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FRESH EXPRESS DELIVERY HOLDINGS GROUP CO., LTD

鮮馳達控股集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code : 1175)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019

The board (the “Board”) of directors of Fresh Express Delivery Holdings Group Co., Ltd (the “Company”) announces the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively referred to as the “Group”) for the six months ended 30 September 2019 together with comparative figures for the previous period:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2019

| | | Six months ended 30 September | |
|---|--------------|--|--------------------|
| | | 2019 | 2018 |
| | <i>Notes</i> | RMB'000 | RMB'000 |
| | | (Unaudited) | (Unaudited) |
| Revenue | 4 | 1,333,161 | 59,696 |
| Cost of inventories sold | | <u>(1,321,714)</u> | <u>(58,301)</u> |
| Gross profit | | 11,447 | 1,395 |
| Other income | | 3 | 1 |
| Staff costs | | (6,024) | (3,646) |
| Operating lease rentals | | (618) | (1,384) |
| Depreciation | | (14,699) | (12,172) |
| Amortisation of prepaid land lease payments | | – | (338) |
| Other operating expenses | | <u>(3,094)</u> | <u>(4,866)</u> |

| | | Six months ended | |
|---|--------------|-------------------------|--------------------|
| | | 30 September | |
| | | 2019 | 2018 |
| | <i>Notes</i> | RMB'000 | RMB'000 |
| | | (Unaudited) | (Unaudited) |
| Loss from operations | | (12,985) | (21,010) |
| Finance costs | | <u>(4,677)</u> | <u>(1,075)</u> |
| Loss before tax | <i>5</i> | (17,662) | (22,085) |
| Income tax | <i>6</i> | <u>611</u> | <u>–</u> |
| Loss for the period | | (17,051) | (22,085) |
| Other comprehensive income: | | | |
| <i>Items that may be reclassified to profit or loss:</i> | | | |
| Exchange differences on translating foreign operations | | <u>(1,217)</u> | <u>1,646</u> |
| Total comprehensive loss for the period | | <u>(18,268)</u> | <u>(20,439)</u> |
| Loss for the period attributable to: | | | |
| Owners of the Company | | <u>(17,051)</u> | <u>(22,085)</u> |
| Total comprehensive loss for the period attributable to: | | | |
| Owners of the Company | | <u>(18,268)</u> | <u>(20,439)</u> |
| Loss per share | <i>7</i> | | |
| Basic (RMB cents per share) | | <u>(1.04)</u> | <u>(1.34)</u> |
| Diluted (RMB cents per share) | | <u>(1.04)</u> | <u>(1.34)</u> |

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2019

| | | At 30 September 2019 <i>RMB'000</i> (Unaudited) | At 31 March 2019 <i>RMB'000</i> (Audited) |
|--|--------------|---|---|
| | <i>Notes</i> | | |
| Non-current assets | | | |
| Property, plant and equipment | 9 | 631,919 | 644,585 |
| Deposits paid for acquisition of equity investment | | 23,000 | 23,000 |
| Right-of-use assets | | 28,419 | – |
| Prepaid land lease payments | | – | 22,492 |
| Deferred tax assets | | 3,304 | 2,693 |
| | | <u>686,642</u> | <u>692,770</u> |
| Current assets | | | |
| Inventories | | 1,877 | 3,206 |
| Trade receivables | 10 | 178 | 1,324 |
| Prepaid land lease payments | | – | 676 |
| Prepayments, deposits and other receivables | 11 | 104,244 | 97,888 |
| Bank and cash balances | | 9,847 | 2,078 |
| | | <u>116,146</u> | <u>105,172</u> |
| Current liabilities | | | |
| Trade payables | 12 | 10,060 | 1,704 |
| Accruals and other payables | | 9,490 | 5,331 |
| Contract liabilities | | 8,965 | 5,014 |
| Lease liabilities | | 2,277 | – |
| Borrowings | 13 | 88,808 | 87,200 |
| | | <u>119,600</u> | <u>99,249</u> |
| Net current (liabilities)/assets | | <u>(3,454)</u> | <u>5,923</u> |
| Total assets less current liabilities | | <u>683,188</u> | <u>698,693</u> |
| Non-current liabilities | | | |
| Lease liabilities | | 2,763 | – |
| NET ASSETS | | <u>680,425</u> | <u>698,693</u> |
| Capital and reserves | | | |
| Share capital | 14 | 13,869 | 13,869 |
| Reserves | | 666,556 | 684,824 |
| TOTAL EQUITY | | <u>680,425</u> | <u>698,693</u> |

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

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

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

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

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

The Interim Financial Statements should be read in conjunction with the 2019 annual financial statements. The accounting policies and methods of computation used in the preparation of the Interim Financial Statements are consistent with those used in the annual financial statements for the year ended 31 March 2019 except as stated below.

HKFRS 16 "Leases"

Leases are recognised as right-of-use assets and corresponding lease liabilities when the leased assets are available for use by the Group. Right-of-use assets are stated at cost less accumulated depreciation and impairment losses. Depreciation of right-of-use assets is calculated at rates to write off their cost over the shorter of the asset's useful life and the lease term on a straight-line basis. The principal annual rates of land use right and buildings are over the unexpired terms of the lease.

Right-of-use assets are measured at cost comprising the amount of the initial measurement of the lease liabilities, lease payments prepaid, initial direct costs and the restoration costs. Lease liabilities include the net present value of the lease payments discounted using the interest rate implicit in the lease if that rate can be determined, or otherwise the Group's incremental borrowing rate. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the lease liability.

Payments associated with short-term leases and leases of low-value assets are recognised as expenses in profit or loss on a straight-line basis over the lease terms. Short-term leases are leases with an initial lease term of 12 months or less. Low-value assets are assets of value below US\$5,000.

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

In the current period, the Group has adopted all the new and revised HKFRSs issued by the HKICPA that are relevant to its operations and effective for its accounting period beginning on 1 April 2019. HKFRSs comprise Hong Kong Financial Reporting Standards; Hong Kong Accounting Standards; and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group’s accounting policies, presentation of the Group’s financial statements and amounts reported for the current period and prior periods expect as stated below:

HKFRS 16 “Leases”

The Group has adopted HKFRS 16 retrospectively from 1 April 2019, but has not restated comparatives for the 2019 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening statement of financial position on 1 April 2019.

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as “operating leases” under the principles of HKAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate as of 1 April 2019. The weighted average lessee’s incremental borrowing rate applied to the lease liabilities on 1 April 2019 was 6.87%.

In applying HKFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- reliance on previous assessments on whether leases are onerous;
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying HKAS 17 and HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease.

As a lessee, the Group’s leases are mainly rentals of offices. The right-of-use assets were measured at the amount equal to the lease liability and there were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The impacts arising from the adoption of HKFRS 16 as at 1 April 2019 are as follows:

| | 1 April 2019 <i>RMB'000</i> |
|---|--------------------------------|
| Increase in right-of-use assets | 29,573 |
| Decrease in prepaid land lease payments | 23,168 |
| Increase in lease liabilities | <u>6,405</u> |

The reconciliation of operating lease commitment to lease liabilities as at 1 April 2019 is set out below:

| | <i>RMB'000</i> |
|--|----------------|
| Operating lease commitment at 31 March 2019 | 6,961 |
| Less: | |
| Commitments relating to leases with a remaining lease term ending on or before 31 March 2020 and low-value assets | (6) |
| Discounting | <u>(550)</u> |
| Lease liabilities as at 1 April 2019 | <u>6,405</u> |
| Analysed as: | |
| Current | 3,351 |
| Non-current | <u>3,054</u> |
| | <u>6,405</u> |

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

4. REVENUE AND SEGMENT INFORMATION

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

| | <u>Convenience food products</u> | |
|---------------------------------|--------------------------------------|--------------------|
| | Six months ended 30 September | |
| | 2019 | 2018 |
| | <i>RMB'000</i> | <i>RMB'000</i> |
| | (Unaudited) | (Unaudited) |
| Revenue from external customers | <u>1,333,161</u> | <u>59,696</u> |

Disaggregation of revenue from contracts with customers:

| | Convenience food products | |
|--------------------------------------|--------------------------------------|--------------------|
| | Six months ended 30 September | |
| | 2019 | 2018 |
| | RMB'000 | RMB'000 |
| | (Unaudited) | (Unaudited) |
| Geographical markets | | |
| PRC | <u>1,333,161</u> | <u>59,696</u> |
| Major product | | |
| Frozen food products | <u>1,333,161</u> | <u>59,696</u> |
| Timing of revenue recognition | | |
| At a point in time | <u>1,333,161</u> | <u>59,696</u> |

5. LOSS BEFORE TAX

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

| | Six months ended 30 September | |
|---|--------------------------------------|--------------------|
| | 2019 | 2018 |
| | RMB'000 | RMB'000 |
| | (Unaudited) | (Unaudited) |
| Interest income | (3) | (1) |
| Cost of inventories sold | 1,321,714 | 58,301 |
| Amortisation of prepaid land lease payments | – | 338 |
| Depreciation | 14,699 | 12,172 |
| Minimum lease payments under operating leases in respect of land and buildings | 618 | 1,384 |
| Directors' remuneration | <u>299</u> | <u>299</u> |

6. INCOME TAX

| | Six months ended 30 September | |
|---|-------------------------------|----------------|
| | 2019 | 2018 |
| | <i>RMB'000</i> | <i>RMB'000</i> |
| | (Unaudited) | (Unaudited) |
| Current tax – PRC enterprise income tax | | |
| Provision for the period | – | – |
| Deferred tax | (611) | – |
| | <u>(611)</u> | <u>–</u> |
| | <u>(611)</u> | <u>–</u> |

No provision for Hong Kong Profits Tax has been made for the periods ended 30 September 2019 and 30 September 2018 as the Group did not generate any assessable profits arising in Hong Kong during these periods. The Group entities incorporated in the PRC are subject to PRC enterprise income tax that were taxed based on the statutory income tax rate of 25% for the period ended 30 September 2019 and 30 September 2018.

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

7. LOSS PER SHARE

Basic loss per share

The calculation of basic loss per share attributable to owners of the Company is based on the loss for the six months period attributable to owners of the Company of approximately RMB17,051,000 (six months ended 30 September 2018: loss of approximately RMB22,085,000) and the weighted average number of 1,646,287,188 (six months ended 30 September 2018: 1,646,287,188) of ordinary shares in issue during the period.

Diluted loss per share

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

8. INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30 September 2019 (six months ended 30 September 2018: Nil).

9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2019, the Group has acquired property, plant and equipment of approximately RMBNil (30 September 2018: RMB5,798,000).

10. TRADE RECEIVABLES

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

| | At 30 September 2019 <i>RMB'000</i> (Unaudited) | At 31 March 2019 <i>RMB'000</i> (Audited) |
|-----------------|---|---|
| 30 days or less | <u>178</u> | <u>1,324</u> |

11. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

| | At 30 September 2019 <i>RMB'000</i> (Unaudited) | At 31 March 2019 <i>RMB'000</i> (Audited) |
|-------------------|---|---|
| Prepayments | 76,685 | 52,437 |
| Deposits | 3,098 | 2,441 |
| Other receivables | <u>24,461</u> | <u>43,010</u> |
| | <u>104,244</u> | <u>97,888</u> |

12. TRADE PAYABLES

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

| | At 30 September 2019 <i>RMB'000</i> (Unaudited) | At 31 March 2019 <i>RMB'000</i> (Audited) |
|-----------------|---|---|
| 30 days or less | <u>10,060</u> | <u>1,704</u> |

13. BORROWINGS

| | At 30 September 2019 <i>RMB'000</i> (Unaudited) | At 31 March 2019 <i>RMB'000</i> (Audited) |
|--|---|---|
| Bank loan | 52,400 | 53,000 |
| Other borrowings | <u>36,408</u> | <u>34,200</u> |
| On demand or within one year | <u><u>88,808</u></u> | <u><u>87,200</u></u> |
| The borrowings are repayable as follows: | | |
| On demand or within one year | <u><u>88,808</u></u> | <u><u>87,200</u></u> |

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

| | At 30 September 2019 <i>RMB'000</i> | At 31 March 2019 <i>RMB'000</i> |
|------------|--|--|
| Fixed rate | <u><u>6.87% – 12%</u></u> | <u><u>6.87% – 12%</u></u> |

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.

14. SHARE CAPITAL

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

| | Number of shares | Amount <i>RMB'000</i> |
|---|-------------------------|---------------------------------|
| <i>Authorised:</i> | | |
| Ordinary shares of HK\$0.01 each | | |
| At 1 April 2018, 31 March 2019, 1 April 2019 and 30 September 2019 | <u>19,800,000,000</u> | <u>157,061</u> |
| Preference shares of HK\$0.01 each | | |
| At 1 April 2018, 31 March 2019, 1 April 2019 and 30 September 2019 | <u>200,000,000</u> | <u>1,586</u> |
| <i>Issued and fully paid:</i> | | |
| Ordinary shares of HK\$0.01 each | | |
| At 1 April 2018, 31 March 2019, 1 April 2019 and 30 September 2019 | <u>1,646,287,188</u> | <u>13,869</u> |

BUSINESS REVIEW

The Group is engaged in cold chain food integrated distribution in the PRC. During the year, the strategies of the Group are focusing on the development of small and medium-sized clients and all of the sales income for the year are from small and medium-sized clients. Our cold chain logistic facilities and sales network were deployed efficiently, resulting in the rapid increase of market share. Meanwhile, the Group is committed to actively exploring wider markets and developing more categories, in addition to focusing on online sales on our online e-commerce platform, from which the income from online sales has become the most significant source of income. The total sales income exceeded RMB1.3 billion for the first half of the financial year. And the Group's branches in Nanjing, Zhengzhou, Shenzhen, Chengdu, etc. are in the process of stable operating, while branches in Qingdao, Tianjin and Beijing are achieving further growth. With the continue growth in the monthly sales, the management believes that we will obtain more market shares and become the leading integrated service provider in the frozen food industry for the financial year.

RESULTS AND APPROPRIATIONS

Revenue

The revenue of the Group was approximately RMB1,333.2 million (six months ended 30 September 2018: approximately RMB59.7 million), representing a significant increase of approximately 2133.2% from the six months ended 30 September 2018. The Group's revenue increased over the current period due to the fast expansion of the target markets and the establishment of the brand. For the period, the Group maintaining the fast business growth in the eight major sales regions and the sales network was enhanced, which resulted in increased market share in the market.

Gross Profit

Gross profit of the Group increased from approximately RMB1.4 million for the six months ended 30 September 2018 to approximately RMB11.4 million for the six months ended 30 September 2019. The gross profit margin for the current period decreased from 2.3% to 0.9% 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 margin.

Staff costs

Staff costs of the Group were approximately RMB6.0 million (six months ended 30 September 2018: approximately RMB3.6 million), representing a significant increase of approximately 66.7% from the six months ended 30 September 2018. Due to the sales regions increased, more human resource in each region is needed, which results in an increase of staff costs.

Depreciation

Depreciation expense increased from approximately RMB12.2 million during for six months ended 30 September 2018 to approximately RMB14.7 million for the six months ended 30 September 2019, indicating an increase of approximately 20.5% from the six months ended 30 September 2018 due to the depreciation of the right-of-use asset.

Loss for the period attributable to owners

The loss for the period attributable to owners of the Company amounted to approximately RMB17.0 million for the six months ended 30 September 2019 (six months ended 30 September 2018: loss of approximately RMB22.1 million). Basic loss per share was approximately RMB1.04 cents as compared with basic loss per share of approximately RMB1.34 cents for the preceding period. The decrease of the loss for the period attributable to owners of the Company was mainly due to the growth in its sale.

LIQUIDITY, FINANCIAL RESOURCES AND FUNDING

Bank and cash balances as at 30 September 2019 was approximately RMB9.8 million (31 March 2019: approximately RMB2.1 million). The Group's debt-to-equity ratio measured on the basis of the Group's total liabilities of approximately RMB122.4 million (31 March 2019: approximately RMB99.2 million) to the total equity of approximately RMB680.4 million (31 March 2019: approximately RMB698.7 million) is 0.18 (31 March 2019: 0.14).

EMPLOYMENT

As at 30 September 2019, the Group had 70 (31 March 2019: 59) full-time employees, most of whom were working in the Company's subsidiaries in the PRC. It is the Group's policy that remuneration of the employees is in line with the market and commensurate with the level of pay for similar responsibilities within the industry. Discretionary year end bonuses are payable to the employees based on individual performance. Other benefits to the employees included medical insurance, retirement schemes, training programs and education subsidies.

CHARGES ON GROUP'S ASSETS

As at 30 September 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 30 September 2019 (31 March 2019: Nil).

CONTINGENT LIABILITIES

The Group had no any contingent liabilities as at 30 September 2019 (31 March 2019: Nil).

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 September 2019.

CORPORATE GOVERNANCE

In the opinion of the Directors, the Company has complied with the code provisions of the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Listing Rules throughout the six months ended 30 September 2019, except for the deviation of A.2.1 and F.1.2 of the Code.

Pursuant to A.2.1 of the Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual, with the division of responsibilities between the chairman and chief executive clearly established and set out in writing. Mr. Pan Junfeng ("Mr. Pan") is the chairman of the Company since 24 June 2016 and has also carried out the responsibilities of CEO. He is responsible for managing the Board and the business of the Group. The Board considers that Mr. Pan possesses the essential leadership skills to manage the Board and extensive knowledge in the business of the Group. The present structure is suitable to the Company because it can promote the efficient formulation and implementation of the Company's strategies. The Board will review the effectiveness of this arrangement from time to time and will consider appointing an individual as CEO when it thinks appropriate.

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

REVIEW OF INTERIM RESULTS

The Audit Committee constitutes three independent non-executive Directors. The unaudited results of the Group for the six months ended 30 September 2019 have been reviewed by the Audit Committee.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules. Having made specific enquiry to all Directors, they have confirmed that they complied with the required standards as set out in the Model Code during the six months ended 30 September 2019.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

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

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

Hong Kong, 29 November 2019

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