,077	–
	1,412	9,436

8. SEGMENT INFORMATION

The Group has only one reportable operating segment for financial reporting purposes, reported as trading of convenience food products.

All the revenue are generated from the PRC. Information about revenue from the Group's one (2016: five) customers individually contributing over 10% of total revenue of the Group as follows:

	2017 RMB'000	2016 RMB'000
Customer A	N/A*	671,863
Customer B	N/A*	193,153
Customer C	N/A*	185,235
Customer D	N/A*	178,604
Customer E	164,243	172,980
	164,243	1,401,835

* Customers did not contribute more than 10% of the total consolidated revenue of the Group for the year ended 31 March 2017.

In presenting the geographical information, revenue is based on the locations of the customers. At the end of the reporting period, all non-current assets of the Group were located in the PRC.

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For the year ended 31 March 2017

9. FINANCE COSTS

	2017 RMB'000	2016 RMB'000
Interest expenses on borrowings	1,906	1,326

10. INCOME TAX

	2017 RMB'000	2016 RMB'000
Current tax:		
Provision for the PRC enterprise income tax	7,238	12,701

No provision for Hong Kong Profits Tax has been made for the years ended 31 March 2017 and 31 March 2016 as the Group did not generate any assessable profits arising in Hong Kong during these years. 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 years ended 31 March 2017 and 31 March 2016, in which, an entity incorporated in the Tibet Autonomous Region of the PRC was entitled to preferential tax rates of 9% for the years ended 31 March 2017 and 31 March 2016 as determined in accordance with the relevant PRC income tax rules and regulations.

The reconciliation between the income tax and the profit before tax are as follows:

	2017 RMB'000	2016 RMB'000
Profit before tax	47,481	70,245
Notional tax on profit before tax calculated at the PRC statutory rate	11,870	17,561
Effect of different tax rates in other tax jurisdictions	(6,582)	(7,562)
Tax effect of utilisation of tax losses not previously recognised	-	(1)
Tax effect of non-deductible expenses	1,950	2,703
Income tax for the year	7,238	12,701

The Group had no significant deferred tax for the years ended 31 March 2017 and 2016.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2017

11. PROFIT FOR THE YEAR

The Group's profit for the year is stated after charging the following:

	2017	2016
	RMB'000	RMB'000
Auditor's remuneration	1,027	977
Cost of inventories sold	1,426,070	1,401,274
Amortisation of prepaid land lease payments	507	–
Depreciation	14,801	416
Minimum lease payments under operating leases in respect of land and buildings	1,972	2,306
Equity-settled share-based payment expenses to consultants	3,503	–
Staff costs (including directors' remuneration – <i>note 12</i>):		
Salaries, bonus and allowances	18,076	11,667
Equity-settled share-based payment expenses	764	–
Retirement benefits scheme contributions	31	29
	18,871	11,696

Notes to the Consolidated Financial Statements

For the year ended 31 March 2017

12. DIRECTORS' AND FIVE HIGHEST PAID INDIVIDUAL EMOLUMENTS

The emoluments of each Director were as follows:

	Notes	Fee RMB'000	Equity-settled share-based payment RMB'000	Retirement benefit scheme contributions RMB'000	Total RMB'000
Executive Directors					
Mr. Huang Shourong	(a)	36	-	-	36
Mr. Pan Junfeng		-	-	-	-
Mr. Tang Dacong	(b)	108	-	-	108
Mr. Chung Yuk Lun	(c)	234	-	-	234
Non-executive directors					
Mr. Wen Cyrus Jun-ming	(d)	-	-	-	-
Independent Non-executive Directors					
Mr. Mak Ka Wing, Patrick		134	-	-	134
Mr. Sung Wing Sum		154	-	-	154
Mr. Leung Hoi Ming		134	-	-	134
Ms. Hui Wai Man Shirley	(e)	58	-	-	58
Total for 2017		858	-	-	858

	Notes	Fee RMB'000	Retirement benefit scheme contributions RMB'000	Total RMB'000
Executive Directors				
Mr. Huang Shourong	(a)	343	-	343
Mr. Pan Junfeng		-	-	-
Independent Non-executive Directors				
Mr. Mak Ka Wing, Patrick		127	-	127
Mr. Sung Wing Sum		147	-	147
Mr. Leung Hoi Ming		127	-	127
Total for 2016		744	-	744

Notes to the Consolidated Financial Statements

For the year ended 31 March 2017

12. DIRECTORS' AND FIVE HIGHEST PAID INDIVIDUAL EMOLUMENTS (*continued*)

Notes:

- (a) Resigned on 14 July 2016
- (b) Appointed on 24 June 2016
- (c) Appointed on 15 July 2016 and resigned on 1 December 2016
- (d) Appointed on 8 December 2016
- (e) Appointed on 15 July 2016 and resigned on 1 December 2016

The five highest paid individuals in the Group during the year included nil (2016: one) director whose emoluments are reflected in the analysis presented above. The emoluments of the remaining five (2016: four) individuals are set out below:

	2017	2016
	RMB'000	RMB'000
Basic salaries and allowances	1,779	1,286
Equity-settled share-based payments	431	–
Retirement benefit scheme contributions	31	29
	2,241	1,315

The emoluments of five (2016: five) individuals fell within the band ranging from HK\$Nil to HK\$1,000,000.

During the year, no emoluments were paid by the Group to any of the Directors as an inducement to join or upon joining the Group or as compensation for loss of office.

13. DIVIDENDS

The Directors do not recommend the payment of any dividend for each of the years ended 31 March 2017 and 2016.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2017

14. 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 year attributable to owners of the Company of approximately RMB40,279,000 (2016: approximately RMB57,609,000) and the weighted average number of 1,066,391,791 (2016: 572,383,581) ordinary shares in issue during the year.

Diluted earnings per share

No diluted earnings per share is presented in both years, as the Company did not have any dilutive potential ordinary shares for the Company's outstanding options.

15. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Leasehold improvement RMB'000	Furniture and equipment RMB'000	Construction in progress RMB'000	Total RMB'000
Cost					
At 1 April 2015	–	933	3,446	–	4,379
Additions	–	–	7,537	4,586	12,123
At 31 March 2016 and 1 April 2016	–	933	10,983	4,586	16,502
Additions	653,223	–	210	20,593	674,026
At 31 March 2017	653,223	933	11,193	25,179	690,528
Accumulated depreciation and impairment					
At 1 April 2015	–	788	2,631	–	3,419
Charge for the year	–	125	291	–	416
At 31 March 2016 and 1 April 2016	–	913	2,922	–	3,835
Charge for the year	13,087	20	1,694	–	14,801
At 31 March 2017	13,087	933	4,616	–	18,636
Carrying amounts					
At 31 March 2017	640,136	–	6,577	25,179	671,892
At 31 March 2016	–	20	8,061	4,586	12,667

Notes to the Consolidated Financial Statements

For the year ended 31 March 2017

16. PREPAID LAND LEASE PAYMENTS

	2017 RMB'000	2016 RMB'000
At 1 April	-	-
Additions	25,027	-
Amortisation of prepaid land lease payments	(507)	-
At 31 March	24,520	-
Current portion	(676)	-
Non-current portion	23,844	-

17. INVENTORIES

	2017 RMB'000	2016 RMB'000
Finished goods	162,112	58,497

18. 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. 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:

	2017 RMB'000	2016 RMB'000
30 days or less	55,815	71,874
31 to 90 days	90,952	130,247
	146,767	202,121

Notes to the Consolidated Financial Statements

For the year ended 31 March 2017

19. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2017 RMB'000	2016 RMB'000
Prepayments	133,273	131,558
Deposits	341	335
Other receivables	51,718	92
	185,332	131,985

At as 31 March 2017, prepayments of approximately RMB133 million (2016: approximately RMB131 million) was paid to three major suppliers (2016: three major suppliers) for guarantee the purchases of goods.

As at 31 March 2017, other receivables of approximately RMB50 million is related to the acquisition of assets during the year.

20. BANK AND CASH BALANCES

At the end of the reporting period, the bank and cash balances of the Group denominated in RMB amounted to approximately RMB18,857,000 (2016: RMB124,164,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations.

21. TRADE PAYABLES

	2017 RMB'000	2016 RMB'000
Trade payables	67,295	84,259

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

	2017 RMB'000	2016 RMB'000
30 days or less	65,355	28,304
31 to 90 days	1,940	55,955
	67,295	84,259

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For the year ended 31 March 2017

22. ACCRUALS AND OTHER PAYABLES

	2017 RMB'000	2016 RMB'000
Accruals and other payables	34,171	28,868
Receipts in advances	14,709	47,291
Consideration payable	79,000	–
	127,880	76,159

At as 31 March 2017, receipts in advances of approximately RMB15 million (2016: approximately RMB47 million) was paid by five (2016: five) major customers for guarantee their purchases of goods.

As at 31 March 2017, consideration payable of RMB79 million is related to the acquisition of assets during the year and is repayable in January 2018.

23. BORROWINGS

	2017 RMB'000	2016 RMB'000
Bank borrowings	–	18,000
Other borrowings	333,569	–
	333,569	18,000
The borrowings are repayable as follows:		
On demand or within one year	–	18,000
In the second year	333,569	–
	333,569	18,000

The carrying amounts of the Group's other borrowings are denominated in RMB, unsecured, repayable in May 2018 and interest-free.

As at 31 March 2016, bank borrowings of RMB18 million were arranged at fixed interest rates and exposed the Group to fair value interest rate risk. They were secured by (i) the related parties' property and (ii) personal guarantee from related parties.

Notes to the Consolidated Financial Statements

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24. SHARE CAPITAL

	2017 RMB'000	2016 RMB'000
Authorised:		
<i>Ordinary shares:</i>		
19,800,000,000 ordinary shares of HK\$0.01 each	157,061	157,061
<i>Preference shares:</i>		
200,000,000 ordinary shares of HK\$0.01 each	1,586	1,586
Total	158,647	158,647
Issued and fully paid:		
<i>Ordinary shares:</i>		
1,346,827,188 ordinary shares of HK\$0.01 each (31 March 2016: 643,597,188 ordinary shares of HK\$0.01 each)	11,329	5,277

A summary of the movements in the issued share capital of the Company is as follows:

<i>Notes</i>	Number of shares	Nominal value of shares RMB'000
<i>Ordinary shares:</i>		
At 1 April 2015	469,477,188	3,864
Placing of shares	66,860,000	527
Placing of shares	107,260,000	886
At 31 March 2016 and 1 April 2016	643,597,188	5,277
Placing of shares (a)	450,510,000	3,809
Placing of shares (b)	218,820,000	1,942
Shares issued under share option scheme (note 26) (c)	33,900,000	301
At 31 March 2017	1,346,827,188	11,329

Notes to the Consolidated Financial Statements

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24. SHARE CAPITAL (*continued*)

Notes:

- (a) 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.
- (b) Completion of the placing took place on 8 December 2016 pursuant to which 218,820,000 shares were issued under the placing agreement at the price of HK\$0.41 per share. Accordingly, the Company's issued share capital was increased by approximately RMB1,942,000 and its share premium account was increased by approximately RMB76,868,000. Net proceeds were approximately RMB78,810,000 after deducting the issuing expenses of approximately RMB802,000.
- (c) During the year, 33,900,000 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 RMB301,000 and its share premium account was increased by approximately RMB14,318,000.

Capital management

The Group's primary objective when managing capital is to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the payment of dividends, issue new shares, buy-back shares, raise new debts, redeem existing debts or sell assets to reduce debts. No changes were made in the objectives, policies or processes during the years ended 31 March 2017 and 2016.

Notes to the Consolidated Financial Statements

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25. RESERVES

(a) The amounts of the Group's reserves and the movements therein are presented in the consolidated statement of profit or loss and other comprehensive income and consolidated statement of changes in equity.

(i) *Nature and purpose of reserves of the Group*

Statutory reserve

Transfers from retained earnings to statutory reserve fund were made in accordance with the relevant PRC rules and regulations and the articles of association of the Company's subsidiaries established in the PRC and were approved by the respective boards of directors.

Statutory reserve fund can be used to make good previous years' losses, if any, and may be converted into paid-up capital provided that the balance of the statutory reserve fund after such conversion is not less than 25% of their registered capital.

The Company's subsidiaries in the PRC are required to transfer a minimum of 10% of their net profits, as determined in accordance with the PRC accounting rules and regulations, to the statutory reserve fund until the reserve balance reaches 50% of the registered capital. The transfer to this fund must be made before distribution of dividends to owners.

Share-based payment reserve

The share-based payment reserve represents the fair value of the actual or estimated number of unexercised share options granted to employees and consultants of the Group recognised in accordance with the accounting policy adopted for equity-settled share-based payments in note 3 to the consolidated financial statements.

Notes to the Consolidated Financial Statements

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25. RESERVES (continued)

(b) Reserves of the Company

	Share premium RMB'000	Share-based payment reserve RMB'000	Foreign currency translation reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 April 2015	1,732,553	–	(61,348)	(1,624,866)	46,339
Total comprehensive income/ (loss) for the year	–	–	7,998	(4,383)	3,615
Placing of new shares	167,627	–	–	–	167,627
At 31 March 2016	1,900,180	–	(53,350)	(1,629,249)	217,581
At 1 April 2016	1,900,180	–	(53,350)	(1,629,249)	217,581
Total comprehensive income/ (loss) for the year	–	–	29,443	(11,184)	18,259
Equity-settled share-based transaction	–	4,267	–	–	4,267
Share issued under share option scheme	14,318	(2,374)	–	–	11,944
Placing of new shares	276,325	–	–	–	276,325
At 31 March 2017	2,190,823	1,893	(23,907)	(1,640,433)	528,376

Notes to the Consolidated Financial Statements

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26. EQUITY-SETTLED SHARE OPTION SCHEME

The Company operates a share option scheme (the “Scheme”) for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group’s operations. Eligible participants include the full-time and part-time employees, executives, officers, directors, business consultants, agents, legal and financial advisers of the Company and the Company’s subsidiaries. The Scheme became effective on 30 May 2016 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue at any time. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period, is limited to 1% of the shares of the Company in issue at any time. Any further grant of shares options in excess of this limit is subject to shareholders’ approval in a general meeting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company’s shares at the date of the grant) in excess of HK\$5 million, within any 12-month period, are subject to shareholders’ approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 14 days from the date of the offer, upon payment of a nominal consideration of HK\$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors, and commences after a certain vesting period and ends on a date which is not later than five years from the date of the offer of the share options or the expiry date of the Scheme, if earlier.

The exercise price of the share options is determinable by the directors, but may not be less than the highest of (i) the Stock Exchange closing price of the Company’s shares on the date of the offer of the share options; (ii) the average Stock Exchange closing price of the Company’s shares for the five trading days immediately preceding the date of the offer; and (iii) the nominal value of the Company’s shares on the date of the offer.

Share options do not confer rights on the holder to dividends or to vote at shareholders’ meetings.

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26. EQUITY-SETTLED SHARE OPTION SCHEME (continued)

Details of the options granted are as follows:

	Number of options	Exercise period	Exercise price
Options granted to employees on 26 January 2017	11,800,000	26/01/2017 to 25/01/2018	HK\$0.40
Options granted to consultants on 26 January 2017	36,200,000	26/01/2017 to 25/01/2018	HK\$0.40
	48,000,000		
Options granted to consultants on 28 March 2017	16,300,000	28/03/2017 to 27/03/2018	HK\$0.45
Total options granted during the year	64,300,000		

All of the share options vesting conditions are immediate from the date of grant.

Details of the share options outstanding during the year are as follows:

	2017 Number of share options	Weighted average exercise price HK\$
Granted during the year	64,300,000	HK\$0.43
Exercised during the year	(33,900,000)	
	30,400,000	
Exercisable at the end of the year	30,400,000	HK\$0.43

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26. EQUITY-SETTLED SHARE OPTION SCHEME (continued)

The weighted average share price at the date of exercise for share options exercised during the year was HK\$0.39. The options outstanding at the end of the year have a weighted average remaining contractual life of 0.82 and 0.99 year and the exercise prices range from HK\$0.40 to HK\$0.45. In 2017, options were granted on 26 January 2017 and 28 March 2017. The estimated fair values of the options on those dates are approximately RMB3,348,000 and RMB919,000 respectively.

These fair values were calculated using the Binominal Tree option pricing model. The inputs into the model are as follows:

	At 26 January 2017	At 28 March 2017
Weighted average share price	HK\$0.37	HK\$0.39
Weighted average exercise price	HK\$0.40	HK\$0.45
Expected volatility	65%	55%
Expected life	1 year	1 year
Risk free rate	0.84%	0.61%
Expected dividend yield	0%	0%

Expected volatility was determined by calculating the historical volatility of the Company's share price over the previous 1 years. The expected life used in the model has been adjusted, based on the Group's best estimate, for the effects of non transferability, exercise restrictions and behavioural considerations.

Share options granted to consultants were incentives for helping the Group expand its business network, acquire and explore new business projects and opportunities. The fair value of such benefit could not be estimated reliably and as a result, the fair value is measured by reference to the fair value of share options granted.

Notes to the Consolidated Financial Statements

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27. SUMMARISED FINANCIAL POSITION OF THE COMPANY

	2017 RMB'000	2016 RMB'000
Non-current assets		
Investments in subsidiaries	-	-
Current assets		
Due from subsidiaries	620,372	224,322
Prepayments, deposits and other receivables	-	496
Bank and cash balances	415	5
	620,787	224,823
Current liabilities		
Accruals and other payables	81,082	1,965
Net current assets	539,705	222,858
NET ASSETS	539,705	222,858
Capital and reserves		
Share capital	11,329	5,277
Reserves	528,376	217,581
TOTAL EQUITY	539,705	222,858

28. CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

The Directors were not aware of any significant contingent liabilities and capital commitments of the Group at the end of the reporting period.

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29. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed elsewhere in these consolidated financial statements, the Group entered into the following material related party transactions.

Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors, the senior management and all of the highest paid employees as disclosed in note 12.

Share options granted to substantial shareholders

The Company granted 24,000,000 share options to the substantial shareholders with fair value of approximately RMB1,931,000, who act as consultants during the year which are exercisable from 26 January 2017 to 25 January 2018 at an exercise price of HK\$0.4 each. The details are disclosed in note 26.

30. LEASE COMMITMENTS

At the end of the reporting period, the total future minimum lease payments under non-cancellable operating leases in respect of land and buildings are analysed as follows:

	2017 RMB'000	2016 RMB'000
Within one year	1,814	1,734
In the second to fifth year inclusive	4,947	6,346
Over five years	-	265
	6,761	8,345

31. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

The table below lists the subsidiaries of the Company which, in the opinion of the Directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

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31. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (continued)

Particulars of the Company's principal subsidiaries at the end of the reporting period are as follows:

Name	Place of incorporation/ registration	Issued and paid-up capital	Percentage of the ownership interest		Principal activities
			Direct	Indirect	
Create Talent Limited	British Virgin Islands ("BVI")	1 ordinary share of US\$1 each	100%	–	Investment holding
Sky Achieve Limited	BVI	200 ordinary shares of US\$1 each	–	100%	Investment holding
Fu Ji Management Limited	Hong Kong	HK\$100	–	100%	Provision of administrative services to group companies
Hong Kong Fulltime Limited	Hong Kong	HK\$1	–	100%	Investment holding
青島味鮮達餐飲服務有限公司# Qing Dao Wei Xian Da Catering Services Limited*	The PRC	HK\$150,000,000	–	100%	Provision of catering services
味碩實業(上海)有限公司^ Weishuo Industrial (Shanghai) Company Limited*	The PRC	RMB10,000,000	–	100%	Trading of convenience food products
多鮮樂(北京)食品科技有限公司# Dailyfresh (Beijing) Food and Technology Company Limited*	The PRC	RMB77,890,000	–	100%	Trading of convenience food products
西藏詩達食品有限公司^ Xizang Shida Food Company Limited*	The PRC	RMB20,000,000	–	100%	Trading of convenience food products
可染(上海)實業有限公司^ Keran (Shanghai) Industrial Company Limited*	The PRC	HK\$200,000,000	–	100%	Trading of convenience food products
無錫美通食品科技有限公司^ Wuxi Meitong Food Technology Co., Limited*	The PRC	US\$25,000,000	–	100%	Food processing and holding of the properties

* The English name is for identification purpose only

Wholly-foreign-owned enterprises

^ Wholly-domestic-owned enterprises

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32. MAJOR NON-CASH TRANSACTION

During the year ended 31 March 2017, the Group acquired Wuxi Meitong Food Technology Co., Ltd for a cash consideration of RMB394,996,000 (the "Acquisition"). The Acquisition does not constitute a business combination but an acquisition of assets, which are prepaid land lease payments of approximately RMB25,027,000 and buildings of approximately RMB653,223,000, through acquisition of a subsidiary. The Group acquired prepayments, deposits and other receivables of approximately RMB50.3 million, inventories of approximately RMB0.6 million, and assumed other borrowings of approximately RMB333.6 million through the Acquisition which are non-cash transactions.

33. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 30 June 2017.

Financial Summary

A summary of the results and of the assets and liabilities of the Group for the last five financial years, as extracted from the published audited financial statements and restated/reclassified as appropriate, is set out below:

	Year ended 31 March				2017 RMB'000
	2013 RMB'000	2014 RMB'000	2015 RMB'000	2016 RMB'000	
RESULTS					
Revenue	168,716	178,980	911,286	1,482,665	1,520,846
Profit/(loss) before tax	(24,671)	806,625	54,728	70,245	47,481
Income tax	(4,121)	(2,986)	(10,745)	(12,701)	(7,238)
Profit/(loss) for the year	(28,792)	803,639	43,983	57,544	40,243
Attributable to:					
owners of the Company	(28,791)	806,542	43,571	57,609	40,279
Non-controlling interests	(1)	(10)	(10)	(65)	(36)
	(28,792)	806,532	43,561	57,544	40,243

	Year ended 31 March				2017 RMB'000
	2013 RMB'000	2014 RMB'000	2015 RMB'000	2016 RMB'000	
ASSETS AND LIABILITIES					
Non-current assets	10,307	8,451	960	12,667	695,736
Current assets	92,237	122,465	594,934	516,790	514,178
Current liabilities	(1,075,655)	(55,685)	(480,134)	(186,128)	(205,566)
Non-current liabilities	–	–	–	–	(333,569)
Net assets/(liabilities)	(973,111)	75,231	115,760	343,329	670,779
Equity attributable to:					
Owners of the Company	(973,295)	74,427	115,597	343,231	670,717
Non-controlling interests	184	804	163	98	62
Total equity	(973,111)	75,231	115,760	343,329	670,779