



鲜驰达

FRESH EXPRESS DELIVERY
HOLDINGS GROUP CO., LTD.

2020 Annual Report

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)

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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Pan Junfeng (*Chairman*)
Mr. Tang Dacong
Mr. Zhou Aijie (appointed on 27 September 2019)
Mr. Tan Rucheng (appointed on 27 September 2019)

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

Bank of Communication
Unit B, B/F & G/F,
Unit C G/F.
Wheelock House,
20 Pedder Street,
Central,
Hong Kong

WEBSITE

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Chairman's Statement

In 2019–2020, the Group has made pioneering progress in the field of online bulk food distribution. The total annual sales have increased from RMB100 million last year to nearly RMB2 billion. The Company has received good feedback on market expansion and is determined the Company continues to develop online business. The increase in employee and market expenses and the impairment of fixed assets have caused the company to continue to record losses. The company was hit by the new coronavirus epidemic in February and March 2020, which hindered its development momentum and put tremendous pressure on its cash flow. The Company adjusted its business development strategy during the epidemic and sought more sustainable business development space. Under the influence of the epidemic, the company is still optimistic about the prospects of developing online food trading business in mainland China and maintains its established development strategy unchanged. However, we will adjust regional strategies according to the degree of impact of the epidemic, focusing on the development of business in key regions such as Shanghai, Jiangsu and Zhejiang, so as to realize the Company's sustainable operation and seek breakthroughs. In the next three years, the Company will continue to implement deeply within the existing online food wholesale business, keep its original aspiration, and continue to expand its market share, expand service categories, and increase the market influence by providing high-quality and safe food and fast delivery services as its mission and becoming a well-known leading service provider in the market.

Mr. Pan Junfeng

Chairman

18 November 2020

Management Discussion and Analysis

BUSINESS REVIEW

The Group focuses on the online sales and logistics of food and food ingredients for small and medium-sized commercial customers and achieved significant sales growth during the financial year. The annual sales were close to RMB2 billion. The Group has achieved business development in newly developed sales areas such as Shandong, Chengdu, and Zhengzhou and has obtained stable downstream customers. Since the end of January 2020, the Group has been seriously affected by the new coronary pneumonia, which led to the suspension of business from February to March.

During the epidemic period, the Group appropriately reduced staff and increased efficiency, improved operating efficiency and internal management, and re-arranged business planning. It is planned to gradually focus on the improvement of logistics distribution efficiency in the new financial year and focus on the deep cultivation of existing sales areas. Gradually focusing on improving the efficiency of logistics and distribution, focusing on the deep cultivation of existing sales areas, adhering to the Group's purpose of providing high-quality, safe and fresh ingredients to the public, expanding sales categories and increasing market share.

RESULTS AND APPROPRIATIONS

Revenue

The revenue of the Group was approximately RMB1,776.0 million (2019: approximately RMB185.2 million), representing a significant increase of approximately 859.0% from the last financial year. The Group's revenue increased over the current year due to the fast expansion of the target markets and the establishment of the brand. In this 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%, also 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 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, before the outbreak of COVID-19 coronavirus, the business in the eight major sales regions of the Group grew rapidly and the sales network was enhanced, thus increasing its market share. After the outbreak of COVID-19 in early 2020, the sales declined substantially from January to March 2020 in a market environment defined by temporary suspension of operations and travel restrictions in several cities of the country.

Gross Profit

Gross profit of the Group increased from approximately RMB3.1 million to approximately RMB36.9 million in 2020. The gross profit margin for the current period increased from 1.7% to 2.1% due to the Group sales volume increased for the year.

Management Discussion and Analysis

Staff costs

Staff costs of the Group were approximately RMB17.6 million (2019: approximately RMB10.6 million), representing an increase of approximately 66.0% from the last financial year due to an increase of sales volume and demanding more staff to handle the sales order, resulting in an increase of overall staff costs.

Depreciation

Depreciation expense increased from approximately RMB27.9 million during the year ended 31 March 2019 to approximately RMB32.1 million during the year ended 31 March 2020, indicating an increase of approximately 15.1% due to the depreciation of the right-of-use asset.

Loss on impairment of property, plant and equipment

Management performed an impairment assessment on property, plant and equipment as at 31 March 2020. The Group has engaged an independent external valuer to assess the recoverable amount of property, plant and equipment. Accordingly, the Group has recognised an impairment loss on property, plant and equipment of approximately RMB36.5 million during the year.

Loss for the year attributable to owners of the Company

The loss for the year attributable to owners of the Company amounted to approximately RMB94.1 million for the year ended 31 March 2020 (2019: approximately RMB99.3 million). Loss per share was approximately RMB5.7 cents as compared with approximately RMB6.0 cents for the preceding year. The decrease of the loss for the period attributable to owners of the Company was mainly due to the growth in its sale and the loss on disposal of subsidiaries for the last year.

LIQUIDITY, FINANCIAL RESOURCES AND FUNDING

Bank and cash balances as at 31 March 2020 was approximately RMB0.4 million (2019: approximately RMB2.1 million). The Group's debt-to-equity ratio measured on the basis of the Group's total liabilities of approximately RMB142.1 million (2019: approximately RMB99.2 million) to the total equity of approximately RMB602.6 million (2019: approximately RMB698.7 million) is 0.24 (2019: 0.14).

MATERIAL ACQUISITION AND DISPOSAL

The Group had no material acquisition or disposal of subsidiaries, associated companies and joint ventures for the year ended 31 March 2020.

SIGNIFICANT INVESTMENTS HELD AND FUTURE PLAN FOR MATERIAL INVESTMENT

As at 31 March 2020, 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 18 to the consolidated financial statements. Details please refer to the Company's announcement dated 7 December 2018.

Management Discussion and Analysis

EMPLOYMENT

As at 31 March 2020, the Group had 104 (2019: 59) 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 RMB17.6 million (2019: RMB10.6 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 2020, 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 2020 (2019: Nil).

CONTINGENT LIABILITIES

The Group had no any contingent liabilities as at 31 March 2020 (2019: 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 2020, 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 2020.

BOARD OF DIRECTORS

As at the date of this report, the Board is made up of eight Directors, including four 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 30 to 32.

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 2020 and as at the date up to this report were:

Executive Directors

Mr. Pan Junfeng (*Chairman*)
Mr. Tang Dacong
Mr. Zhou Aijie (appointed on 27 September 2019)
Mr. Tan Rucheng (appointed on 27 September 2019)

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 2020 is set out as below:

Name of Directors	Number of attendance/Number of Meetings
Executive Directors	
Mr. Pan Junfeng (<i>Chairman</i>)	5/5
Mr. Tang Dacong	4/4
Mr. Zhou Aijie (appointed on 27 September 2019)	2/2
Mr. Tan Rucheng (appointed on 27 September 2019)	2/2
Non-executive Director	
Mr. Wen Cyrus Jun-ming	4/4
Independent Non-executive Directors	
Dr. Leung Hoi Ming	5/5
Mr. Mak Ka Wing, Patrick (previous name: Mak Ka Hang, Patrick)	5/5
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

The non-executive Director and all the independent non-executive Directors have entered into appointment contracts for a specific term of one year on 23 October 2020. All are subject to renewal after the expiry of the then current term.

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 2020, 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
Mr. Zhou Aijie (appointed on 27 September 2019)	YES
Mr. Tan Rucheng (appointed on 27 September 2019)	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 2020, 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 2020 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 2020 and the attendance of the members is as follows:

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

During the year ended 31 March 2020, the Audit Committee had reviewed the Company's annual report for the year ended 31 March 2020 and the interim report for the six months ended 30 September 2019. 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 2020 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 33 to 36.

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 2020, fees payable to ZHONGHUI ANDA CPA Limited, the auditor of the Group, are as follows:

Nature of services	Fees payable RMB'000
Audit services	1,203
Non-audit services	
– Result announcement	13
	1,216

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 2020.

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 2020, 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>)	1/1
Mr. Tang Dacong	1/1
Mr. Zhou Aijie (appointed on 27 September 2019)	0/0
Mr. Tan Rucheng (appointed on 27 September 2019)	0/0
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 2020, 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 enquires to the board of the Company, shareholders may send written enquires to the Company by post or delivery to the principal place of business of the Company in Hong Kong at Unit D, 12/F., Seabright Plaza, 9-23 Shell Street, North Point, Hong Kong.

Directors' Report

The directors (the "Directors") of Fresh Express Delivery Holdings Group Co. Limited (the "Company", 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 2020.

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 6 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 6 to the consolidated financial statements on page 57 to 59 of this Annual Report.

Compliance with relevant laws and regulations

During the year ended 31 March 2020, 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 2020 are set out on page 37 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 80 of this annual report.

SHARE CAPITAL

Movement in share capital of the Company is set out in note 29 to the financial statements.

DISTRIBUTABLE RESERVES

There is no reserve available for distribution to shareholders as at 31 March 2020.

MATERIAL RELATED PARTY TRANSACTIONS

Details of the related party transactions are set out in note 35 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

Mr. Zhou Aijie (appointed on 27 September 2019)

Mr. Tan Rucheng (appointed on 27 September 2019)

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 31 March 2020, the directors and chief executive of the Company had the following interests and short positions in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) (a) as recorded in the register required to be kept under Section 352 of the SFO; or (b) as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers).

Directors' Report

Name of Directors	Capacity/Nature of interest	Number of Shares held		Percentage of total holding (Note 2)
		Long position	Short position	
Mr. Wen Cyrus Jun-ming	Interest in controlled corporation (Note 1)	146,390,000	—	8.89

Notes:

1. Mr. Wen Cyrus Jun Ming was deemed interested in, and duplicated, the 146,390,000 Shares which Great Focus International Limited was interested. Great Focus International Limited is wholly owned by Mr. Wen Cyrus Jun Ming.
2. The percentage is calculated based on the number of issued share capital of the Company as at 31 March 2020, which are 1,646,287,188 shares.

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' 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.

Directors' Report

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

As at 31 March 2020, 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 8)
		Long position	Short position	
Marvel Light Holdings Limited (Note 1)	Beneficial owner	340,115,352	—	20.66
Bomao Holdings Limited (柏質控股有限公司)	Interest in controlled corporation (Note 1)	340,115,352	—	20.66
Harvest (Overseas) Investment Limited	Interest in controlled corporation (Note 1)	340,115,352	—	20.66
Anhui Harvest Investment Company Limited* (安徽豐收投資有限公司)	Interest in controlled corporation (Note 1)	340,115,352	—	20.66
Anhui Province Venture Investment Company Ltd.* (安徽省創業投資有限公司)	Interest in controlled corporation (Note 1)	340,115,352	—	20.66
Anhui Province Investment Group Co., Ltd.* (安徽省投資集團控股有限公司)	Interest in controlled corporation (Note 1)	340,115,352	—	20.66
STI LSN 1 Limited	Security interest (Note 4)	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

Directors' Report

Name of shareholders	Capacity/Nature of interest	Number of Shares held		Percentage of total holding (Note 8)
		Long position	Short position	
Ms. Huang Xia* (黃霞)	Family interest (Notes 2 and 3)	298,840,000	—	18.15
GREAT SAIL GLOBAL LIMITED (偉航環球有限公司) ("Great Sail")	Other (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
Great Focus International Limited ("Great Focus")	Beneficial owner (Note 6)	146,390,000	—	8.89
Ms. Ma Grace Kwai Ling (馬柱鈴)	Family interest (Note 7)	146,390,000	—	8.89

Notes:

- Marvel Light Holdings Limited is wholly-owned by Bomao Holdings Limited, which in turn is wholly-owned by Harvest (Overseas) Investment Limited, which in turn is wholly-owned by 安徽豐收投資有限公司 (Anhui Harvest Investment Company Limited*), which in turn is owned as to 40% by 安徽省創業投資有限公司 (Anhui Province Venture Investment Ltd*) and is wholly-owned by 安徽省投資集團控股有限公司 (Anhui Province Investment Group Co., Ltd*). Accordingly, each of the above companies is deemed to be interested, or taken to be, interested in all the shares of the Company (the "Shares") held by Marvel Light Holdings Limited by virtue of the SFO.
- Fortunate Gravity is owned as to 90% by Queen's Central. Queen's Central is wholly-owned by Wuxi Wangxing, which is in turn owned as to 99% by Mr. Zhu Wei and 1% by Ms. Huang Xia (黃霞). Accordingly, each of Queen's Central, Wuxi Wangxing and Mr. Zhu Wei is deemed to be interested, or taken to be, interested in all the Shares held by Fortunate Gravity by virtue of the SFO.
- Ms. Huang Xia (黃霞) is the spouse of Mr. Zhu Wei. Accordingly, Ms. Huang Xia is deemed to be, or taken to be, interested in all the interest in the Company held by Mr. Zhu Wei by virtue of the SFO.
- STI LSN 1 Limited, which is interested in 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.
- Based on the disclosure of interests forms filed, Great Sail, which was interested in 298,840,000 Shares in its capacity as a person having a security interest in the Shares, has taken possession but not beneficial ownership of the Shares as chargee under a Share Charge. Great Sail is wholly owned by Easyknit. Accordingly, Easyknit is deemed interested in, and duplicated, the interests Great Sail is interested in.
- Based on the disclosure of interests forms filed, Great Focus is interested in 146,390,000 Shares as it acquired a security interest in the Shares. Great Focus is wholly owned by Mr. Wen Cyrus Jun Ming.

Directors' Report

- Ms. Ma is the spouse of Mr. Wen Cyrus Jun Ming and is deemed interested in, and duplicated, the interests Mr. Wen is interested in.
- The percentage is calculated based on the number of issued share capital of the Company as at 31 March 2020, which are 1,646,287,188 shares.

** For identification purpose only*

Save as disclosed above, as at 31 March 2020, 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 2020.

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 20% (2019: approximately 11%) of the Group's total revenue for the year. In particular, sales to the largest customer of the group accounted for approximately 6% (2019: approximately 4%) of the Group's total revenue for the year.

Purchases from the five largest suppliers of the Group accounted for approximately 22% (2019: approximately 23%) of the Group's total purchases for the year. In particular, purchases from the Group's largest supplier accounted for approximately 9% (2019: approximately 7%) 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 31 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 2020.

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, 18 November 2020

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTOR

Mr. Pan Junfeng (“**Mr. Pan**”), aged 64, 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 52, 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.

Mr. Zhou Aijie (“**Mr. Zhou**”), aged 48, 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 49, 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.

NON-EXECUTIVE DIRECTOR

Mr. Wen Cyrus Jun-ming (“**Mr. Wen**”), aged 34, is a partner of Cambium Grove Capital (“CGC”) which is an Asia based asset management platform that invests in alternative credit, private equity, venture, and special situation opportunities. Prior to CGC, Mr. Wen worked at various reputable financial institutions including STI Financial Group, VMS Investment Group and Citi. He graduated from Washington University in St. Louis with a double major in Finance and International Business.

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.

* For identification purpose only

Biographical Details of Directors and Senior Management

INDEPENDENT NON-EXECUTIVE DIRECTOR

Dr. Leung Hoi Ming (“**Dr. Leung**”), aged 52, has extensive knowledge and experience in risk management of financial instruments, treasury business and financial derivative products. He has served DBS Bank for eight years and was Senior Vice President in the Treasury and Markets Division upon his departure from the bank on 22 May 2009. Dr. Leung started his career in the finance industry in 1996 with Citibank as quantitative analyst in the Equity Derivatives Asia Department. He had served a few other financial institutes before joining DBS Bank Ltd as a financial product specialist as well and had held various roles in business development, trading and risk management.

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

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

Mr. Mak Ka Wing, Patrick (previous name: **Mak Ka Hang, Patrick**) (“**Mr. Mak**”), aged 56, 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 62, 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 Chartered Governance Institute (formerly known as 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

Ms. Du Wei Wei (“**Ms. Du**”), aged 39, 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 49, 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.

Independent Auditor's Report



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

(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Fresh Express Delivery Holdings Group Co., Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 37 to 79, which comprise the consolidated statement of financial position as at 31 March 2020, 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 2020, 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 ("HSAs") 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.

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to note 2 to the consolidated financial statements which mentions that the Group incurred a loss for the year of approximately RMB94,051,000 for the year ended 31 March 2020 and as at 31 March 2020, the Group had net current liabilities of RMB35,211,000. These conditions indicate a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Independent Auditor's Report

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. In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Property, plant and equipment

Refer to Note 16 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 RMB580,187,000 as at 31 March 2020 and the impairment loss of RMB36,486,000 for the year then ended are material to the consolidated financial statements. In addition, the Group's impairment test involves application of judgement and is based on assumptions and estimates.

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 21 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 RMB76,603,000 as at 31 March 2020 is material to the consolidated financial statements. In addition, the Group's impairment test involves application of judgement and is based on estimates.

Independent Auditor's Report

Our audit procedures included, among others:

- Assessing the Group's procedures on granting credit limits and credit periods to 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.

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.

Our opinion on the consolidated financial statements does not cover the other information and we do 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 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. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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, 18 November 2020

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 March 2020

	<i>Notes</i>	2020 RMB'000	2019 RMB'000
Revenue	7	1,775,985	185,189
Cost of inventories sold		(1,739,094)	(182,073)
Gross profit		36,891	3,116
Other income	8	22	5
Staff costs		(17,631)	(10,624)
Short-term lease expenses/rental expenses		(4,055)	(7,847)
Depreciation		(32,100)	(27,914)
Distribution and selling expenses		(20,552)	(889)
Other operating expenses		(18,212)	(10,287)
Loss on impairment of property, plant and equipment		(36,486)	—
Loss on disposal of subsidiaries		—	(44,653)
Loss from operations		(92,123)	(99,093)
Finance costs	10	(8,424)	(2,910)
Loss before tax		(100,547)	(102,003)
Income tax credit	11	6,496	2,693
Loss for the year attributable to owners of the Company	12	(94,051)	(99,310)
Other comprehensive income			
<i>Items that may be reclassified to profit or loss:</i>			
Exchange differences on translating foreign operations		(2,072)	1,116
Foreign currency translation reserve reclassified to profit or loss upon disposal of subsidiaries		—	44,878
Total comprehensive loss for the year attributable to owners of the Company		(96,123)	(53,316)
Loss per share	15		
Basic (RMB cents per share)		(5.71)	(6.03)
Diluted (RMB cents per share)		(5.71)	(6.03)

Consolidated Statement of Financial Position

At 31 March 2020

	<i>Notes</i>	2020 RMB'000	2019 RMB'000
Non-current assets			
Property, plant and equipment	16	580,187	644,585
Prepaid land lease payments	17	—	22,492
Right-of-use assets	22	27,229	—
Deposits paid for acquisition of equity investment	18	23,000	23,000
Deferred tax assets	28	9,454	2,693
		639,870	692,770
Current assets			
Inventories	19	1,750	3,206
Trade receivables	20	26,041	1,324
Prepaid land lease payments	17	—	676
Prepayments, deposits and other receivables	21	76,603	97,888
Bank and cash balances	23	364	2,078
		104,758	105,172
Current liabilities			
Trade payables	24	16,803	1,704
Accruals and other payables		13,876	5,331
Contract liabilities	25	11,707	5,014
Borrowings	26	94,450	87,200
Lease liabilities	27	2,868	—
Current tax liabilities		265	—
		139,969	99,249
Net current (liabilities)/assets		(35,211)	5,923
Total assets less current liabilities		604,659	698,693
Non-current liabilities			
Lease liabilities	27	2,089	—
NET ASSETS		602,570	698,693
Capital and reserves			
Share capital	29	13,869	13,869
Reserves	30(a)	588,701	684,824
TOTAL EQUITY		602,570	698,693

Approved and authorised for issue by the board of directors on 18 November 2020 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 2020

Attributable to owners of the Company

	Share capital RMB'000	Share premium RMB'000	Foreign currency translation reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 April 2018	13,869	2,256,513	(77,876)	(1,440,497)	752,009
Total comprehensive income/ (loss) for the year	—	—	45,994	(99,310)	(53,316)
At 31 March 2019	13,869	2,256,513	(31,882)	(1,539,807)	698,693
At 1 April 2019	13,869	2,256,513	(31,882)	(1,539,807)	698,693
Total comprehensive loss for the year	—	—	(2,072)	(94,051)	(96,123)
At 31 March 2020	13,869	2,256,513	(33,954)	(1,633,858)	602,570

Consolidated Statement of Cash Flows

For the year ended 31 March 2020

	2020 RMB'000	2019 RMB'000
Cash flows from operating activities		
Loss before tax	(100,547)	(102,003)
Adjustments for:		
Depreciation of property, plant and equipment	27,912	27,914
Amortisation	—	676
Depreciation of right-of-use assets	4,188	—
Finance costs	8,424	2,910
Interest income	(22)	(5)
Loss on impairment of property, plant and equipment	36,486	—
Loss on disposal of subsidiaries	—	44,653
Operating cash flows before working capital changes	(23,559)	(25,855)
Change in inventories	1,456	1,593
Change in trade receivables	(24,717)	27,532
Change in prepayments, deposits and other receivables	19,957	(53,256)
Change in trade payables	15,099	(10,019)
Change in contract liabilities	6,693	5,014
Change in accruals and other payables	6,806	(1,476)
Cash generated from/(used in) operations	1,735	(56,467)
Income tax paid	—	(4,966)
Net cash generated from/(used in) operating activities	1,735	(61,433)
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)
Interest received	22	5
Net cash generated from/(used in) investing activities	22	(52,762)
Cash flows from financing activities		
Borrowings raised	7,764	90,200
Repayment of borrowings	(2,850)	(3,000)
Repayment of lease liabilities	(3,293)	—
Lease interest paid	(465)	—
Interests paid	(4,895)	(2,910)
Net cash (used in)/generated from financing activities	(3,739)	84,290
Net decrease in cash and cash equivalents	(1,982)	(29,905)
Effect of foreign exchange rate changes	268	1,340
Cash and cash equivalents at beginning of year	2,078	30,643
Cash and cash equivalents at end of year	364	2,078
Analysis of cash and cash equivalents		
Bank and cash balances	364	2,078

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

1. GENERAL INFORMATION

Fresh Express Delivery Holdings Group Co., Limited (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 37 to the consolidated financial statements.

2. GOING CONCERN BASIS

The Group incurred a loss for the year of approximately RMB94,051,000 for the year ended 31 March 2020 and as at 31 March 2020, the Group had net current liabilities of RMB35,211,000. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group’s ability to continue as a going concern. Therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

These consolidated financial statements have been prepared on a going concern basis, the validity of which depends upon the financial support of major shareholders, at a level sufficient to finance the working capital requirements of the Group. The major shareholders have agreed to provide adequate funds for the Group to meet its liabilities as they fall due. The directors are therefore of the opinion that it is appropriate to prepare the consolidated financial statements on a going concern basis. Should the Group be unable to continue as a going concern, adjustments would have to be made to the consolidated financial statements to adjust the value of the Group’s assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities, respectively.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

3. ADOPTION 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 2019. 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 consolidated financial statements and amounts reported for the current year and prior years 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 consolidated 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.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

HKFRS 16 “Leases” *(Continued)*

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	29,555
Decrease in prepaid land lease payments	23,167
Increase in lease liabilities	6,388

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	(25)
Discounting	(548)
Lease liabilities as at 1 April 2019	6,388
Analysed as:	
Current	3,043
Non-current	3,345
	6,388

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.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

4. 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 5 to the consolidated financial statements.

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

Consolidation

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

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Consolidation *(Continued)*

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

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

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (i.e. transactions with owners in their capacity as owners). The carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

Foreign currency translation

(a) Functional and presentation currency

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

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currency translation *(Continued)*

(c) Translation on consolidation

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

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

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

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

Property, plant and equipment

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

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

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%

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment *(Continued)*

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.

Lease

The Group as lessee

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.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Recognition and derecognition of financial instruments

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

Financial assets are derecognised when the contractual rights to receive cash flows from the assets expire; the Group transfers substantially all the risks and rewards of ownership of the assets; or the Group neither transfers nor retains substantially all the risks and rewards of ownership of the assets but has not retained control on the assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received 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.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Trade and other payables

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

Equity instruments

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

Revenue 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.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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.

(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 directors, employees and consultants.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Share-based payments *(Continued)*

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.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

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.

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 2020

4. 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 2020

4. 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 deferred tax assets, 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 2020

5. 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 2020

6. 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.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

6. FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit risk (Continued)

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
Performing	Low risk of default and strong capacity to pay	12 month expected losses
Non-performing	Significant increase in credit risk	Lifetime expected losses

The non-trade loan receivables are 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.

(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	
	2020 RMB'000	2019 RMB'000	Total and within 1 year or on demand 2020 RMB'000	Total and within 1 year or on demand 2019 RMB'000
Trade payables	16,803	1,704	16,803	1,704
Accruals and other payables	13,876	5,331	13,876	5,331
Borrowings	94,450	87,200	102,361	95,111
	125,129	94,235	133,040	102,146

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

6. FINANCIAL RISK MANAGEMENT *(Continued)*

(d) Interest rate risk

The Company's exposure to interest-rate risk arises from its bank balance and bank loan. These bank balance and bank loan 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 other borrowings bear interests at fixed interest rates and therefore are subject to fair value interest rate risks.

(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:

	2020 RMB'000	2019 RMB'000
Financial assets		
Financial assets at amortised cost:		
Trade receivables	26,041	1,324
Deposits and other receivables	24,951	45,451
Bank and cash balances	364	2,078
	51,356	48,853
Financial liabilities		
Financial liabilities at amortised cost:		
Trade payables	16,803	1,704
Accruals and other payables	13,876	5,331
Borrowings	94,450	87,200
	125,129	94,235

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

7. REVENUE

The Group's revenue is analysed as follows:

	2020 RMB'000	2019 RMB'000
Revenue from contracts with customers		
— sales of frozen food products	1,775,985	185,189

For the year ended 31 March 2020, 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.

8. OTHER INCOME

	2020 RMB'000	2019 RMB'000
Interest income	22	5

9. SEGMENT INFORMATION

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

No customer contribute more than 10% of the total consolidated revenue of the Group for the years ended 31 March 2020 and 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.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

10. FINANCE COSTS

	2020 RMB'000	2019 RMB'000
Lease interests	465	—
Interest expenses on borrowings	7,959	2,910
	8,424	2,910

11. INCOME TAX CREDIT

	2020 RMB'000	2019 RMB'000
Current tax:		
Provision for the PRC enterprise income tax	265	—
Deferred tax (<i>note 28</i>)	(6,761)	(2,693)
	(6,496)	(2,693)

No provision for Hong Kong Profits Tax has been made for the years ended 31 March 2020 and 31 March 2019 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 2020 and 31 March 2019.

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

	2020 RMB'000	2019 RMB'000
Loss before tax	(100,547)	(102,003)
Notional tax on loss before tax calculated at the PRC statutory rate	(25,137)	(25,501)
Effect of different tax rates in other tax jurisdictions	969	4,017
Tax effect of non-deductible expenses	17,672	18,791
Income tax credit for the year	(6,496)	(2,693)

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

12. LOSS FOR THE YEAR

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

	2020 RMB'000	2019 RMB'000
Auditor's remuneration	1,203	1,284
Cost of inventories sold	1,739,094	182,073
Amortisation of prepaid land lease payments	—	676
Depreciation of property, plant and equipment	27,912	27,914
Depreciation of right-of-use assets	4,188	—
Short-term lease expenses/rental expenses	4,055	7,847
Staff costs (including directors' remuneration — note 13):		
Salaries, bonus and allowances	16,421	9,568
Retirement benefits scheme contributions	1,210	1,056
	17,631	10,624

13. DIRECTORS' AND FIVE HIGHEST PAID INDIVIDUAL EMOLUMENTS

The emoluments of each Director were as follows:

Note	Fee RMB'000	Retirement benefit scheme contributions RMB'000	Total RMB'000
Executive Directors			
Mr. Pan Junfeng	—	—	—
Mr. Tang Dacong	—	—	—
Mr. Tan Rucheng (a)	160	—	160
Mr. Zhou Aijie (a)	160	—	160
Non-executive directors			
Mr. Wen Cyrus Jun-ming	214	—	214
Independent Non-executive Directors			
Mr. Mak Ka Wing, Patrick	139	—	139
Mr. Sung Wing Sum	160	—	160
Mr. Leung Hoi Ming	139	—	139
Total for 2020	972	—	972

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

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

	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	134	—	134
Mr. Sung Wing Sum	154	—	154
Mr. Leung Hoi Ming	134	—	134
Total for 2019	627	—	627

Note:

(a) Appointed on 27 September 2019.

The five highest paid individuals in the Group during the year included nil (2019: nil) director whose emoluments are reflected in the analysis presented above. The emoluments of the remaining five (2019: five) individuals are set out below:

	2020 RMB'000	2019 RMB'000
Basic salaries and allowances	2,605	2,120
Retirement benefit scheme contributions	45	31
	2,650	2,151

The emoluments of five (2019: 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.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

14. DIVIDENDS

The Directors do not recommend the payment of any dividend for each of the years ended 31 March 2020 and 2019.

15. 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 year attributable to owners of the Company of approximately RMB94,051,000 (2019: approximately RMB99,310,000) and the weighted average number of 1,646,287,188 (2019: 1,646,287,188) ordinary shares in issue during the year.

Diluted loss per share

No diluted earnings per share are presented in both years as the Company did not have any dilutive potential ordinary shares.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

16. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Furniture and equipment RMB'000	Total RMB'000
Cost			
At 1 April 2018	653,223	55,402	708,625
Additions	—	798	798
At 31 March 2019 and 1 April 2019	653,223	56,200	709,423
Additions	—	—	—
At 31 March 2020	653,223	56,200	709,423
Accumulated depreciation and impairment			
At 1 April 2018	30,538	6,386	36,924
Charge for the year	17,451	10,463	27,914
At 31 March 2019 and 1 April 2019	47,989	16,849	64,838
Charge for the year	17,451	10,461	27,912
Impairment	36,486	—	36,486
At 31 March 2020	101,926	27,310	129,236
Carrying amounts			
At 31 March 2020	551,297	28,890	580,187
At 31 March 2019	605,234	39,351	644,585

The Group has carried out a review of the recoverable amount of its property, plant and equipment as at 31 March 2020 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. The discount rate used was 19%, an impairment loss of approximately RMB36,486,000 (2019: Nil) was recognised for the year ended 31 March 2020.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

17. PREPAID LAND LEASE PAYMENTS

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

18. 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. The deposits paid by the Group in relation to the acquisition of RMB23,000,000. As at 31 March 2020, the acquisition is still in progress and not yet completed.

19. INVENTORIES

	2020 RMB'000	2019 RMB'000
Finished goods	1,750	3,206

20. 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:

	2020 RMB'000	2019 RMB'000
30 days or less	25,443	1,324
31 to 90 days	598	—
	26,041	1,324

Notes to the Consolidated Financial Statements

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20. TRADE RECEIVABLES (Continued)

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	31 to 90 days	Total
At 31 March 2020			
Weighted average expected loss rate	0%	0%	
Receivable amount (RMB'000)	25,443	598	26,041
Loss allowance (RMB'000)	—	—	—
At 31 March 2019			
Weighted average expected loss rate	0%	0%	
Receivable amount (RMB'000)	1,324	—	1,324
Loss allowance (RMB'000)	—	—	—

21. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2020 RMB'000	2019 RMB'000
Prepayments	51,652	52,437
Deposits	4,318	2,441
Other receivables	20,633	43,010
	76,603	97,888

At as 31 March 2020 and 2019, prepayments was mainly paid to major suppliers for guarantee the purchases of goods.

At as 31 March 2019, included in other receivables is an other loan receivable of RMB22 million which was fully settled during the year.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

22. RIGHT-OF-USE ASSETS

At 31 March:

	2020 RMB'000
Right-of-use assets	
– Land	22,490
– Buildings	4,739
	27,229
The maturity analysis, based on undiscounted cash flows, of the Group's lease liabilities is as follows:	
– Less than 1 year	3,112
– Between 1 and 2 years	2,166
	5,278
Year ended 31 March:	
Depreciation charge of right-of-use assets	
– Land	676
– Buildings	3,512
	4,188
Lease interests	465
Expenses related to short-term leases	4,055
Total cash outflow for leases	3,758
Additions to right-of-use assets	1,862

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

23. 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 RMB329,500 (2019: RMB502,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations.

24. TRADE PAYABLES

	2020 RMB'000	2019 RMB'000
Trade payables	16,803	1,704

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

	2020 RMB'000	2019 RMB'000
30 days or less	16,803	1,704

25. CONTRACT LIABILITIES

Disclosures of revenue-related items

	As at 31 March 2020 RMB'000	As at 31 March 2019 RMB'000	As at 1 April 2018 RMB'000
Total contract liabilities	11,707	5,014	—
Transaction prices allocated to performance obligations unsatisfied at end of year and expected to be recognised as revenue in:			
— 2020	—	16,850	
— 2021	39,105	—	
	39,105	16,850	

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25. CONTRACT LIABILITIES (Continued)

Year ended 31 March

	2020 RMB'000	2019 RMB'000
Revenue recognised in the year that was included in contract liabilities at beginning of year	5,014	—

Significant changes in contract liabilities during the year:

	2020 RMB'000	2019 RMB'000
Increase due to operation in the year	557,692	14,320
Transfer of contract liabilities to revenue	(550,999)	(9,306)

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.

26. BORROWINGS

	2020 RMB'000	2019 RMB'000
Bank loan	50,150	53,000
Other borrowings	44,300	34,200
	94,450	87,200
The borrowings are repayable as follows:		
On demand or within one year	94,450	87,200

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

	2020	2019
Fixed rate	4.06%–12%	6.87%–12%

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

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For the year ended 31 March 2020

27. LEASE LIABILITIES

	Lease payments 2020	Present value of lease payments 2020
	RMB'000	RMB'000
Within one year	3,112	2,868
In the second to fifth years, inclusive	2,166	2,089
	5,278	
Less: Future finance charges	—	
Present value of lease liabilities	5,278	4,957
Less: Amount due for settlement within 12 months (shown under current liabilities)		(2,868)
Amount due for settlement after 12 months		2,089

28. DEFERRED TAX ASSETS

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

	Tax losses
	RMB'000
At 1 April 2018	—
Credit to profit or loss for the year	
— origination of temporary differences	2,693
At 31 March 2019 and 1 April 2019	2,693
Credit to profit or loss for the year (<i>note 11</i>)	
— origination of temporary differences	6,761
At 31 March 2020	9,454

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

29. SHARE CAPITAL

	2020 RMB'000	2019 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

	Number of shares	Nominal value of shares RMB'000
<i>Ordinary shares:</i>		
At 1 April 2018, 31 March 2019, 1 April 2019 and 31 March 2020	1,646,287,188	13,869

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 2020 and 2019.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

30. 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 4 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 4 to the consolidated financial statements.

(b) **Reserves of the Company**

	Share premium RMB'000	Foreign currency translation reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
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
At 1 April 2019	2,256,513	(28,331)	(1,825,186)	402,996
Total comprehensive income/(loss) for the year	—	28,185	(11,396)	16,789
At 31 March 2020	2,256,513	(146)	(1,836,582)	419,785

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

31. 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.

No outstanding share options as at 31 March 2020 and 2019.

Notes to the Consolidated Financial Statements

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32. 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 2020

32. 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	Lease	Total
	RMB'000	borrowings	liabilities	liabilities
	RMB'000	RMB'000	RMB'000	from financing
				activities
				RMB'000
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
At 1 April 2019	53,000	34,200	—	87,200
Changes in cash flows	(2,850)	7,764	(3,758)	1,156
Non-cash changes				
— Initial recognition	—	—	6,388	6,388
— Addition	—	—	1,862	1,862
— Interest expense	—	—	465	465
— Exchange difference	—	2,336	—	2,336
At 31 March 2020	50,150	44,300	4,957	99,407

Notes to the Consolidated Financial Statements

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33. SUMMARISED FINANCIAL POSITION OF THE COMPANY

	2020 RMB'000	2019 RMB'000
Non-current assets		
Investments in subsidiaries	—	—
Current assets		
Due from subsidiaries	487,348	421,658
Prepayments, deposits and other receivables	2,166	31,795
Bank and cash balances	25	1,564
	489,539	455,017
Current liabilities		
Accruals and other payables	11,585	3,952
Borrowings	44,300	34,200
	55,885	38,152
Net current assets	433,654	416,865
NET ASSETS	433,654	416,865
Capital and reserves		
Share capital	13,869	13,869
Reserves	419,785	402,996
TOTAL EQUITY	433,654	416,865

Notes to the Consolidated Financial Statements

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34. 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.

35. RELATED PARTY TRANSACTIONS

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

Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors, the senior management and all of the highest paid employees as disclosed in note 13.

36. 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
Within one year	3,194
In the second to fifth year inclusive	3,767
	6,961

Notes to the Consolidated Financial Statements

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37. 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
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
無錫楓達實業有限公司 [^] 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-domestic-owned enterprises

38. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the Board of Directors on 18 November 2020.

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				2020 RMB'000
	2016 RMB'000	2017 RMB'000	2018 RMB'000	2019 RMB'000	
RESULTS					
Revenue	1,482,665	1,520,846	978,781	185,189	1,775,985
Profit/(loss) before tax	70,245	47,481	13,297	(102,003)	(100,547)
Income tax	(12,701)	(7,238)	(5,304)	2,693	6,496
Profit/(loss) for the year	57,544	40,243	7,993	(99,310)	(94,051)
Attributable to:					
Owners of the Company	57,609	40,279	8,055	(99,310)	(94,051)
Non-controlling interests	(65)	(36)	(62)	—	—
	57,544	40,243	7,993	(99,310)	(94,051)

	As at 31 March				2020 RMB'000
	2016 RMB'000	2017 RMB'000	2018 RMB'000	2019 RMB'000	
ASSETS AND LIABILITIES					
Non-current assets	12,667	695,736	694,869	692,770	639,870
Current assets	516,790	514,178	80,636	105,172	104,758
Current liabilities	(186,128)	(205,566)	(23,496)	(99,249)	(139,969)
Non-current liabilities	—	(333,569)	—	—	(2,089)
Net assets/(liabilities)	343,329	670,779	752,009	698,693	602,570
Equity attributable to:					
Owners of the Company	343,231	670,717	752,009	698,693	602,570
Non-controlling interests	98	62	—	—	—
Total equity	343,329	670,779	752,009	698,693	602,570