



鲜驰达

FRESH EXPRESS DELIVERY
HOLDINGS GROUP CO.,LTD.

2019 Annual Report

FRESH EXPRESS DELIVERY
HOLDINGS GROUP CO., LTD.

鲜驰达控股集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code : 1175)

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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
(previous name: Mak Ka Hang, 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
Shop 1712–1716,
17th Floor, Hopewell Centre,
183 Queen's Road East,
Wan Chai,
Hong Kong

REGISTERED OFFICE

Cricket Square,
Hutchins Drive,
P.O. Box 2681,
Grand Cayman KY1-1111,
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit D, 12/F.,
Seabright Plaza,
9–23 Shell Street,
North Point,
Hong Kong

PRINCIPAL BANKERS

Hang Seng Bank
Level B2,
83 Des Voeux Road,
Central,
Hong Kong

WEBSITE

<http://www.freshexpressdelivery.com>

CONTACT

ir@xianchida.com

Chairman's Statement

For the year ended 31 March 2019, Fresh Express Delivery Holdings Group Co., Limited (the "Company", together with its subsidiaries collectively, the "Group") continued to implement the established "Internet + Cold Chain Food" strategy, and was deeply engaged in the online cold-chain food distribution industry, with efforts to actively expand our cold-chain food distribution network nationwide, under the principle of "Providing premium and safe food to people (植根優質食品 · 安全服務人民)". It successfully expanded its presence from Shanghai and East China to major first-tier cities in China during the year.

During the year, there was a shift of focus of the Group's revenue structure from traditional offline revenue to online revenue from pure e-commerce platforms.

During the financial year, the Group swung from profit to loss, mainly due to its strategic adjustments for a transformation from the traditional offline sales model of the food wholesale market to a purely online sales model based on e-commerce platforms and mobile phone applications. During the transformation, there was a significant decrease in sale proceeds due to insufficient market share. However, the Group hoped for quick market penetration to increase the market share through a low gross profit margin, which led to a gross profit decrease and a purchase cost increase. The Group also disposed of certain subsidiaries to independent third parties during the year, in which the realization of the opening balance of translation reserve led to a loss of RMB44 million. This, along with the depreciation and amortization of fixed assets, resulted in lower consolidated profit for the year than the previous year. As at 31 March 2019, the sales income was approximately RMB185 million and the losses were RMB99.31 million.

The change in the sales and purchase model of the Group, as well as the expansion of new sales areas may help improve the overall earnings and the financial structure of the Group in the long term, in spite of the short-term influence on the financial data for the year.

On 7 December 2018, the Group signed the "Acquisition Letter of Intent" with the target company, which represented the first step in improving the Group's structure, enriching its system and making its strategic and comprehensive arrangement through business acquisition.

In the new year, the Group is strategically positioned to rely on investment-related platforms to engage in distribution of food in bulk, expand its businesses from poultry trading to off-shore purchase and all categories of food including animal by-products, aquatic products and prepared food, so as to provide large and medium-sized users with package solutions for food supply; to invest in and acquire businesses in relation to the food industry internet; establish an ecological food fund and invest in projects for transformation of the agricultural resource industry.

The Group hopes that under the new positioning and strategy, it will vigorously expand its original distribution business, realize a high-speed growth in comprehensive sales and gross profit margin, and expand its business sales area to 300 counties and cities (including first-and second-tier cities, and lower-tier cities) throughout the country. It also hopes that investment and fund business will bring about new drivers of growth. The Group aims to become an industry leader in terms of optimization and efficiency improvement in the whole supply chain of the food industry of China in the next three years.

Mr. Pan Junfeng

Chairman

28 June 2019

Management Discussion and Analysis

BUSINESS REVIEW

The Group is engaged in cold chain food integrated distribution in the PRC. During the year, the strategic adjustment of the Group in focusing on the development of small and medium-sized clients and gradually reducing our reliance on the sales to a few major customers, the cold chain food business had achieved growth in revenue from small and medium-sized clients. Our cold chain logistic facilities and sales network were deployed efficiently, resulting in the rapid increase of market share. Meanwhile, the Group is committed to actively exploring wider markets and developing more categories, in addition to focusing on online sales on our online e-commerce platform, from which the income from online sales has become the most significant source of income.

RESULTS AND APPROPRIATIONS

Revenue

The revenue of the Group was approximately RMB185.2 million (2018: approximately RMB978.8 million), representing a decrease of approximately 81.1% from the last financial year. The Group's revenue decreased over the current year since the physical wholesale food markets were closed and replaced to pure online sales model, which was based on sale on e-commerce platform and mobile app. The change of the sales model resulted in a significant decrease in the sales income for the current financial reporting period. However, the Group has actively exploring wider market and categories, as well as made arrangement for the nationwide direct sales network to create a "online trade market" in different regions.

Gross Profit

Gross profit of the Group decreased from approximately RMB64.6 million to approximately RMB3.1 million in 2019, as the sales volume dropped by reducing on the sales to offline bulk trade business. The gross profit margin has decreased from 6.6% to 1.7% due to the Group expected to penetrate the market as soon as possible through low gross profit margin, in order to increase market share, which led to decline in gross profit. The Group has not been able to achieve large purchase, resulting in failure to obtain higher purchase discounts and increasing procurement cost.

Staff costs

Staff costs of the Group were approximately RMB10.6 million (2018: approximately RMB17.5 million), representing a decrease of approximately 39.3% from the last financial year. The sales of the Group is based on e-commerce platform and mobile app, therefore, there is less demand on staff of sales department, resulting in a decrease of overall staff costs.

Depreciation

Depreciation expense increased from approximately RMB19.2 million during the year ended 31 March 2018 to approximately RMB27.9 million during the year ended 31 March 2019, indicating an increase of approximately 45.2%. Since the Group's certain property, plant and equipment were purchased and construction in progress was transferred to property, plant and equipment in 2018, so full depreciation expense was provided for the current year.

Loss/profit for the year attributable to owners of the Company

The loss for the year attributable to owners of the Company amounted to approximately RMB99.3 million for the year ended 31 March 2019 (2018: a profit for the year of approximately RMB8.1 million). Loss per share was approximately RMB6.0 cents as compared with earnings per share was approximately RMB0.6 cents for the preceding year.

Management Discussion and Analysis

Loss on disposal of subsidiaries

On 30 November 2018, the Group disposed its subsidiaries to an independent third party resulting in a loss of RMB44 million, the losses mainly contributed by the realization of translation reserve opening balance.

LIQUIDITY, FINANCIAL RESOURCES AND FUNDING

Bank and cash balances as at 31 March 2019 was approximately RMB2.1 million (2018: approximately RMB30.6 million). The Group's debt-to-equity ratio measured on the basis of the Group's total liabilities of approximately RMB99.2 million (2018: approximately RMB23.5 million) to the total equity of approximately RMB698.7 million (2018: approximately RMB752.0 million) is 0.14 (2018: 0.03).

MATERIAL ACQUISITION AND DISPOSAL

Other than as disclosed under the heading "Disposal of subsidiaries" set out in note 29 to the consolidated financial statements, the Group had no material acquisition or disposal of subsidiaries, associated companies and joint ventures for the year ended 31 March 2019.

SIGNIFICANT INVESTMENTS HELD AND FUTURE PLAN FOR MATERIAL INVESTMENT

As at 31 March 2019, the Group has no significant investment held and material investment plan other than as disclosed under the heading "Deposits paid for acquisition of equity Investments" set out in note 17 to the consolidated financial statements. Details please refer to the Company's announcement dated 7 December 2018.

EMPLOYMENT

As at 31 March 2019, the Group had 59 (2018: 97) 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 RMB10.6 million (2018: RMB17.5 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 2019, the Group has pledged 100% equity interest of a subsidiary, Create Talent Limited as collateral for the Group's borrowing.

CAPITAL AND OTHER COMMITMENTS

The Group had no any capital commitment as at 31 March 2019 (2018: Nil).

CONTINGENT LIABILITIES

The Group had no any contingent liabilities as at 31 March 2019 (2018: 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 to the Rules (the “Listing Rules”) Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) for the year ended 31 March 2019, 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 (“Directors”) have confirmed that they have fully complied with the required standard as set out in the Model Code throughout the year ended 31 March 2019.

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 “Biographical Details of Directors and Senior Management” on pages 28 to 30.

The Board has adopted a Board Diversity Policy (the “Board Diversity Policy”) which sets out the approach to achieve diversity on the Board. The Company recognises and embraces the benefits of diversity in the Board and is committed to enhancing quality of opportunity in all aspects of its business. The Company seeks to achieve Board diversity through the consideration against a range of objective criteria, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills and knowledge. The Company will also take into consideration its own business model and specific needs from time to time in determining the optimal composition of the Board.

The Board members during the year ended 31 March 2019 and as at the date up to this report were:

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 (previous name: Mak Ka Hang, Patrick)
Mr. Sung Wing Sum

Corporate Governance Report

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 five meetings, one of the meetings was only held between the Chairman and independent non-executive Directors, and the attendance of the Directors at the Board Meetings for the year ended 31 March 2019 is set out as below:

Name of Directors	Number of attendance/Number of Meetings
Executive Directors	
Mr. Pan Junfeng (<i>Chairman</i>)	4/5
Mr. Tang Dacong	3/4
Non-executive Director	
Mr. Wen Cyrus Jun-ming	2/4
Independent Non-executive Directors	
Dr. Leung Hoi Ming	5/5
Mr. Mak Ka Wing, Patrick (previous name: Mak Ka Hang, Patrick)	3/5
Mr. Sung Wing Sum	5/5

Adequate and appropriate information, which are prepared in such form and quality as will enable the Board to make an informed decision, are circulated normally at least three days in advance of Board meetings to the Directors and 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.

Corporate Governance Report

All the independent non-executive Directors have entered into appointment contracts for a specific term of three years on 16 March 2018. All are subject to renewal after the expiry of the then current term.

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 2019, the non-executive Director was not appointed for a specific term but is 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.

The Company’s Articles of Association provides that all Directors appointed to fill a casual vacancy shall be subject to election by shareholders at the first general meeting after appointment.

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.

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 chief executive officer. 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 chief executive officer when it thinks appropriate.

During the year, in addition to the Board meetings, the Chairman of the Board had a meeting with all the independent non-executive Directors without the presence of other Directors.

INDUCTION AND CONTINUING PROFESSIONAL DEVELOPMENT

Newly appointed Directors will receive guideline and reference materials to enable them to familiarise with the Group’s business operations and the Board’s policies.

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 have participated 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.

Corporate Governance Report

During the year ended 31 March 2019, all Directors have participated in continuous professional development by attending training course or reading relevant materials on the topics related to corporate governance and regulations, and the individual training record is summarised below:

Name of Directors	Attending seminar(s)/relevant materials
Executive Directors	
Mr. Pan Junfeng (<i>Chairman</i>)	YES
Mr. Tang Dacong	YES
Non-executive Director	
Mr. Wen Cyrus Jun-ming	YES
Independent Non-executive Directors	
Dr. Leung Hoi Ming	YES
Mr. Mak Ka Wing, Patrick (previous name: Mak Ka Hang, Patrick)	YES
Mr. Sung Wing Sum	YES

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.

All Board committees are provided with sufficient resources to perform their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstance, at the Company's expense.

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 (previous name: Mak Ka Hang, 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.

Corporate Governance Report

- (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.
- (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 one meeting during the year ended 31 March 2019, to discuss, review and approve Directors' and management's remuneration, having regard to factors including industry practices, salaries paid by comparable companies, time commitment, job duties, responsibilities, performance relative to the industry and performance of the individual Directors in respect of the relevant positions. The attendance of the members is as follows:

Name of Members	Number of attendance/Number of Meetings
Dr. Leung Hoi Ming (<i>Chairman</i>)	1/1
Mr. Mak Ka Wing, Patrick (previous name: Mak Ka Hang, Patrick)	1/1
Mr. Sung Wing Sum	1/1

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 (previous name: Mak Ka Hang, 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.
- (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.

Corporate Governance Report

- (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, 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 2019 has been reviewed by the Audit Committee. The AC is responsible for performing the corporate governance functions set out in code provision D3.1 of the Code. As at the date of this report, the Board has reviewed and monitored: (a) the Company's corporate governance policies and practices, (b) training and continuous professional development of directors and senior management, (c) the Company's policies and practices on compliance with legal and regulatory requirements, (d) the Company's code of conduct and (e) the Company's compliance with the Code disclosure requirements.

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 three meetings during the year ended 31 March 2019 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 (previous name: Mak Ka Hang, Patrick)	3/3
Mr. Sung Wing Sum (<i>Chairman</i>)	3/3

During the year ended 31 March 2019, the Audit Committee had reviewed the Company's annual report for the year ended 31 March 2019 and the interim report for the six months ended 30 September 2018. The AC had also reviewed the effectiveness of the risk management and internal control systems of the Group.

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 (previous name: Mak Ka Hang, 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.

The Board also delegated certain duties under the Board Diversity Policy to the NC. The NC will discuss and review the Board Diversity Policy from time to time.

Corporate Governance Report

Nomination Policy

The Board has established a nomination policy, a summary of which is as follows:

1. Stipulate the duties of the Nomination Committee, including nominating suitable director candidates for the Board;
2. Determine the selection criteria and procedures for the appointment and re-appointment of directors;
3. Accomplishment, experience and reputation in the industry, independence, the ability to assist and support management and reputation for integrity are the factors that need to be considered when appointing directors;
4. Commit to achieve a diversified composition of the Board in respect of gender, age, cultural and educational background, professional experience, skills, knowledge and experience, and length of service and assess the diversity status of the Board every year;
5. Make recommendations on succession planning for directors; and
6. From time to time review this nomination policy, as appropriate, to ensure the effectiveness of this policy.

Board Diversity Policy

The Company recognises and embraces the benefits of having a diverse Board to enhance the quality of its performance. The Company has established a board diversity policy, a summary of which is as follows:

1. Set out the approach to achieve diversity of the Board of the Company; and
2. In determining the composition of the Board, the Company considers the diversity of the Board from a number of aspects, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service. All Board appointments are based on meritocracy.

Final decisions of appointing directors to be made by the Board will be based on each candidate's attributes and contributions to be made to the Board. The Nomination Committee monitors the implementation of the Board Diversity Policy, reviews the Board Diversity Policy as and when appropriate and recommends any revisions for the Board's approval.

The NC held one meeting during the year ended 31 March 2019 to discuss and review the structure, size and composition of the Board and the Board Diversity Policy. The attendance of the members is as follows:

Name of Members	Number of attendance/Number of Meetings
Dr. Leung Hoi Ming	1/1
Mr. Mak Ka Wing, Patrick (previous name: Mak Ka Hang, Patrick) (<i>Chairman</i>)	1/1
Mr. Sung Wing Sum	1/1

Corporate Governance Report

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 31 to 34.

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 2019, fees payable to ZHONGHUI ANDA CPA Limited, the auditor of the Group, are as follows:

Nature of services	Fees payable HK\$'000
Audit services	1,350
Non-audit services — Review of interim information, result announcement and calculations	195
	1,545

SENIOR MANAGEMENT REMUNERATION

Senior management remuneration by band

The emoluments fell within the following bands:

Remuneration by band (HK\$)	Number of persons
Nil to 1,000,000	5
1,000,000 to 2,000,000	—

Corporate Governance Report

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

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 management has reported to the Board and the Audit Committee on the effectiveness of the risk management and internal control system for the year ended 31 March 2019.

The Board further considers that (i) the Company's risk management and internal control systems are considered adequate and effective and no significant control failings or weaknesses were identified; and (ii) there were adequate staff with appropriate and adequate qualifications and experience, resources for accounting, internal audit and financial reporting functions, and adequate training programmes had been provided during the year.

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 and the Board would conduct the review annually.

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.

Corporate Governance Report

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.

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.

The company secretary of the Company, Mr. Wan Oi Ming Kevin (“Mr. Wan”), is engaged by the Company as its company secretary. During the year, Mr. Wan has undertaken not less than 15 hours of relevant professional training in accordance with Rule 3.29 of the Listing Rules.

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.

Corporate Governance Report

During the year ended 31 March 2019, the Company held an annual 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>)	0/1
Mr. Tang Dacong	1/1
Non-executive Director	
Mr. Wen Cyrus Jun-ming	0/1
Independent Non-executive Directors	
Dr. Leung Hoi Ming	1/1
Mr. Mak Ka Wing, Patrick (previous name: Mak Ka Hang, Patrick)	0/1
Mr. Sung Wing Sum	1/1

DIVIDEND POLICY

The Group has developed a dividend policy in the interest of shareholders. The Company does not have any pre-determined dividend payout ratio. In considering the dividend payout, the Board will make decisions with reference to the Group's performance and financial position, results of operation and level of cash; statutory and regulatory restrictions; future prospects and any other factors that the Board may consider relevant. The Board has the discretion to declare and distribute dividends to the shareholders of the Company to the extent that the Company shall maintain adequate cash reserve for meeting its working capital requirements and future growth.

CONSTITUTIONAL DOCUMENTS

During the year ended 31 March 2019, there had been no significant change in the Company's constitutional documents.

Corporate Governance Report

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 enquiries to the board of the Company, shareholders may send written enquiries 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", 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 2019.

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 page 53 to 56 of this Annual Report.

Compliance with relevant laws and regulations

During the year ended 31 March 2019, 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 2019 are set out on page 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 78 of this annual report.

SHARE CAPITAL

Movement in share capital of the Company is set out in note 26 to the financial statements.

DISTRIBUTABLE RESERVES

There is no reserve available for distribution to shareholders as at 31 March 2019.

MATERIAL RELATED PARTY TRANSACTIONS

Details of the related party transactions are set out in note 32 to the consolidated financial statements. The related party transactions did not fall under the scope of "Connected Transactions" or "Continuing Connected Transactions" under Chapter 14A of the Listing Rules which are required to comply with any of the reporting, announcement or independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Directors' Report

DIRECTORS

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

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 (previous name: Mak Ka Hang, Patrick)
Mr. Sung Wing Sum

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, chief executive or their associates had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept under section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited ("Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

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 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 2019, the following shareholders (other than the Directors or chief executives of the Company whose interests and short positions in the shares, underlying shares and debentures of the Company are disclosed in the section headed "Directors and chief executives' interests and short positions in the shares, underlying shares and debentures" above) had interests in the shares and underlying shares of the Company which were recorded in the register to be kept by the Company under section 336 of the SFO:

Name of shareholders	Capacity/Nature of interest	Number of Shares held		Percentage of total holding (Note 6)
		Long position	Short position	
Marvel Light Holdings Limited (Note 1)	Beneficial owner	340,115,352	—	20.66
Bomao Holdings Limited (柏貿控股有限公司)	Interest in controlled corporation (Note 1)	340,115,352	—	20.66
Harvest (Overseas) Investment Limited	Interest in controlled corporation (Note 1)	340,115,352	—	20.66
Anhui Harvest Investment Company Limited* (安徽省豐收投資有限公司)	Interest in controlled corporation (Note 1)	340,115,352	—	20.66
Anhui Province Venture Investment Company Ltd.* (安徽省創業投資有限公司)	Interest in controlled corporation (Note 1)	340,115,352	—	20.66
Anhui Province Investment Group Co., Ltd.* (安徽省投資集團控股有限公司)	Interest in controlled corporation (Note 1)	340,115,352	—	20.66
STI LSN 1 Limited	Security interest (Note 4)	340,115,352	—	20.66

Directors' Report

Name of shareholders	Capacity/Nature of interest	Number of Shares held		Percentage of total holding (Note 6)
		Long position	Short position	
Tung Sun Tat Clement	Interest in controlled corporation (Note 4)	340,115,352	—	20.66
Fortunate Gravity Hongkong Limited (Note 2) ("Fortunate Gravity")	Beneficial owner	298,840,000	—	18.15
Queen's Central Hongkong Holdings Limited ("Queen's Central")	Interest in controlled corporation (Note 2)	298,840,000	—	18.15
Wuxi Wangxing Wanglu Technology Limited* (無錫網行網路科技有限公司) ("Wuxi Wangxing")	Interest in controlled corporation (Note 2)	298,840,000	—	18.15
Mr. Zhu Wei (朱偉)	Interest in controlled corporation (Note 2)	298,840,000	—	18.15
Ms. Huang Xia* (黃霞)	Family interest (Notes 2 and 3)	298,840,000	—	18.15
GREAT SAIL GLOBAL LIMITED (偉航環球有限公司) ("Great Sail")	Security interest (Note 5)	298,840,000	—	18.15
Easyknit International Holdings Limited (永義國際集團有限公司)* ("Easyknit")	Interest in controlled corporation (Note 5)	298,840,000	—	18.15

Notes:

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

Directors' Report

4. STI LSN 1 Limited, which is interested in 340,115,352 Shares in its capacity as a person having a security interest in the Shares, is wholly-owned by Mr. Tung Sun Tat Clement. Accordingly, Mr. Tung Sun Tat Clement is deemed to be interested, or taken to be, interested in all the interest in the Company held by STI LSN 1 Limited by virtue of the SFO.
5. Great Sail, which is interested in 298,840,000 Shares in its capacity as a person having a security interest in the Shares, is wholly-owned by Easyknit. Accordingly, Easyknit is deemed to be interested, or taken to be, interested in all the interest in the Company held by Great Sail by virtue of the SFO.
6. The percentage is calculated based on the number of issued share capital of the Company as at 31 March 2019, which are 1,646,287,188 shares.

* For identification purpose only

Save as disclosed above, as at 31 March 2019, 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 2019.

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 attached to any of them. Such permitted indemnity provision is currently in force and was in force throughout the financial year. The Company has also arranged appropriate directors and officers liability insurance in respect of potential legal action against Directors and other officers.

MAJOR CUSTOMERS AND SUPPLIERS

Sales to the five largest customers of the Group accounted for approximately 11% (2018: approximately 52%) of the Group's total revenue for the year. In particular, sales to the largest customer of the group accounted for approximately 4% (2018: approximately 16%) of the Group's total revenue for the year.

Purchases from the five largest suppliers of the Group accounted for approximately 23% (2018: approximately 90%) of the Group's total purchases for the year. In particular, purchases from the Group's largest supplier accounted for approximately 7% (2018: approximately 46%) 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

The Company adopted a share option scheme (the "Share Option Scheme") on 21 June 2016, which became effective on 13 July 2016. A refreshment of the scheme limit of up to 10% of the issued shares of the Company (the "Refreshment") was approved by the Shareholders at the extraordinary general meeting of the Company held on 16 January 2018 (the "EGM"). The maximum number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme is 162,998,718 Shares, being 10% of the Shares in issue as at the date of the EGM. The total number of Shares in respect of which options are issuable under the Share Option Scheme is 162,998,718, representing 9.9% of the issued share capital of the Company as at the date of this report. No share option has been granted by the Company since the Refreshment.

Details of the Company's share option scheme and movements in share options during the year are set out in note 28 to the consolidated financial statements.

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 2019.

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, 28 June 2019

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTOR

Mr. Pan Junfeng (“Mr. Pan”), aged 62, 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 51, 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 (now known as 無錫颯達實業有限公司) (Wuxi Meitong Food Technology Co., Limited*) to the Company.

NON-EXECUTIVE DIRECTOR

Mr. Wen Cyrus Jun-ming (“Mr. Wen”), aged 33, 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. 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 1 (dealing in securities), type 4 (advising on securities) and type 9 (asset management) regulated activities under the Securities and Futures Ordinance.

Mr. Wen is currently a non-executive director of Jimu Group Limited (stock code: 8187) since 11 December 2017 and an independent non-executive director of Thing On Enterprise Limited (stock code: 2292) since 15 December 2017, each of the companies whose shares are listed on the Stock Exchange of Hong Kong Limited.

INDEPENDENT NON-EXECUTIVE DIRECTOR

Dr. Leung Hoi Ming (“Dr. Leung”), aged 51, 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.

Biographical Details of Directors and Senior Management

Mr. Mak Ka Wing, Patrick (previous name: Mak Ka Hang, Patrick) (**“Mr. Mak”**), aged 54, 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’ legal experience.

Mr. Mak is currently an independent non-executive director of Far East Holdings International Limited (Stock code: 36) since 18 July 2017, a company 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 Fullsun International Holdings Group Co., Limited (formerly known as U-Right International Holdings Limited) (stock code: 627) from 15 January 2009 to 15 August 2018, Convoy Global Holdings Limited (stock code: 1019) from 9 March 2017 to 7 November 2017.

Mr. Sung Wing Sum (“Mr. Sung”), aged 60, 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 is currently a practicing member of the Hong Kong Institute of Certified Public Accountants.

Mr. Sung was also an independent non-executive director of Hidili Industry International Development Limited (Stock Code: 1393) (resigned on 31 May 2019), a company whose shares are listed on the Stock Exchange of Hong Kong Limited.

Biographical Details of Directors and Senior Management

SENIOR MANAGEMENT

Mr. Zhou Aijie (“Mr. Zhou”), aged 47, 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 president of Strategic Development Division 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.

Mr. Tan Rucheng (“Mr. Tan”), aged 48, 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, and responsible for business development.

Ms. Du Wei Wei (“Ms. Du”), aged 38, 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 many 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, and responsible for investment, financing and public relations.

Ms. Gong Yi Heng (“Ms. Gong”), aged 48, obtained a college 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.

* For identification purpose only

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 35 to 77, which comprise the consolidated statement of financial position as at 31 March 2019, 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 2019, 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.

Property, plant and equipment

Refer to Note 15 to the consolidated financial statements

The Group tested the amount of property, plant and equipment for impairment. This impairment test is significant to our audit because the balance of property, plant and equipment of RMB644,585,000 as at 31 March 2019 is material to the consolidated financial statements. In addition, the Group's impairment test involves application of judgement and is based on assumptions and estimates.

Independent Auditor's Report

Our audit procedures included, among others:

- Assessing the competence, independence and integrity of the external valuer engaged by client;
- Obtaining the external valuation reports and meeting with the external valuer to discuss and challenge the valuation process, methodologies used and market evidence to support significant judgments and assumptions applied in the valuation model;
- Checking key assumptions and input data in the valuation model to supporting evidence; and
- Checking arithmetical accuracy of the valuation model.

We consider that the Group's impairment test for property, plant and equipment is supported by the available evidence.

Prepayments, deposits and other receivables

Refer to Note 20 to the consolidated financial statements

The Group tested the amount of prepayments, deposits and other receivables for impairment. This impairment test is significant to our audit because the balance of prepayments, deposits and other receivables of RMB97,888,000 as at 31 March 2019 is 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 suppliers and debtors;
- Assessing the Group's relationship and transaction history with the suppliers and debtors;
- Evaluating the Group's impairment assessment;
- Assessing aging of the debts;
- Checking subsequent settlements from the debtors;
- Checking subsequent usage of the prepayments;
- Assessing creditworthiness of the 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 prepayments, deposits and other receivables is supported by the available evidence.

Independent Auditor's Report

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.

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.

Independent Auditor's Report

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 HKSAs 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, 28 June 2019

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 March 2019

	<i>Notes</i>	2019 RMB'000	2018 RMB'000
Revenue	6	185,189	978,781
Cost of inventories sold		(182,073)	(914,226)
Gross profit		3,116	64,555
Other income	7	5	2
Staff costs		(10,624)	(17,510)
Operating lease rentals		(7,847)	(4,644)
Depreciation		(27,914)	(19,221)
Other operating expenses		(11,176)	(8,455)
Loss on disposal of subsidiaries	29	(44,653)	—
(Loss)/profit from operations		(99,093)	14,727
Finance costs	9	(2,910)	(1,430)
(Loss)/profit before tax		(102,003)	13,297
Income tax credit/(expense)	10	2,693	(5,304)
(Loss)/profit for the year	11	(99,310)	7,993
Other comprehensive income			
<i>Items that may be reclassified to profit or loss:</i>			
Exchange differences on translating foreign operations		1,116	6,720
Foreign currency translation reserve reclassified to profit or loss upon disposal of subsidiaries		44,878	—
Total comprehensive (loss)/income for the year		(53,316)	14,713
(Loss)/profit for the year attributable to:			
Owners of the Company		(99,310)	8,055
Non-controlling interests		—	(62)
		(99,310)	7,993
Total comprehensive (loss)/income for the year attributable to:			
Owners of the Company		(53,316)	14,775
Non-controlling interests		—	(62)
		(53,316)	14,713
(Loss)/earnings per share	14		
Basic (RMB cents per share)		(6.03)	0.54
Diluted (RMB cents per share)		(6.03)	0.54

Consolidated Statement of Financial Position

At 31 March 2019

	<i>Notes</i>	2019 RMB'000	2018 RMB'000
Non-current assets			
Property, plant and equipment	15	644,585	671,701
Prepaid land lease payments	16	22,492	23,168
Deposits paid for acquisition of equity investment	17	23,000	—
Deferred tax assets	25	2,693	—
		692,770	694,869
Current assets			
Inventories	18	3,206	4,799
Trade receivables	19	1,324	28,856
Prepaid land lease payments	16	676	676
Prepayments, deposits and other receivables	20	97,888	15,662
Bank and cash balances	21	2,078	30,643
		105,172	80,636
Current liabilities			
Trade payables	22	1,704	11,723
Accruals and other payables		5,331	6,807
Contract liabilities	23	5,014	—
Borrowings	24	87,200	—
Current tax liabilities		—	4,966
		99,249	23,496
Net current assets		5,923	57,140
Total assets less current liabilities		698,693	752,009
NET ASSETS		698,693	752,009
Capital and reserves			
Share capital	26	13,869	13,869
Reserves	27(a)	684,824	738,140
TOTAL EQUITY		698,693	752,009

Approved and authorised for issue by the board of directors on 28 June 2019 and signed on its behalf by:

Mr. Pan Junfeng
Director

Mr. Tang Dacong
Director

Consolidated Statement of Changes in Equity

For the year ended 31 March 2019

	Attributable to owners of the Company							Non-controlling interests	Total
	Share capital	Share premium	Share-based payment reserve	Foreign currency translation reserve	Accumulated losses	Total			
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
At 1 April 2017	11,329	2,190,823	1,893	(84,596)	(1,448,732)	670,717	62	670,779	
Total comprehensive income/(loss) for the year	—	—	—	6,720	8,055	14,775	(62)	14,713	
Placing of new shares	2,309	54,416	—	—	—	56,725	—	56,725	
Expire of share options	—	—	(180)	—	180	—	—	—	
Share issued under share option scheme	231	11,274	(1,713)	—	—	9,792	—	9,792	
At 31 March 2018	13,869	2,256,513	—	(77,876)	(1,440,497)	752,009	—	752,009	
At 1 April 2018	13,869	2,256,513	—	(77,876)	(1,440,497)	752,009	—	752,009	
Total comprehensive income/(loss) for the year	—	—	—	45,994	(99,310)	(53,316)	—	(53,316)	
At 31 March 2019	13,869	2,256,513	—	(31,882)	(1,539,807)	698,693	—	698,693	

Consolidated Statement of Cash Flows

For the year ended 31 March 2019

	2019 RMB'000	2018 RMB'000
Cash flows from operating activities		
(Loss)/profit before tax	(102,003)	13,297
Adjustments for:		
Depreciation	27,914	19,221
Amortisation	676	676
Finance costs	2,910	1,430
Interest income	(5)	(2)
Loss on disposal of subsidiaries	44,653	—
Operating cash flows before working capital changes	(25,855)	34,622
Change in inventories	1,593	157,313
Change in trade receivables	27,532	117,911
Change in prepayments, deposits and other receivables	(53,256)	169,670
Change in trade payables	(10,019)	(55,572)
Change in contract liabilities	5,014	(14,709)
Change in accruals and other payables	(1,476)	(106,587)
Cash (used in)/generated from operations	(56,467)	302,648
Income tax paid	(4,966)	(10,729)
Net cash (used in)/generated from operating activities	(61,433)	291,919
Cash flows from investing activities		
Deposits paid for acquisition of equity investment	(23,000)	—
Loan to third party	(28,970)	—
Proceeds from disposal of subsidiaries	1	—
Purchase of property, plant and equipment	(798)	(19,030)
Interest received	5	2
Net cash used in investing activities	(52,762)	(19,028)
Cash flows from financing activities		
Borrowings raised	90,200	25,554
Repayment of borrowings	(3,000)	(359,123)
Net proceeds from the placing of shares	—	56,725
Net proceeds from the issue of shares under share option	—	9,792
Interests paid	(2,910)	(1,430)
Net cash generated from/(used in) financing activities	84,290	(268,482)
Net (decrease)/increase in cash and cash equivalents	(29,905)	4,409
Effect of foreign exchange rate changes	1,340	6,943
Cash and cash equivalents at beginning of year	30,643	19,291
Cash and cash equivalents at end of year	2,078	30,643
Analysis of cash and cash equivalents		
Bank and cash balances	2,078	30,643
	2,078	30,643

Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

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 34 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 (the “HKICPA”) that are relevant to its operations and effective for its accounting year beginning on 1 April 2018. HKFRSs comprise Hong Kong Financial Reporting Standards (“HKFRS”); Hong Kong Accounting Standards (“HKAS”); 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, accounting principles generally accepted in Hong Kong 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.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Statement of compliance *(Continued)*

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.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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.

(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.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currency translation *(Continued)*

(c) Translation on consolidation (Continued)

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.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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 financial 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 is recognised in profit or loss.

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.

Financial assets

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial assets *(Continued)*

Financial assets of the Group are classified under the following categories:

- Financial assets at amortised cost;

Financial assets at amortised cost

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

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

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

Loss allowances for expected credit losses

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue from contracts with customers

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

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

- the customer simultaneously receives and consumes the benefits provided by the Group's performance;
- the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

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

Other income

Interest income is recognised using the effective interest method.

Employee benefits

(a) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the end of the reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

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 2019

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 2019

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.

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Related parties *(Continued)*

- (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.
 - (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).
 - (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.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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.

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 2019

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 of property, plant and equipment*

Property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets exceeds its recoverable amount. The recoverable amount is determined with reference to the present value of estimated future cash flows. Where the future cash flows are less than expected or there are unfavourable events and change in facts and circumstance which result in revision of future estimate cash flows, a material impairment loss may arise.

(b) *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.

(c) *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.

(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.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

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 carrying amount of the cash and bank balances, trade and other receivables included in the consolidated statement of financial position represents the Group's maximum exposure to credit risk in relation to the Group's financial assets.

The Group has policies in place to ensure that sales are made to customers with an appropriate credit history. The credit risk on bank and cash balances is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The Group considers whether there has been a significant increase in credit risk of financial assets on an ongoing basis throughout each reporting period by comparing the risk of a default occurring as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information. Especially the following information is used:

- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations;
- significant changes in the value of the collateral or in the quality of guarantees or credit enhancements; and
- significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrowers.

A significant increase in credit risk is presumed if a debtor is more than 30 days past due in making a contractual payment. A default on a financial asset is when the counterparty fails to make contractual payments within 60 days of when they fall due.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

5. FINANCIAL RISK MANAGEMENT *(Continued)*

(b) Credit risk *(Continued)*

Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. The Group normally categorises a loan or receivable for write off when a debtor fails to make contractual payments greater than 360 days past due. Where loans or receivables have been written off, the Group, if practicable and economical, continues to engage in enforcement activity to attempt to recover the receivable due.

The Group uses two categories for non-trade loan receivables which reflect their credit risk and how the loan loss provision is determined for each of the categories. In calculating the expected credit loss rates, the Group considers historical loss rates for each category and adjusts for forward looking data.

Category	Definition	Loss provision	
		2019 RMB'000	2018 RMB'000
Performing	Low risk of default and strong capacity to pay	12 month expected losses	
Non-performing	Significant increase in credit risk	Lifetime expected losses	
		Total	
		2019	2018
		RMB'000	RMB'000
Other loans receivables		28,738	—
Provision for loss allowance		—	—
Carrying amounts		28,738	—

The above advance is considered to be low risk and under the 'Performing' category because it has a low risk of default and has strong ability to meet its obligation.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

5. FINANCIAL RISK MANAGEMENT *(Continued)*

(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.

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	
	2019 RMB'000	2018 RMB'000	Total and within 1 year or on demand 2019 RMB'000	Total and within 1 year or on demand 2018 RMB'000
Trade payables	1,704	11,723	1,704	11,723
Accruals and other payables	5,331	6,807	5,331	6,807
Borrowings	87,200	—	93,006	—
	94,235	18,530	100,041	18,530

(d) Interest rate risk

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. As the Group has minimal exposure to interest rate risk, the Group's operating cash flows are substantially independent of changes in market interest rates.

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

5. FINANCIAL RISK MANAGEMENT *(Continued)*

(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.

(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:

	2019 RMB'000	2018 RMB'000
Financial assets		
Financial assets at amortised cost:		
Trade receivables	1,324	28,856
Prepayments, deposits and other receivables	45,451	8,210
Bank and cash balances	2,078	30,643
	48,853	67,709
Financial liabilities		
Financial liabilities at amortised cost:		
Trade payables	1,704	11,723
Accruals and other payables	5,331	6,807
Borrowings	87,200	—
	94,235	18,530

Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

6. REVENUE

The Group's revenue is analysed as follows:

	2019 RMB'000	2018 RMB'000
Revenue from contracts with customers — sales of frozen food products	185,189	978,781

For the year ended 31 March 2019, the Group is mainly engaged in online sale of frozen food products to the customers. Sales are recognised when control of the products has transferred, being when the products are delivered to a customer, there is no unfulfilled obligation that could affect the customer's acceptance of the products and the customer has obtained legal titles to the products.

Sales to customers are normally made with cash on delivery, deposits or may be required. Deposits received are recognised as a contract liability.

A receivable is recognised when the products are delivered to the customers as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

7. OTHER INCOME

	2019 RMB'000	2018 RMB'000
Interest income	5	2

Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

8. SEGMENT INFORMATION

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

Revenue from major customers:

	2019 RMB'000	2018 RMB'000
Customer A	N/A*	153,599
Customer B	N/A*	142,610
	—	296,209

* Customers did not contribute more than 10% of the total consolidated revenue of the Group for the year ended 31 March 2019.

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

9. FINANCE COSTS

	2019 RMB'000	2018 RMB'000
Interest expenses on borrowings	2,910	1,430

10. INCOME TAX (CREDIT)/EXPENSE

	2019 RMB'000	2018 RMB'000
Current tax:		
Provision for the PRC enterprise income tax	—	5,304
Deferred tax	(2,693)	—
	(2,693)	5,304

Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

10. INCOME TAX (CREDIT)/EXPENSE (Continued)

No provision for Hong Kong Profits Tax has been made for the years ended 31 March 2019 and 31 March 2018 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 2019 and 31 March 2018, in which, an entity incorporated in the Tibet Autonomous Region of the PRC was entitled to preferential tax rates of 9% for the year ended 31 March 2018 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:

	2019 RMB'000	2018 RMB'000
(Loss)/profit before tax	(102,003)	13,297
Notional tax on (loss)/profit before tax calculated at the PRC statutory rate	(25,501)	3,324
Effect of different tax rates in other tax jurisdictions	4,017	(5,553)
Tax effect of non-deductible expenses	18,791	7,533
Income tax (credit)/expense for the year	(2,693)	5,304

11. (LOSS)/PROFIT FOR THE YEAR

The Group's (loss)/profit for the year is stated after charging the following:

	2019 RMB'000	2018 RMB'000
Auditor's remuneration	1,284	1,087
Cost of inventories sold	182,073	914,226
Amortisation of prepaid land lease payments	676	676
Depreciation	27,914	19,221
Minimum lease payments under operating leases in respect of land and buildings	7,847	4,644
Staff costs (including directors' remuneration — note 12):		
Salaries, bonus and allowances	10,593	17,479
Retirement benefits scheme contributions	31	31
	10,624	17,510

Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

12. DIRECTORS' AND FIVE HIGHEST PAID INDIVIDUAL EMOLUMENTS

The emoluments of each Director were as follows:

	Fee RMB'000	Retirement benefit scheme contributions RMB'000	Total RMB'000
Executive Directors			
Mr. Pan Junfeng	—	—	—
Mr. Tang Dacong	—	—	—
Non-executive directors			
Mr. Wen Cyrus Jun-ming	205	—	205
Independent Non-executive Directors			
Mr. Mak Ka Wing, Patrick (previous name: Mak Ka Hang, Patrick)	134	—	134
Mr. Sung Wing Sum	154	—	154
Mr. Leung Hoi Ming	134	—	134
Total for 2019	627	—	627

	Fee RMB'000	Retirement benefit scheme contributions RMB'000	Total RMB'000
Executive Directors			
Mr. Pan Junfeng	—	—	—
Mr. Tang Dacong	—	—	—
Non-executive directors			
Mr. Wen Cyrus Jun-ming	17	—	17
Independent Non-executive Directors			
Mr. Mak Ka Wing, Patrick (previous name: Mak Ka Hang, Patrick)	132	—	132
Mr. Sung Wing Sum	153	—	153
Mr. Leung Hoi Ming	132	—	132
Total for 2018	434	—	434

Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

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

The five highest paid individuals in the Group during the year included nil (2018: nil) director whose emoluments are reflected in the analysis presented above. The emoluments of the remaining five (2018: five) individuals are set out below:

	2019	2018
	RMB'000	RMB'000
Basic salaries and allowances	2,120	1,958
Retirement benefit scheme contributions	31	31
	2,151	1,989

The emoluments of five (2018: 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 2019 and 2018.

14. (LOSS)/EARNINGS PER SHARE

Basic (loss)/earnings per share

The calculation of basic (loss)/earnings per share attributable to owners of the Company is based on the loss for year attributable to owners of the Company of approximately RMB99,310,000 (2018: a profit for the year of approximately RMB8,055,000) and the weighted average number of 1,646,287,188 (2018: 1,495,393,106) ordinary shares in issue during the year.

Diluted (loss)/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.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

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 2017	653,223	933	11,193	25,179	690,528
Additions	—	—	18,093	937	19,030
Disposals	—	(933)	—	—	(933)
Transfer	—	—	26,116	(26,116)	—
At 31 March 2018 and 1 April 2018	653,223	—	55,402	—	708,625
Additions	—	—	798	—	798
At 31 March 2019	653,223	—	56,200	—	709,423
Accumulated depreciation and impairment					
At 1 April 2017	13,087	933	4,616	—	18,636
Charge for the year	17,451	—	1,770	—	19,221
Disposals	—	(933)	—	—	(933)
At 31 March 2018 and 1 April 2018	30,538	—	6,386	—	36,924
Charge for the year	17,451	—	10,463	—	27,914
At 31 March 2019	47,989	—	16,849	—	64,838
Carrying amounts					
At 31 March 2019	605,234	—	39,351	—	644,585
At 31 March 2018	622,685	—	49,016	—	671,701

The Group has carried out a review of the recoverable amount of its property, plant and equipment as at 31 March 2019 with reference to the independent valuation performed by an independent valuer, Ravia Global Appraisal Advisory Limited. The recoverable amount is assessed based on value-in-use calculations. No impairment loss is recognised for the year ended 31 March 2019.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

16. PREPAID LAND LEASE PAYMENTS

	2019 RMB'000	2018 RMB'000
At 1 April	23,844	24,520
Amortisation of prepaid land lease payments	(676)	(676)
At 31 March	23,168	23,844
Current portion	(676)	(676)
Non-current portion	22,492	23,168

17. DEPOSITS PAID FOR ACQUISITION OF EQUITY INVESTMENTS

On 7 December 2018, the Group has entered into an acquisition letter of intent with an independent third party in relation to the acquisition of the equity interest of the target company which is principally engaged in the software and information technology services industry in PRC. At 31 March 2019, the deposits paid by the Group in relation to the acquisition of RMB23,000,000.

18. INVENTORIES

	2019 RMB'000	2018 RMB'000
Finished goods	3,206	4,799

Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

19. TRADE RECEIVABLES

Other than cash sales, invoices are normally payable within 30 days of issuance. Trade receivables are recognised and carried at their original invoiced amounts less allowance for impairment when collection of the full amount is no longer probable. Bad debts are written off as incurred.

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

	2019 RMB'000	2018 RMB'000
30 days or less	1,324	16,606
31 to 90 days	—	7,913
91 to 120 days	—	4,337
	1,324	28,856

The Group applies the simplified approach under HKFRS 9 “Financial Instrument” to provide for expected credit losses using the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the ageing. The expected credit losses also incorporate forward looking information.

	30 days or less RMB'000	31 to 90 days RMB'000	91 to 120 days RMB'000	Total RMB'000
At 31 March 2019				
Weighted average expected loss rate	0%	0%	0%	
Receivable amount (RMB'000)	1,324	—	—	1,324
Loss allowance (RMB'000)	—	—	—	—
At 31 March 2018				
Weighted average expected loss rate	0%	0%	0%	
Receivable amount (RMB'000)	16,606	7,913	4,337	28,856
Loss allowance (RMB'000)	—	—	—	—

Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

20. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2019 RMB'000	2018 RMB'000
Prepayments	52,437	7,452
Deposits	2,441	557
Other receivables	43,010	7,653
	97,888	15,662

As at 31 March 2019, prepayments was mainly paid to major suppliers for guarantee the purchases of goods.

As at 31 March 2019, included in other receivables is an other loan receivable of RMB29 million carries interest rate at 6% per annum, repayable within one year and is secured by debtor's equity interest, being an unlisted limited liability company. The directors of the Company monitored the collectability of these receivables closely with reference to their respective current creditworthiness and repayment records.

21. 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 RMB502,000 (2018: RMB30,412,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations.

22. TRADE PAYABLES

	2019 RMB'000	2018 RMB'000
Trade payables	1,704	11,723

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

	2019 RMB'000	2018 RMB'000
30 days or less	1,704	10,928
31 to 90 days	—	467
Over 90 days	—	328
	1,704	11,723

Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

23. CONTRACT LIABILITIES

Disclosures of revenue-related items

	As at 31 March 2019 RMB'000	As at 31 March 2018 RMB'000	As at 1 April 2017 RMB'000
Total contract liabilities	5,014	—	14,709
Transaction prices allocated to performance obligations unsatisfied at end of year and expected to be recognised as revenue in:			
— 2018	—	38,445	
— 2019	—	—	
— 2020	16,850	—	
	16,850	38,445	

Year ended 31 December

	2019 RMB'000	2018 RMB'000
Revenue recognised in the year that was included in contract liabilities at beginning of year	—	14,709

Significant changes in contract liabilities during the year:

	2019 RMB'000	2018 RMB'000
Increase due to operation in the year	14,320	193,250
Transfer of contract liabilities to revenue	(9,306)	(207,959)

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

24. BORROWINGS

	2019 RMB'000	2018 RMB'000
Bank loans	53,000	—
Other Borrowing	34,200	—
	87,200	—
The borrowings are repayable as follows:		
On demand or within one year	87,200	—

The effective interest rates per annum at the end of the reporting period were as follows:

	2019	2018
Fixed rate	6.87%–12%	N/A

The bank loan of the Group is secured by corporate guarantee obtained from related companies and director personal guarantee. Other Borrowing is secured by a 100% equity interest in a subsidiary, Create Talent Limited, shareholder guarantee and director personal guarantee.

25. DEFERRED TAX

The following are the major deferred tax assets recognised by the Group.

	Tax losses RMB'000	Total RMB'000
At 1 April 2018	—	—
Credit to profit or loss for the year (<i>note 10</i>)		
— origination and reversal of temporary differences	2,693	2,693
At 31 March 2019	2,693	2,693

Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

26. SHARE CAPITAL

	2019 RMB'000	2018 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>		
1,646,287,188 ordinary shares of HK\$0.01 each	13,869	13,869

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 2017		1,346,827,188	11,329
Placing of shares	(a)	271,660,000	2,309
Shares issued under share option scheme (<i>note 28</i>)	(b)	27,800,000	231
At 31 March 2018, 1 April 2018 and 31 March 2019		1,646,287,188	13,869

Notes:

- (a) Completion of the placing took place on 27 September 2017 pursuant to which 271,660,000 shares were issued under the placing agreement at the price of HK\$0.25 per share. Accordingly, the Company's issued share capital was increased by approximately RMB2,309,000 and its share premium account was increased by approximately RMB54,416,000. Net proceeds were approximately RMB56,725,000 after deducting the issuing expenses of approximately RMB1,010,000.
- (b) During the year ended 31 March 2018, 11,500,000 and 16,300,000 share option were exercised under the share option scheme at the price of HK\$0.40 and HK\$0.45 per share respectively. Accordingly, the Company's issued share capital was increased by approximately RMB231,000 and its share premium account was increased by approximately RMB11,274,000, which included approximately RMB1,713,000 was transferred from share option reserve to share premium.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

26. SHARE CAPITAL *(Continued)*

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 2019 and 2018.

27. 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*

Foreign currency translation reserve

The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in note 3 to the consolidated financial statements.

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

For the year ended 31 March 2019

27. 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 2017	2,190,823	1,893	(4,787)	(1,659,553)	528,376
Total comprehensive income/(loss) for the year	—	—	(61,068)	(6,698)	(67,766)
Expire of share options	—	(180)	—	180	—
Share issued under share option scheme	11,274	(1,713)	—	—	9,561
Placing of new shares	54,416	—	—	—	54,416
At 31 March 2018	2,256,513	—	(65,855)	(1,666,071)	524,587
At 1 April 2018	2,256,513	—	(65,855)	(1,666,071)	524,587
Total comprehensive income/(loss) for the year	—	—	37,524	(159,115)	(121,591)
At 31 March 2019	2,256,513	—	(28,331)	(1,825,186)	402,996

Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

28. 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.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

28. 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 ended 31 March 2017	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:

	2019		2018	
	Number of share options	Weighted average exercise price HK\$	Number of share options	Weighted average exercise price HK\$
Outstanding at the beginning of the year	—	—	30,400,000	HK\$0.43
Granted during the year	—	—	—	
Exercised during the year	—	—	(27,800,000)	HK\$0.43
Expired during the year	—	—	(2,600,000)	HK\$0.40
Outstanding at the end of the year	—		—	
Exercisable at the end of the year	—		—	

For the year ended 31 March 2018, the weighted average share price at the date of exercise for share options exercised was HK\$0.34.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

29. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Disposal of subsidiaries

On 30 November 2018, the Group disposed 100% of the equity interest in Sky Achieve Limited and its subsidiaries for a cash consideration of US\$200 (equivalent to approximately RMB1,400) to Ample Stream Limited, an independent third party.

Net asset at the date of disposal were as follows:

	RMB'000
Prepayments, deposits and other receivables	1
Accruals and other payables	(225)
Net assets disposed of	(224)
Release of foreign currency translation reserve	44,878
	44,654
Loss on disposal of subsidiaries	(44,653)
Total consideration — satisfied by cash	1
Net cash inflow arising on disposal	1

Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

29. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

Changes in liabilities arising from financing activities

The following table shows the Group's changes in liabilities arising from financing activities during the year:

	Bank loan	Other borrowings	Total liabilities from financing activities
	RMB'000	RMB'000	RMB'000
At 1 April 2017	—	333,569	333,569
Changes in cash flows			
— Bank loans raised	25,554	—	25,554
— Repayment of borrowings	(25,554)	(333,569)	(359,123)
At 31 March 2018	—	—	—
At 1 April 2018	—	—	—
Changes in cash flows			
— Bank loans/other borrowings raised	56,000	34,200	90,200
— Repayment of borrowings	(3,000)	—	(3,000)
At 31 March 2019	53,000	34,200	87,200

Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

30. SUMMARISED FINANCIAL POSITION OF THE COMPANY

	2019 RMB'000	2018 RMB'000
Non-current assets		
Investments in subsidiaries	—	—
Current assets		
Due from subsidiaries	421,658	538,318
Prepayments, deposits and other receivables	31,795	2,858
Bank and cash balances	1,564	212
	455,017	541,388
Current liabilities		
Accruals and other payables	3,952	2,932
Borrowings	34,200	—
	38,152	2,932
Net current assets	416,865	538,456
NET ASSETS	416,865	538,456
Capital and reserves		
Share capital	13,869	13,869
Reserves	402,996	524,587
TOTAL EQUITY	416,865	538,456

Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

31. 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.

32. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed elsewhere in these 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.

33. 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:

	2019 RMB'000	2018 RMB'000
Within one year	3,194	3,654
In the second to fifth year inclusive	3,767	8,085
	6,961	11,739

Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

34. 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.

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
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
無錫颯達實業有限公司 [^] 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

35. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 28 June 2019.

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				2019 RMB'000
	2015 RMB'000	2016 RMB'000	2017 RMB'000	2018 RMB'000	
RESULTS					
Revenue	911,286	1,482,665	1,520,846	978,781	185,189
Profit/(loss) before tax	54,728	70,245	47,481	13,297	(102,003)
Income tax	(10,745)	(12,701)	(7,238)	(5,304)	2,693
Profit/(loss) for the year	43,983	57,544	40,243	7,993	(99,310)
Attributable to:					
owners of the Company	43,571	57,609	40,279	8,055	(99,310)
Non-controlling interests	(10)	(65)	(36)	(62)	—
	43,561	57,544	40,243	7,993	(99,310)

	As at 31 March				2019 RMB'000
	2015 RMB'000	2016 RMB'000	2017 RMB'000	2018 RMB'000	
ASSETS AND LIABILITIES					
Non-current assets	960	12,667	695,736	694,869	692,770
Current assets	594,934	516,790	514,178	80,636	105,172
Current liabilities	(480,134)	(186,128)	(205,566)	(23,496)	(99,249)
Non-current liabilities	—	—	(333,569)	—	—
Net assets/(liabilities)	115,760	343,329	670,779	752,009	698,693
Equity attributable to:					
Owners of the Company	115,597	343,231	670,717	752,009	698,693
Non-controlling interests	163	98	62	—	—
Total equity	115,760	343,329	670,779	752,009	698,693