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FRESH EXPRESS DELIVERY HOLDINGS GROUP CO., LTD
鮮馳達控股集團有限公司

((Incorporated in the Cayman Islands with limited liability))

(Stock Code : 1175)

INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2020

The board (the “**Board**”) of directors of Fresh Express Delivery Holdings Group Co., Ltd (the “**Company**”) announces the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the six months ended 30 September 2020 together with comparative figures for the previous period:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2020

		Six months ended	
		30 September	
		2020	2019
	<i>Notes</i>	RMB'000	RMB'000
		(Unaudited)	(Unaudited)
Revenue	5	79,835	1,333,161
Cost of inventories sold		(77,841)	(1,321,714)
Gross profit		1,994	11,447
Other income		51	3
Staff costs		(5,191)	(6,024)
Operating lease rentals		(1,703)	(618)
Depreciation		(13,455)	(14,699)

		Six months ended	
		30 September	
		2020	2019
	<i>Notes</i>	RMB'000	<i>RMB'000</i>
		(Unaudited)	(Unaudited)
Other operating expenses		<u>(4,382)</u>	<u>(3,094)</u>
Loss from operations		(22,686)	(12,985)
Finance costs		<u>(4,781)</u>	<u>(4,677)</u>
Loss before tax	6	(27,467)	(17,662)
Income tax expense	7	<u>1,682</u>	<u>611</u>
Loss for the period attributable to owners of the Company		(25,785)	(17,051)
Other comprehensive income ;			
<i>Items that may be reclassified to profit or loss:</i>			
Exchange differences on translating foreign operations		<u>847</u>	<u>(1,217)</u>
Total comprehensive loss for the period attributable to owners of the Company		<u>(24,938)</u>	<u>(18,268)</u>
Loss per share	8		
Basic (RMB cents per share)		<u>(1.57)</u>	<u>(1.04)</u>
Diluted (RMB cents per share)		<u>(1.57)</u>	<u>(1.04)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2020

		At 30 September 2020 <i>RMB'000</i> (Unaudited)	At 31 March 2020 <i>RMB'000</i> (Audited)
Non-current assets			
Property, plant and equipment	10	565,892	580,187
Right-of-use assets		25,308	27,229
Deposits paid for acquisition of equity investment		23,000	23,000
Deferred tax assets		11,136	9,454
		625,336	639,870
Current assets			
Inventories		258	1,750
Trade receivables	11	10,243	26,041
Prepayments, deposits and other receivables	12	56,372	76,603
Bank and cash balances		355	364
		67,228	104,758
Current liabilities			
Trade payables	13	4,803	16,803
Accruals and other payables		12,454	13,876
Contract liabilities		1,384	11,707
Borrowings	14	92,645	94,450
Lease liabilities		2,537	2,868
Current tax liabilities		265	265
		114,088	139,969
Net current liabilities		(46,860)	(35,211)
Total assets less current liabilities		578,476	604,659
Non-current liabilities			
Lease liabilities		844	2,089
NET ASSETS		577,632	602,570
Capital and reserves			
Share capital	15	13,869	13,869
Reserves		563,763	588,701
TOTAL EQUITY		577,632	602,570

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

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

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

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

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

The Interim Financial Statements should be read in conjunction with the 2020 annual financial statements. The accounting policies and methods of computation used in the preparation of the Interim Financial Statements are consistent with those used in the annual financial statements for the year ended 31 March 2020.

3. GOING CONCERN BASIS

The Group incurred a loss for the period of approximately RMB25,785,000 for the period ended 30 September 2020 and as at 30 September 2020, the Group had net current liabilities of RMB46,860,000. 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.

4. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current period, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards (the "HKFRSs") issued by the HKICPA that are relevant to its operations and effective for its accounting period beginning on 1 April 2020. HKFRSs comprise Hong Kong Financial Reporting Standards; Hong Kong Accounting Standards (the "HKAS"); and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's financial statements and amounts reported for the current period and prior periods.

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 those new and revised HKFRSs but is not yet in a position to state whether these new and revised HKFRSs would have a material impact on its results of operations and financial position.

5. REVENUE AND SEGMENT INFORMATION

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

	Frozen food products	
	Six months ended 30 September	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Revenue:		
Revenue from external customers	79,835	1,333,161

Disaggregation of revenue from contracts with customers:

	Frozen food products	
	Six months ended 30 September	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Geographical markets		
PRC	79,835	1,333,161
Major products		
Frozen food products	79,835	1,333,161
Timing of revenue recognition		
At a point in time	79,835	1,333,161

6. LOSS BEFORE TAX

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

	Six months ended 30 September	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Interest income	(1)	(3)
Cost of inventories sold	77,841	1,321,714
Depreciation	13,455	14,699
Minimum lease payments under operating leases in respect of land and buildings	1,703	618
Directors' remuneration	299	299

7. INCOME TAX EXPENSE

	Six months ended 30 September	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Current tax – PRC Enterprise Income Tax		
Provision for the period	—	—
Deferred tax	(1,682)	(611)
	<u>(1,682)</u>	<u>(611)</u>
	<u>(1,682)</u>	<u>(611)</u>

No provision for Hong Kong Profits Tax has been made for the periods ended 30 September 2020 and 30 September 2019 as the Group did not generate any assessable profits arising in Hong Kong during these periods. The Group entities incorporated in the PRC are subject to PRC enterprise income tax that were taxed based on the statutory income tax rate of 25% for the period ended 30 September 2020 and 30 September 2019.

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

8. LOSS PER SHARE

Basic loss per share

The calculation of basic loss per share attributable to owners of the Company is based on the loss for the six months period attributable to owners of the Company of approximately RMB25,785,000 (six months ended 30 September 2019: loss of approximately RMB17,051,000) and the weighted average number of 1,646,287,188 (six months ended 30 September 2019: 1,646,287,188) of ordinary shares in issue during the period.

Diluted loss per share

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

9. INTERIM DIVIDEND

The Directors do not recommend or declare the payment of any interim dividend in respect of the periods ended 30 September 2020 and 2019.

10. PROPERTY, PLANT AND EQUIPMENT

During the period, no property, plant and equipment acquired by the Group (2019: Nil).

11. TRADE RECEIVABLES

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

	At 30 September 2020 <i>RMB'000</i> (Unaudited)	At 31 March 2020 <i>RMB'000</i> (Audited)
30 days or less	10,243	25,443
31 to 90 days	—	598
	<u>10,243</u>	<u>26,041</u>

12. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	At 30 September 2020 <i>RMB'000</i> (Unaudited)	At 31 March 2020 <i>RMB'000</i> (Audited)
Prepayments	36,730	51,652
Deposits	3,877	4,318
Other receivables	15,765	20,633
	<u>56,372</u>	<u>76,603</u>

13. TRADE PAYABLES

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

	At 30 September 2020 <i>RMB'000</i> (Unaudited)	At 31 March 2020 <i>RMB'000</i> (Audited)
30 days or less	<u>4,803</u>	<u>16,803</u>

14. BORROWINGS

	At 30 September 2020 <i>RMB'000</i> (Unaudited)	At 31 March 2020 <i>RMB'000</i> (Audited)
Bank loan	50,150	50,150
Other borrowings	<u>42,495</u>	<u>44,300</u>
	<u>92,645</u>	<u>94,450</u>

The borrowings are repayable as follows:

On demand or within one year	<u>92,645</u>	<u>94,450</u>
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The effective interest rates per annum at the end of the reporting period were as follows:

	At 30 September 2020	At 31 March 2020
Fixed rate	4.06% — 12%	4.06% — 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.

15. SHARE CAPITAL

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

	Number of shares	Amount <i>RMB'000</i>
<i>Authorised:</i>		
Ordinary shares of HK\$0.01 each At 1 April 2019, 31 March 2020, 1 April 2020 and 30 September 2020	<u>19,800,000,000</u>	<u>157,061</u>
Preference shares of HK\$0.01 each At 1 April 2019, 31 March 2020, 1 April 2020 and 30 September 2020	<u>200,000,000</u>	<u>1,586</u>
<i>Issued and fully paid:</i>		
Ordinary shares of HK\$0.01 each At 1 April 2019, 31 March 2020, 1 April 2020 and 30 September 2020	<u>1,646,287,188</u>	<u>13,869</u>

BUSINESS REVIEW

The Novel coronavirus pneumonia epidemic has had an unprecedented impact on the bulk food and ingredients business of the Group. The Group has faced tremendous challenges since February 2020. From February to May when the epidemic was the most serious, some of the subsidiaries of the Group ceased operations, such as subsidiaries in Wuhan, Shenzhen, and Zhengzhou. Businesses in Beijing and Shandong, which have been hit by multiple epidemics, have been greatly affected. The Group is engaged in food sales on the Internet. With this epidemic, more and more companies and individuals are placing orders on the Internet, and at the same time, there are more and more competitors. In addition, due to the impact of the epidemic, the number and sales of some customers who are factories and schools as end users have dropped significantly compared with the same period last year. The spread of multiple epidemics caused by imported cold chain foods has prevented aquatic seafood business from developing.

The Group tried to promote remote office in March, but the effect was not satisfactory. The Group began to streamline staff and cut administrative expenses from February to July, but regional sales personnel are indispensable. In terms of the particularity of the industry, It still needs a certain scale of manpower and irreplaceable offline operations.

The business of the Group began to gradually resume in September. The headquarter in Shanghai was operating normally, and the integration of upstream and downstream supply chains and the expansion of new business areas were affected, and the pressure on cash flow was also huge. With the active response of the management, the Group took this opportunity to sort out and optimize its business and corporate governance, review its strategy, and seek better development.

RESULTS AND APPROPRIATIONS

Revenue

The revenue of the Group was approximately RMB79.8 million (six months ended 30 September 2020: approximately RMB1,333.2 million), representing a significant decrease of approximately 94.0% from the six months ended 30 September 2019. The Group's revenue decreased over the current period due to the impact of the Novel coronavirus pneumonia epidemic. Some of the Group's subsidiaries were closed from February to May when the epidemic was the most severe. For some customers who are factories and schools as end users, the number and sales volume compared with the same period of the previous year, it decreased significantly. The business of the Group began to gradually resume in September.

Gross Profit

Gross profit of the Group decreased from approximately RMB11.4 million for the six months ended 30 September 2019 to approximately RMB2.0 million for the six months ended 30 September 2020. The gross profit margin for the current period increase from 0.9% to 2.6%. It is due to the same period last year, the Group penetrated the market as soon as possible through low gross profit margin in order to increase market share which led to a lower gross profit margin in the same period last year compared with the same period this year.

Staff costs

Staff costs of the Group were approximately RMB5.2 million (six months ended 30 September 2019: approximately RMB6.0 million), representing a slightly decrease of approximately 13.3% from the six months ended 30 September 2019. Due to the impact of the Novel coronavirus pneumonia epidemic.

Depreciation

Depreciation expense decreased from approximately RMB14.7 million during for six months ended 30 September 2019 to approximately RMB13.5 million for the six months ended 30 September 2020, indicating a decrease of approximately 8.2% from the six months ended 30 September 2019 due to the decrease in the depreciation of the right-of-use asset.

Loss for the period attributable to owners of the Company

The loss for the period attributable to owners of the Company amounted to approximately RMB25.8 million for the six months ended 30 September 2020 (six months ended 30 September 2019: loss of approximately RMB17.0 million). Basic loss per share was approximately RMB1.57 cents as compared with basic loss per share of approximately RMB1.04 cents for the preceding period. The increase of the loss for the period attributable to owners of the Company was mainly due to decline in sales income during the period.

LIQUIDITY, FINANCIAL RESOURCES AND FUNDING

Bank and cash balances as at 30 September 2020 was approximately RMB0.4 million (31 March 2020: approximately RMB0.4 million). The Group's debt-to-equity ratio measured on the basis of the Group's total liabilities of approximately RMB114.9 million (31 March 2020: approximately RMB142.1 million) to the total equity of approximately RMB577.6 million (31 March 2020: approximately RMB602.6 million) is 0.20 (31 March 2020: 0.24).

EMPLOYMENT

As at 30 September 2020, the Group had 94 (31 March 2020: 104) full-time employees, most of whom were working in the Company's subsidiaries in the PRC. It is the Group's policy that remuneration of the employees is in line with the market and commensurate with the level of pay for similar responsibilities within the industry. Discretionary year end bonuses are payable to the employees based on individual performance. Other benefits to the employees included medical insurance, retirement schemes, training programs and education subsidies.

CHARGES ON GROUP'S ASSETS

As at 30 September 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 30 September 2020 (31 March 2020: Nil).

CONTINGENT LIABILITIES

The Group had no any contingent liabilities as at 30 September 2020 (31 March 2020: Nil)

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 September 2020.

CORPORATE GOVERNANCE

In the opinion of the Directors, the Company has complied with the code provisions of the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Listing Rules throughout the six months ended 30 September 2020, except for the deviation of A.1.8, A.2.1 and F.1.2 of the Code.

Pursuant to A.1.8 of the Code, appropriate insurance cover in respect of legal action against directors should be arranged. Currently, the Company does not have insurance cover for legal action against its Directors due to more information about the impact of Covid-19 to the Company have been requested by the insurance company and premium is proposed to be increased by the insurance company. The Board is seeking for the proposal of other insurance companies and will arrange the appropriate insurance as soon as possible. The Board believes that this situation will not last long. In addition, every Director is indemnified out of the assets of the Company against all costs, charges, expenses, losses and liabilities he/she may sustain or incur in or about the execution of his/her office or otherwise in relation thereto pursuant to the Articles of Association of the Company.

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

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

REVIEW OF INTERIM RESULTS

The Audit Committee constitutes three independent non-executive Directors. The unaudited results of the Group for the six months ended 30 September 2020 have been reviewed by the Audit Committee.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules. Having made specific enquiry to all Directors, they have confirmed that they complied with the required standards as set out in the Model Code during the six months ended 30 September 2020.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

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

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

Hong Kong, 30 November 2020

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

Please also refer to the published version of this announcement on the Company's website: <http://www.freshexpressdelivery.com>.