



鲜驰达

FRESH EXPRESS DELIVERY
HOLDINGS GROUP CO., LTD.

2020 Interim Report

FRESH EXPRESS DELIVERY
HOLDINGS GROUP CO., LTD.

鲜驰达控股集团有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code : 1175)

CONTENTS

Corporate Information	2
Management Discussion and Analysis	3
Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income	13
Condensed Consolidated Statement of Financial Position	14
Condensed Consolidated Statement of Changes in Equity	15
Condensed Consolidated Statement of Cash Flows	16
Notes to Condensed Consolidated Financial Statements	17

CORPORATE INFORMATION

BOARD OF DIRECTORS

EXECUTIVE DIRECTORS

Mr. Pan Junfeng (*Chairman*)
Mr. Tang Dacong
Mr. Zhou Aijie
Mr. Tan Rucheng

NON-EXECUTIVE DIRECTORS

Mr. Wen Cyrus Jun-ming

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

COMPANY SECRETARY

Mr. Wan Oi Ming Kevin

AUDITOR

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

<http://www.freshexpressdelivery.com>

CONTACT

ir@xianchida.com

MANAGEMENT DISCUSSION AND ANALYSIS

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 headquarters 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 2019: 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

MANAGEMENT DISCUSSION AND ANALYSIS

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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).

CAPITAL STRUCTURE

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

PROSPECTS

The Group is mainly engaged in online sale of provisions and providing warehousing and cold-chain logistics services for suppliers and customers in China and is committed to expanding the group of medium and small sized corporate customers.

The Group has withstood an important test in the Novel coronavirus pneumonia epidemic that swept the world in 2020. The Group has made adjustments in its development strategy and followed the trend to better serve its customers by accumulating history and lessons learned.

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. 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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

As at 30 September 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 of Hong Kong Limited (“Stock Exchange”) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

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 30 September 2020, which are 1,646,287,188 shares.

MANAGEMENT DISCUSSION AND ANALYSIS

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

As at 30 September 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 (柏貿控股有限公司)	Interest in controlled corporation (Note 1)	340,115,352	–	20.66
Harvest (Overseas) Investment Limited	Interest in controlled corporation (Note 1)	340,115,352	–	20.66
Anhui Harvest Investment Company Limited* (安徽豐收投資有限公司)	Interest in controlled corporation (Note 1)	340,115,352	–	20.66
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

MANAGEMENT DISCUSSION AND ANALYSIS

Name of shareholders	Capacity/ Nature of interest	Number of Shares held		Percentage of total holding (Note 8)
		Long position	Short position	
Fortunate Gravity Hongkong Limited (Note 2) (“Fortunate Gravity”)	Beneficial owner	298,840,000	—	18.15
Queen’s Central Hongkong Holdings Limited (“Queen’s Central”)	Interest in controlled corporation (Note 2)	298,840,000	—	18.15
Wuxi Wangxing Wanglu Technology Limited* (無錫網行網路科技有限公司) (“Wuxi Wangxing”)	Interest in controlled corporation (Note 2)	298,840,000	—	18.15
Mr. Zhu Wei (朱偉)	Interest in controlled corporation (Note 2)	298,840,000	—	18.15
Ms. Huang Xia* (黃霞)	Family interest (Notes 2 and 3)	298,840,000	—	18.15
GREAT SAIL GLOBAL LIMITED (偉航環球有限公司) (“Great Sail”)	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 (馬桂鈴)	Family interest (Note 7)	146,390,000	—	8.89

MANAGEMENT DISCUSSION AND ANALYSIS

Notes:

1. Marvel Light Holdings Limited is wholly-owned by Bomao Holdings Limited, which in turn is wholly-owned by Harvest (Overseas) Investment Limited, which in turn is wholly-owned by 安徽豐收投資有限公司 (Anhui Harvest Investment Company Limited*), which in turn is owned as to 40% by 安徽省創業投資有限公司 (Anhui Province Venture Investment Ltd*) and is wholly-owned by 安徽省投資集團控股有限公司 (Anhui Province Investment Group Co., Ltd*). Accordingly, each of the above companies is deemed to be interested, or taken to be, interested in all the shares of the Company (the “Shares”) held by Marvel Light Holdings Limited by virtue of the SFO.
2. Fortunate Gravity is owned as to 90% by Queen’s Central. Queen’s Central is wholly-owned by Wuxi Wangxing, which is in turn owned as to 99% by Mr. Zhu Wei and 1% by Ms. Huang Xia (黃霞). Accordingly, each of Queen’s Central, Wuxi Wangxing and Mr. Zhu Wei is deemed to be interested, or taken to be, interested in all the Shares held by Fortunate Gravity by virtue of the SFO.
3. Ms. Huang Xia (黃霞) is the spouse of Mr. Zhu Wei. Accordingly, Ms. Huang Xia is deemed to be, or taken to be, interested in all the interest in the Company held by Mr. Zhu Wei by virtue of the SFO.
4. STI LSN 1 Limited, which is interested in 340,115,352 Shares in its capacity as a person having a security interest in the Shares, is wholly-owned by Mr. Tung Sun Tat Clement. Accordingly, Mr. Tung Sun Tat Clement is deemed to be interested, or taken to be, interested in all the interest in the Company held by STI LSN 1 Limited by virtue of the SFO.
5. 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.
6. 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.
7. 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.
8. The percentage is calculated based on the number of issued share capital of the Company as at 30 September 2020, which are 1,646,287,188 shares.

* *For identification purpose only*

MANAGEMENT DISCUSSION AND ANALYSIS

Save as disclosed above, as at 30 September 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.

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

MANAGEMENT DISCUSSION AND ANALYSIS

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.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2020

	Notes	Six months ended 30 September	
		2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Revenue	5	79,835	1,333,161
Cost of inventories sold		<u>(77,841)</u>	<u>(1,321,714)</u>
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)
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>	611
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 RMB'000 (Unaudited)	At 31 March 2020 RMB'000 (Audited)
	<i>Notes</i>		
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
		<u>625,336</u>	<u>639,870</u>
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
		<u>67,228</u>	<u>104,758</u>
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
		<u>114,088</u>	<u>139,969</u>
Net current liabilities		<u>(46,860)</u>	<u>(35,211)</u>
Total assets less current liabilities		<u>578,476</u>	<u>604,659</u>
Non-current liabilities			
Lease liabilities		844	2,089
NET ASSETS		<u>577,632</u>	<u>602,570</u>
Capital and reserves			
Share capital	15	13,869	13,869
Reserves		563,763	588,701
TOTAL EQUITY		<u>577,632</u>	<u>602,570</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Company				
	Share capital	Share premium	Foreign currency translation reserve	Accumulated losses	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
At 1 April 2019	13,869	2,256,513	(31,882)	(1,539,807)	698,693
Total comprehensive loss for the period	–	–	(1,217)	(17,051)	(18,268)
At 30 September 2019	<u>13,869</u>	<u>2,256,513</u>	<u>(33,099)</u>	<u>(1,556,858)</u>	<u>680,425</u>
At 1 April 2020	13,869	2,256,513	(33,954)	(1,633,858)	602,570
Total comprehensive income/(loss) for the period	–	–	847	(25,785)	(24,938)
At 30 September 2020	<u>13,869</u>	<u>2,256,513</u>	<u>(33,107)</u>	<u>(1,659,643)</u>	<u>577,632</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended 30 September	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Net cash (used in)/generated from operating activities	<u>(857)</u>	<u>9,583</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	<u>1</u>	<u>3</u>
Net cash generated from investing activities	<u>1</u>	<u>3</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of bank loans	<u>-</u>	<u>(600)</u>
Net cash used in financing activities	<u>-</u>	<u>(600)</u>
Net (decreased)/increase in cash and cash equivalents	(856)	8,986
Effect of foreign exchange rate changes	847	(1,217)
Cash and cash equivalents at beginning of period	<u>364</u>	<u>2,078</u>
Cash and cash equivalents at end of period	<u>355</u>	<u>9,847</u>

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

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

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

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

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

The Interim Financial Statements should be read in conjunction with the 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.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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
	RMB'000	RMB'000
	(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

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

6. LOSS BEFORE TAX

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

	Six months ended 30 September	
	2020	2019
	RMB'000	RMB'000
	(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
	<u> </u>	<u> </u>

7. INCOME TAX EXPENSE

	Six months ended 30 September	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current tax – PRC enterprise income tax		
Provision for the period	–	–
Deferred tax	(1,682)	(611)
	<u> </u>	<u> </u>
	<u> </u>	<u> </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 periods 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.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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).

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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 RMB'000 (Unaudited)	At 31 March 2020 RMB'000 (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 RMB'000 (Unaudited)	At 31 March 2020 RMB'000 (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 RMB'000 (Unaudited)	At 31 March 2020 RMB'000 (Audited)
30 days or less	4,803	16,803

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

14. BORROWINGS

	At 30 September 2020 RMB'000 (Unaudited)	At 31 March 2020 RMB'000 (Audited)
Bank loan	50,150	50,150
Other borrowings	42,495	44,300
	<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>

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	<u>4.06% – 12%</u>	<u>4.06% – 12%</u>

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.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

15. SHARE CAPITAL

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

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

16. CONTINGENT LIABILITIES

The Directors were not aware of any significant contingent liabilities of the Group as at 30 September 2020 (31 March 2020: Nil).

17. APPROVAL OF THE INTERIM FINANCIAL STATEMENTS

These Interim Financial Statements were approved and authorised for issue by the Board of Directors on 30 November 2020.