



鲜驰达

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

2019 Interim 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
Mr. Zhou Aijie
Mr. Tan Rucheng

NON-EXECUTIVE DIRECTORS

Mr. Wen Cyrus Jun-ming

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

COMPANY SECRETARY

Mr. Wan Oi Ming Kevin

AUDITOR

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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Royal Bank House – 3rd Floor,
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P.O. Box 1586,
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Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor
Services Limited
Shop 1712–1716,
17th Floor, Hopewell Centre,
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REGISTERED OFFICE

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HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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9–23 Shell Street,
North Point,
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PRINCIPAL BANKERS

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MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is engaged in cold chain food integrated distribution in the PRC. 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. In the last half of the financial year, the Company increased its marketing efforts and the number of its sales personnel, and greatly improved its sales efficiency through various sales methods such as internet, APP and telemarketing. It adjusted product pricing and reduced the gross profit margin, thus rapidly gaining more market share, improving its bargaining power, forming a positive cycle. Meanwhile, as the entire internet business infrastructure was improved, the trade mode of the Company based on e-commerce platforms gave rise to an explosive growth during the period, with the monthly compound growth rates for certain months exceeding 40%. In addition, the Group significantly reduced the number of its large customers in the first half of the year, and made efforts to acquire small and medium-sized customers, leading to a decrease of approximately 90% in its monthly sales for the same period of last year as compared with the previous half of the year. In the last half of the financial year, due to the completion of sales networks all over China, the market nurturing and promotion of the Company in the early stage also gradually played a role. Meanwhile, the revenue of the Company increased significantly due to a continuous rise in the number of customers and the amount

MANAGEMENT DISCUSSION AND ANALYSIS

purchased by customers of the Group as a result of great improvement in the food safety awareness in China and the increasing demand for high-quality green and safe food in the people's livelihood. The Group considerably increased its revenue in the Northern China region newly developed by the Group with a focus on Shandong. As a result, during the period, the business in the eight major sales regions of the Group grew rapidly and the sales network was enhanced, thus increasing its market share.

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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).

CAPITAL STRUCTURE

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

PROSPECTS

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

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

Since the market penetration strategy and Internet platform strategy adopted by the Company in the last six months provide excellent customer acquisition channels, while the customer retention rate and the customer activity rate continue to rise, the Company is confident of increasing the number of customers and the volume of business with customers in the next year, gaining a larger market share and further enhancing its reputation in the frozen food distribution industry. Meanwhile, the Company will carry out more cooperation with related parties in the upstream and downstream of the food industry and the ecosphere, in implementing more cooperative and investment projects, so as to improve its comprehensive service ability and industrial competitiveness, thus better serving upstream and downstream customers. It will continue to provide high-quality food and quick services in the market according to the principle of focusing on the food industry and providing the people with safe food.

MANAGEMENT DISCUSSION AND ANALYSIS

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

EMPLOYMENT

As at 30 September 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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

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

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

As at 30 September 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* (安徽豐收投資有限公司)	Interest in controlled corporation (Note 1)	340,115,352	–	20.66

MANAGEMENT DISCUSSION AND ANALYSIS

Name of shareholders	Capacity/ Nature of interest	Number of Shares held		Percentage of total holding (Note 6)
		Long position	Short position	
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
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

MANAGEMENT DISCUSSION AND ANALYSIS

Notes:

1. 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.
2. 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.
3. 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.
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 30 September 2019, which are 1,646,287,188 shares.

* *For identification purpose only*

Save as disclosed above, as at 30 September 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 REPORT

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.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2019

	Notes	Six months ended 30 September	
		2019 RMB'000 (Unaudited)	2018 RMB'000 (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>
Loss from operations		(12,985)	(21,010)
Finance costs		<u>(4,677)</u>	<u>(1,075)</u>
Loss before tax	5	(17,662)	(22,085)
Income tax	6	<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>

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
Notes	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
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	7	
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

	Notes	At 30 September 2019 RMB'000 (Unaudited)	At 31 March 2019 RMB'000 (Audited)
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>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Company				
	Share capital	Share premium	Foreign currency translation reserve	Accumulated losses	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
At 1 April 2018	13,869	2,256,513	(77,876)	(1,440,497)	752,009
Total comprehensive income/ (loss) for the period	–	–	1,646	(22,085)	(20,439)
At 30 September 2018	<u>13,869</u>	<u>2,256,513</u>	<u>(76,230)</u>	<u>(1,462,582)</u>	<u>731,570</u>
At 1 April 2019	13,869	2,256,513	(31,882)	(1,539,807)	698,693
Total comprehensive loss for the period	–	–	(1,217)	(17,051)	(18,268)
At 30 September 2019	<u>13,869</u>	<u>2,256,513</u>	<u>(33,099)</u>	<u>(1,556,858)</u>	<u>680,425</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended 30 September	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Net cash generated from/(used in) operating activities	9,583	(10,141)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	–	(5,798)
Deposits paid for acquisition of property, plant and equipment	–	(29,000)
Interest received	3	1
Net cash generated from/(used in) investing activities	3	(34,797)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of bank loans	(600)	(3,000)
Bank and other loans raised	–	56,000
Net cash (used in)/generated from financing activities	(600)	53,000
Net increase in cash and cash equivalents	8,986	8,062
Effect of foreign exchange rate changes	(1,217)	1,646
Cash and cash equivalents at beginning of period	2,078	30,643
Cash and cash equivalents at end of period	9,847	40,351

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.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (Continued)

HKFRS 16 “Leases” (Continued)

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 except 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%.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

HKFRS 16 “Leases” (Continued)

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 RMB’000
Increase in right-of-use assets	29,573
Decrease in prepaid land lease payments	23,168
Increase in lease liabilities	<u>6,405</u>

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

HKFRS 16 “Leases” (Continued)

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

	RMB'000
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	(550)
	<hr/>
Lease liabilities as at 1 April 2019	6,405
	<hr/> <hr/>
Analysed as:	
Current	3,351
Non-current	3,054
	<hr/>
	6,405
	<hr/> <hr/>

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.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

4. REVENUE AND SEGMENT INFORMATION

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

	Convenience food products	
	Six months ended 30 September	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Revenue from external customers	1,333,161	59,696

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	1,333,161	59,696
Major product		
Frozen food products	1,333,161	59,696
Timing of revenue recognition		
At a point in time	1,333,161	59,696

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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	299	299
	<u>299</u>	<u>299</u>

6. INCOME TAX

	Six months ended 30 September	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current tax – PRC enterprise income tax		
Provision for the period	–	–
Deferred tax	(611)	–
	<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.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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).

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

10. TRADE RECEIVABLES

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

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

11. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	At 30 September 2019 RMB'000 (Unaudited)	At 31 March 2019 RMB'000 (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>

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

12. TRADE PAYABLES

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

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

13. BORROWINGS

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

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

13. BORROWINGS (Continued)

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

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

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

15. CONTINGENT LIABILITIES

The Directors were not aware of any significant contingent liabilities of the Group as at 30 September 2019 (31 March 2019: Nil).

16. APPROVAL OF THE INTERIM FINANCIAL STATEMENTS

These Interim Financial Statements were approved and authorised for issue by the Board of Directors on 30 November 2019.