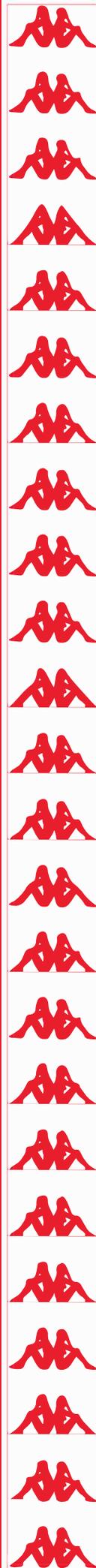




2020/2021

INTERIM

REPORT



DONGXIANG

China Dongxiang (Group) Co., Ltd. 中國動向(集團)有限公司

(Incorporated in the Cayman Islands with limited liability) Stock Code: 3818



Kappa

DDONG GEXIANG

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CORPORATE INFORMATION

Executive Directors

Mr. Chen Yihong (Chairman)
Mr. Zhang Zhiyong (Chief Executive Officer)
Ms. Chen Chen
Mr. Lyu Guanghong (Chief Financial Officer)

Independent Non-Executive Directors

Dr. Chen Guogang
Mr. Gao Yu
Mr. Liu Xiaosong

Auditor

PricewaterhouseCoopers
Registered Public Interest Entity Auditor

Legal Advisers

Norton Rose Fulbright Hong Kong
Conyers Dill & Pearman (Cayman) Limited
East & Concord Partners (Beijing)

Authorised Representatives

Mr. Gao Yu
Ms. Wai Pui Man

Company Secretary

Ms. Wai Pui Man

Principal Share Registrar and Transfer Office

Suntera (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
Shops 1712-1716,
17/F Hopewell Centre,
183 Queen's Road East,
Wanchai,
Hong Kong

Registered Office

Cricket Square, Hutchins Drive,
P.O. Box 2681,
Grand Cayman KY1-1111,
Cayman Islands

Principal Place of Business in Hong Kong

Office Unit 9, 13/F,
Tower Two, Lippo Centre,
No. 89 Queensway,
Hong Kong

Head Office in People's Republic of China

Building 21, No. 2 Jingyuanbei Street,
Beijing Economic-Technological Development Area,
Beijing 100176, People's Republic of China

Principal Bankers

Morgan Stanley Asia International Limited
Industrial and Commercial Bank of China

Website

www.dxsport.com



2020



INFORMATION FOR INVESTORS

OTHER IMPORTANT INFORMATION

1. Share information

Listing: Main Board of the Hong Kong Stock Exchange,
10 October 2007

Stock code: 03818

Number of ordinary shares issued as at
30 September 2020: 5,886,121,025 shares

2. Important dates

Announcement of 2020/2021 interim results:
25 November 2020

Book closure date: 10 December 2020 to 14 December
2020 (both days inclusive)

3. 2020/2021 interim dividend

Interim dividend: RMB5.69 cents per share
Payment date: on or around 21 December 2020

4. Investor Relations Department

Building 21, No. 2 Jingyuanbei Street,
Beijing Economic-Technology Development Area,
Beijing 100176, People's Republic of China
Telephone: (8610) 6783 6585
Facsimile: (8610) 6785 6606
Email: ir@dxsport.com.cn

5. Website

www.dxsport.com

RESULTS HIGHLIGHTS**RESULTS HIGHLIGHTS**

For the six months ended 30 September

	2020 <i>(RMB million)</i>	2019 <i>(RMB million)</i>	Change
Revenue	899	899	—
Gross profit	540	588	-8.2%
Gross profit (before provision for/(reversal) of impairment of inventories)	563	561	0.4%
Gross profit margin	60.1%	65.4%	-5.3% Pts
Gross profit margin (before provision for/(reversal) of impairment of inventories)	62.6%	62.4%	0.2% Pts
Operating profit	1,240	247	402.0%
Operating profit excluding gains of investment segment	5	89	-94.4%
Net profit attributable to owners of the Company	1,116	188	493.6%
	<i>(RMB cents)</i>	<i>(RMB cents)</i>	
Basic/Diluted earnings per share	19.04	3.21	493.1%
Interim dividend per share	5.69	1.61	253.4%

The Board of Directors has proposed to distribute 30% of the net profit attributable to equity holders for the six months ended 30 September 2020 as interim dividend.

CHAIRMAN'S STATEMENT

Dear Shareholders,

I am pleased to present on behalf of the Board our interim results for the six months ended 30 September 2020 (the "Reporting Period").

During the Reporting Period, the global economy remained subject to the severe impact of the COVID-19 pandemic. Amidst acute epidemic conditions in Europe and America, the United States reported rising unemployment, while numerous European nations had to endure repeated spells of state of emergency. In the Asian market, developing economies were facing recession for the first time in 40 years, while the Japanese economy was also dealt a heavy blow. China welcomed gradual economic recovery as the epidemic was coming under control in the country, reporting an accelerated economic growth rate for the third quarter following the announcement of various government policies. In view of uncertainties in the external environment, China was shifting from an investment- and export-driven economic model to one more focused on the expansion of domestic demand, as domestic spending became a crucial driver for economic growth. In the meantime, the readiness of consumers in the post-epidemic era to spend more on aspects such as mental and physical well-being, exercise and fitness coupled with the resumption of numerous sporting tournaments subject to specific anti-epidemic measures have indirectly driven the demand for sportswear.

The Group registered revenue of RMB899 million for the Reporting Period, flat compared to last year, while profit attributable to equity holders increased 493.6% to RMB1,116 million. Basic earnings per share rose by 493.1% to RMB19.04 cents. To reward shareholders for their support, the Board of Directors has proposed to distribute 30% of the net profit attributable to equity holders for the six months ended 30 September 2020 as interim dividend.

NEW INTERIM PROGRESS IN COMPREHENSIVE IN-DEPTH REFORM FOR BUSINESS IN CHINA

Since the introduction of reforms involving the direct-franchise model, the Group has rolled out comprehensive in-depth reform pivoting on channel, product and supply-chain management, underpinned by proactive efforts to advance digitalisation of the omni-channel, and has effectively addressed various risks and challenges in the domestic and international business environments. As a result, new interim progress has been achieved in the Kappa brand business in terms of retail performance, end inventory level and cash flow, and the principal objectives and tasks in reform have been materialised with progress in line with management expectations.

In connection with our "Brand + Product" initiative, we continued to develop co-branding with a number of well-known designers and comic IPs in a vigorous move to expand Kappa's customer base and enhance its exposure and market share in the fashion market. During the Reporting Period, the Kappa brand hosted online music activities to showcase its musical genes, in tandem with the new normal trend of online entertainment and spending. Meanwhile, the infusion of the culture of fashion into entertainment, music and life has been a fine testimony to our brand character of diversity and creativity.

Kappa is committed to connecting with the new generation and speaking out for them. During the period, the brand invited Lexie Liu, a new-generation indie singer-songwriter, to become Kappa's "Women Style Ambassador", a spokesperson for the core Kappa attitude of "never settling for the mediocre" and the outgoing and self-assertive personality of the women. We also invited Justin Huang, a passionate young star, to serve as our brand ambassador for the launch of "#Kappassionate", our brand motif set to become a fashion trendsetter articulating the passion and unique style of the fashion charm of the youngsters. Moreover, Kappa became an industry partner of "Carry You Season 2" in yet another trendsetting move for E-sports. Kappa shoes underwent a more significant transformation, as it enhanced the personalised features and physical comfort of the brand new vulcanised shoes.

In connection with "Brand + Retail", the Group adhere to implement its established strategies by continuing the optimization of offline channel structure, on-going consolidation of localised management of sales teams, facilitation of omni-channel digitalisation, strengthening of professional capabilities of product management teams, to further accelerate the turnover of in omni-channel retailing and reduce inventory level. We also reported higher offline sales driven by stable growth in the performance of outlet stores and shopping malls thanks to ongoing efforts in channel optimisation. As at 30 September 2020, the Group had a total of 1,153 Kappa stores (excluding Kappa Kid's stores and Kappa Japan), representing a net increase of 24 stores as compared to that as at 31 March 2020). The Group will next be looking at the further closure of underperforming stores.

The Group's e-commerce business sustained consistent growth in the first half of the 2020 financial year, as it revamped its online marketing operations to better understand consumers' needs through the collection of online big data and enhance interaction with consumers via its online platform. Furthermore, the brand launched its digitalised omni-channel operating platform in September to allow mutual access between online and offline stores in relation to inventory in stock and purchase orders, making available the inventory lists of offline physical stores to various online platforms to allow purchases made at any time and any place without constraints. The Group's

e-commerce business sustained a general trend of ongoing growth in spite of adverse factors such as intensive competition and the pandemic.

GRADUAL IN-DEPTH ADJUSTMENT FOR BUSINESS IN JAPAN

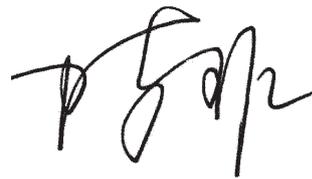
Given the impact of the COVID-19 pandemic and uncertainties in global developments, the Group decided to focus on the development of its key brand in the China market and completed the disposal of the trademark, intellectual properties and miscellaneous assets of Kappa Japan to Basic Trademark S.r.l. con socio unico, a wholly-owned subsidiary of Italian group BasicNet S.p.A. ("BasicNet") for a consideration of USD13 million in July 2020. Subsequently, we have determined to license the "Phenix" brand to franchised operators. These are conducive to the integration of the Group's resources and marketing operations and its bid to become one of the best sportswear companies in China.

STEADY OPERATION OF INVESTMENT BUSINESS UNDERPINNED BY PERSISTENT EFFORT TO OPTIMISE ASSET ALLOCATION

The world economy has been subject to the severe impact of the COVID-19 pandemic since April in the biggest challenge ever seen since the Great Depression. Against this backdrop, the Chinese economy benefited from a range of timely and effective government measures, gradually showing signs of steady recovery as it became the first economy in the world to stabilise and rebound. During the period, the Group continued to control the size and risks of its investment assets in a prudent and pragmatic manner. As at 30 September 2020, the Group reported a net asset value of RMB10 billion for its investment segment. The Group's net investment gains for the Reporting Period amounted to RMB1,261 million. However, we are aware that significant increase in investment gains was mostly due to increase in unrealized gain from rise in valuation of investment products in major markets. The Group's investment department will continue to closely monitor the impacts of fluctuation in major markets on its investment gains. Looking to the future, the Group will continue to enhance close cooperation with high-calibre investment partners in a prudent manner and cash in on investment projects as and when appropriate with due patience and tenacity, so as to generate stable returns for shareholders while assuring the safety and effectiveness of its investments.

Finally, I wish to express sincere gratitude to my fellow Directors and all members of the staff for their hard work and contributions. I must also thank all our partners and shareholders for their trust and longstanding support for

the Group. Looking to the future, we will uphold the traditional spirit of the Kappa brand notwithstanding the uncertainties ahead, capitalising on opportunities in the sporting industry to generate sound and stable return for shareholders on the back of bold and innovative ventures that never settle for the mediocre!



Chen Yihong
Chairman

25 November 2020



MANAGEMENT DISCUSSION AND ANALYSIS



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2.



3.



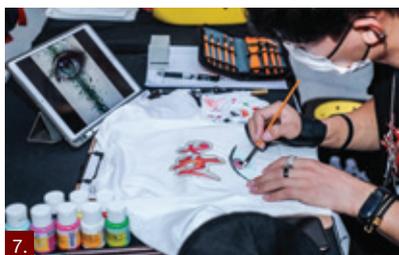
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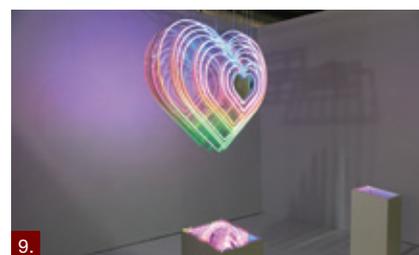
5.



7.



8.



9.

1. Lexie Liu, Kappa Ambassador

2. Fashion shots of 6 key members of the national fencing squad

3. Celebrity Fan Chengcheng showcasing the Kappa x JIEDA co-branded series

4. K-SPIRIT E-sports outfit jointly launched by Tencent E-sports and Kappa for the world E-sports contest

5. First match of "Chinese National Equestrian Team Training Challenge 2020", successfully held with the support of Kappa as the sponsoring partner of the national equestrian team

6. Celebrity Justin Huang appointed Kappa Ambassador

7. Hand-painted customisation service in an offline pop-up event in Dalian

8. Offline pop-up event for One Piece

9. Artwork installation with Chinese Valentine themes jointly created by Kappa and French artist LLND

MACRO-ECONOMIC REVIEW

During the Reporting Period, COVID-19 infections continued to rise across the globe with the arrival of second or even third wave in many countries, striking a heavy blow to the global economy. As stated in the report issued by the Organisation for Economic Co-operation and Development (OECD), global gross domestic product (GDP) is projected to contract by 4.5% in 2020 on year-on-year basis, the OECD describes it as unprecedented in history. As the Europe and the U.S. struggled to stop resurgence of COVID-19, the unemployment rate of the U.S. has been rising. As shown in the latest economic forecast issued by the Congressional Budget Office of the U.S. in July, the U.S. GDP will shrink 5.9% in 2020 on year-on-year basis. In Europe, many European countries declared a new state of emergency due to second wave of COVID-19 infections, the EU economy is forecast to shrink by 8.3% this year on year-on-year basis as said by the European Commission, revealing the severity of COVID-19 impacts on economic activities is higher than expected. COVID-19 impacts on Asia's economy has been relatively limited, but developing Asia's economy is forecast to shrink for the first time since the early 1960s, according to the Asian Development Bank. The Japan's economy may take 3 to 4 years to return to pre-COVID levels.

As China's economy has been well on the way to recover from COVID-19, the economic growth further improved for the third quarter of 2020 from turning a positive growth rate for the second quarter of 2020 with the progressive improvement in supply-demand relationship. According to the figures published by National Bureau of Statistics of China, China's GDP grew by 4.9% year-on-year for the third quarter of 2020 and it grew by 0.7% year-on-year over the first three quarters of 2020, turning positive for the first time in 2020. With declining impacts of COVID-19 on production, business operations and livelihood and the increasing effectiveness of the policies of "Six Stabilities" and "Six Guarantees", endogenous momentum from

economic recovery has significantly enhanced, and consumption has turned the growth in China's GDP from negative to positive by 1.7 percentage points for the third quarter of 2020. As the international environment has been full of uncertainties, China's economy was shifting its focus to boosting domestic demand and cutting its reliance on investment and export, domestic spending became the most prominent source of economic growth. However, in view of perplexing global condition and uncertainty of COVID-19 in the coming cold months, China's overall economy may take a while to fully return to pre-COVID levels.

INDUSTRY REVIEW

With COVID-19 under control, spending willingness of the general public in China has been climbing up. According to the figures published by National Bureau of Statistics of China, total retail sales of social consumer goods in September 2020 increased by 3.3% over the same month last year, and total retail sales of the same for the third quarter of 2020 increased year-on-year by 0.9%, turning positive growth for the first time in 2020. In particular, retail sales of sports and entertainment products in September grew year-on-year by 8.0% and retail sales of the same for the first three quarters of 2020 grew year-on-year by 6.8%, sustaining a growing trend of sports sector on the road of recovery amid challenges.

To contain the spread of COVID-19, measures on human mobility restriction in China implemented since the beginning of 2020 has increased the demand for online shopping, promoting further development of e-commerce. In September 2020, online retail sales of physical goods grew significantly by 11.3% on year-on-year basis, and online penetration rate for the first three quarters of 2020 increased by 4.8 percentage points to 24.3%, showing huge potential in online sales as it will become new mode of spending. The data indicate that the retail's toughest period in China is over. Looking forward, with recovery in spending willingness of the general public, implementation of policies on stimulating consumption and catalyst effect of the coming 11.11 global shopping festival, consumer spending in China is expected to grow further.

MANAGEMENT DISCUSSION AND ANALYSIS

In addition to online shopping, China's consumers, in general, have been more and more familiar with technological capabilities of various industries. Travel restrictions and social distancing measures implemented by the government have provided a concrete foundation for swift application of artificial intelligence, automation and robot technologies. The online shopping boom in the post-COVID-19 era has driven all brands and retailers to readjust their digital marketing strategy in China, creating consumers more comprehensive and complete experience in shopping.

Consumers in the post-COVID-19 era has commenced to pay more attention to mental and physical health, exercise and physical fitness, healthy diet and sustainable living. With rising awareness on sustainable consumption among consumers, all brands have reviewed their brand advocacy by increasing the "greenness" of their products and creating deeper interaction with consumers. Meanwhile, more and more announcements have been made on reopening of sporting events under certain conditions, and some international games, such as UEFA Nations League and the French Open, will be held as scheduled. The games will be held behind closed doors, but such moves offer firm supports to organisers, sponsors and sports marketing agents and boost fitness motivation among the general public, indirectly generating demand for sportswear.

BUSINESS REVIEW

The Kappa brand business achieved new interim progress in line with management expectations during the reporting period, as the Group continued to implement in-depth reform in channels, products and supply-chain management and effectively addressed various risks and challenges in the domestic and international business environments amidst the COVID-19 epidemic which was coming under control in China. In connection with brand promotion, the Group continued to engage in cross-sector cooperation with classic IPs, launching co-branded series at international fashion extravaganzas while actively procuring sponsorships for well-known tournaments and events to further enhance its brand image. Meanwhile, the Group continued to adhere to a prudent investment strategy, enhance operational control and advance the development of new retail outlets, with a view to generating long-term, stable income for shareholders.

Brand-building and Marketing

PRC — Kappa brand

Brand marketing has always been an important priority for Kappa. During the first half of 2020, the brand continued to implement its integrated online and offline marketing strategy, as it sought to expand its customer base through cross-sector cooperation with celebrities and KOLs (key opinion leaders) in entertainment, music and art, among others, aiming to increase its exposure and share in the fashion market.

As the world was surviving the pandemic, online entertainment and spending became a new normal for all. To ride the trend, Kappa also went online in May to present via cloud-based live streaming three episodes of "New Sound from Kappa", a musical extravaganza that featured celebrated young podcasters and rock musicians from the ACGN community, jamming and clashing and breaching every boundary. Music has always been in the genes of Kappa, and the event was a fine representation of this quality combining the brand with musical elements for a feast of sound, fashion and creativity that showcased the brand attitude of diversity and innovation.

In June, the brand officially announced the appointment of Lexie Liu, a new-generation indie singer-songwriter, as Kappa's "Women Style Ambassador" to provide an immaculate representation of the fashionable lady championed by Kappa: passionate, outgoing and full of vigor. With her self-confident and non-conformist style, Lexie is the perfect persona for carrying Kappa's core motif of "never settling for the mediocre": as a matter of fact, "be yourself" is an imperative that captures the very essence of Kappa's idea of a lady with style. During the Period, Lexie launched a theme song for the Kappa brand known as "Kappa Girl" (《佳人》), in which the brand spirit of "saying no to stereotyping", "saying no to mediocrity" and "daring to be me" is conveyed through the chorus "I'm a Kappa girl".

In September, Kappa further appointed Justin Huang, a passionate young star, as its brand ambassador and the face of Kappa's "passion and colour" for the launch of "#Kappassionate", our brand motif which was set to become a fashion trendsetter. Justin is a daring new-generation idol who never fails to enchant and delight at TV shows, and his irresistible charm has much to do with his bold expression of ego, which is perfectly in tune with the Kappa brand character of being true to oneself. Kappa is hopeful that the collaboration would give rise to a powerful voice on behalf of the young generation and showcase the passion, individual style and fashionable charm of youngsters.

As an international sports fashion brand, Kappa enhances its brand and product exposure and positions itself as a trendsetter through ongoing efforts in entertainment marketing and sponsorships for international sporting events. Kappa has been closely following important tournaments and events in China and elsewhere, bearing witness to countless moments of glory on the field, including as a sponsor of the Chinese national fencing team and the Chinese national equestrian team. During the Period, "Chinese National Equestrian Team Training Challenge 2020" was successfully held with the support of our brand. Kappa assisted in the promotion of the equestrian sport with persistent concrete actions, in a bid to advocate a healthy and elegant high-end lifestyle. In addition to the supply of professional training outfit to the national equestrian team, we were also actively assisting in the national equestrian team's preparations for the Tokyo Olympics through in-depth involvement in the tournament, in order to help position China's equestrian sports on the world stage to showcase the charming Chinese quality.

In view of the rapid development of the E-sports sector in recent years, we have also sought exposure in the sector in addition to involvement in traditional sporting events. To support the development of E-sports, we have been acting as the official title sponsor of DOTA 2, a division of the famous Chinese E-sports team RNG officially known as "Kappa. RNG DOTA2", since 2020 and have designed its customised tournament outfit. In a bid to promote E-sports in continuation of its brand mission, Kappa signed up with "Carry You Season 2" in September, becoming an industry partner of the show which was aired on the popular Tencent Video. As an industry partner of the fabulous teen girls, Kappa assisted them in their E-sports combat with its brand effect. Hand in hand with these passionate, outgoing, lively and cool young E-sports girls, Kappa has been shaping an attractive landscape for the E-sports sector.

Product Design and Research and Development

Apparels

During the Reporting Period, Kappa continued to drive product upgrade with strong efforts and actively collaborate with various sectors in line with the brand spirit of "never settling for the mediocre". Meanwhile, the brand sought to explore new horizons in the new era through different means, such as engaging the public by launching a variety of co-branded series, which were followed and sought after by the fashionistas with great enthusiasm.

BANDA Series

BANDA has orchestrated a breakaway from the usual sportswear style inspired by the notion of "Crafting Fashion for YOU". For this season, a brand new Italian style beaming confidence, brightness and personality has been introduced on the back of designs drawing on romantic and lavish Italian elements. The designs feature retro styles catered to metropolitan youth with an acute fashion sense. In terms of detail, the traditional Omni logo tape style is adorned by Italian-styled stripes and sophisticated colours on a variety of young and discerned short-sleeve tees, pants and windbreakers made with weaved fabric showing clear texture, offering a rich sense of classy Italian fashion.

LABS Series

Our brand is committed to providing fashionable casual wear for youngsters extremely sensitive to changing trends, as it combines the styles of smart-looking workers' outfit and sportswear to present designs comprising mainly stylish loose-cutting items at the forefront of the current trend of sportive fashion. As a mid-market young fashion line, LABS has in store an extensive range of streetwear for easy mix and match by the young ones. Inspired by funk parties of the eighties, the seasonal wardrobe pays tribute to retro electronic music of the eighties and nineties by converting the signage of the Kappa FuturFestival in Turin, Italy into plaques featuring in retro wears for an outburst of passion in Kappa style.

MANAGEMENT DISCUSSION AND ANALYSIS

Newtro-Ku Series

Born from the football DNA of Kappa who has a distinguished history of sporting sponsorships, the Newtro-Ku Series inherits the first-rate sporting gene of Kappa in style by offering consumers with fashionable high-quality sportswear. Products in the series are made with premium fabric that provides a comfortable touch and good malleability while keeping a sharp silhouette, making them suitable outfits for different occasions. The season's design has been inspired by skiing, the popular sports activity of the day, as full-print graphics mimicking the alpine texture of Cortina d'Ampezzo in Italy combine with the ski element in premium quality to open up new horizons in the aesthetics of Fall/Winter sports fashion.

Kappa Crayon Shin-chan Co-branded Series

The Kappa X Crayon Shin-chan Co-branded Series provides refreshing visuals by turning the protagonist of the classic manga into a footballer. In terms of craftsmanship, it features the combination of embroidered plaques and glue printing which gives the outfit rich 3D layers. One of the designs comes in the form of a proper football jersey with the name "SHINNOSUKE" printed on the chest and the number "904" (the door number of Shin-chan's home) on the back, paying homage to proper football culture while dynamically embracing the cute Shin-chan in a low-profile and yet funny design evoking fond childhood memories. This co-branded series represents another brilliant Kappa attempt at creative crossover in tandem with the brand's ever-venturous spirit.

Kappa Doraemon Co-branded Series

Kappa pays tribute to Doraemon, the all-time classic anime IP fondly remembered across generations, by creating the Kappa X Doraemon Co-branded Series in a collaborated effort to offer a range of apparels, footwear and accessories that bring together sporting passion and naivety. The combination of the Doraemon image with the Omni logo in itself reflects a mindset so typical of youngsters: daring to be different and doing as one pleases. This warm reminiscence of childhood memories for all represents yet another new landmark in Kappa's creative crossover.

Shoes

Kappa footwear experienced substantial transformation during the Reporting Period, as we sought to drive the sales of Kappa footwear with the development of a variety of footwear combination, in close tandem with prevailing trends taking into account the characteristics of our existing channels and consumer requirements. The footwear segment reported growth in orders and sales for both online and offline channels and more positive buyers' feedback, indicating notable growth compared to the same period of the previous year. The footwear combination was increasingly focused on tailored designs, the experience of comfort and engagement with consumers based primarily on a strategy of differentiation from similar, competing products in the market, with a special emphasis on marketing and cross-sector co-branding. In addition, a number of important co-branded projects were launched during the financial year, including major IP co-branding with Doraemon, Crayon Shin-chan, One Piece with NPC and artist co-branding with "Wu Xing", as we achieved high sold-out ratio, fast sales turnover and strong exposure for the co-branded products while securing a sound promotional effect for the sales of major products. In addition to our existing channels for footwear, we have also developed independent sales channels, including offline channels such as SHOES BAR and XSNEAKER and online channels such as Poison APP, which have not only broadened our brand business considerably, but have also attracted young and fashionable buyers as new customers.

In the future, Kappa will conduct target-specific product design and development with clear reference to target customer groups on the back of ongoing product innovation and R&D. Moreover, Kappa will seek further growth in footwear sales by attracting more consumers to become followers and buyers of Kappa shoes through stronger marketing efforts and continuous launch of cross-sector co-branded products for different market segments, as well as through the development of new product types. Meanwhile, we will carry on with our efforts in new channel development to further expand our sales channels for different types of footwear in China and elsewhere.

Accessories

During the Period, Kappa accessories continued to advance R&D and promotion as well as reforms in its commodity and channel strategy. In connection with products, research on spending scenarios and the physical store channel was established as the guideline for product development and design and the attainment of product differentiation and upgrade of market competitiveness were identified as our key tasks, while the mix and match compatibility of our apparel and footwear accessories was enhanced with consistent efforts to enhance to highlight the quality of Kappa products as fashionable sports outfit. In terms of promotion, we continued to invest in fashion, sports, trend and IP resources, with a special emphasis on nurturing young consumers and consistent efforts to increase the exposure of our accessories products. In terms of commodity and channel, our offline stores were expanded and the display areas for accessories were broadened, while a retail policy was adopted to identify sales issues and demands of end stores. At online stores, products were developed and supplied on a standalone basis depending on the product demands and marketing approaches of the platforms, in a bid to achieve parallel growth for both online and offline stores.

Omni-channel Retail Network

During the Reporting Period, the Group continued to optimise its retail network and enhance store efficiency through the implementation of its brand-oriented business model. As at 30 September 2020, the Group had a total of 1,153 Kappa stores (excluding Kappa Kid's stores and Kappa Japan), representing a net increase of 24 stores as compared to that as at 31 March 2020. The Group will next be looking at the further closure of underperforming stores.

Our e-commerce operations sustained consistent growth during the Reporting Period, as we continued active development of new business platforms to provide a solid foundation for the future development of e-commerce. Furthermore, an optimised channel structure coupled with stable growth in the business performances of outlet stores and shopping malls have provided a significant growth driver for the Group's offline sales. The Company has also made progress in the building of its product management and design teams. Through a range of effective measures, our product variety has been enriched and linked sales of end products have been enhanced.

Business in Japan

Given the impact of the COVID-19 pandemic and uncertainties in global development, the Group decided to focus on the development of its key brands in the China market.

Kappa Japan Trademarks

On 31 July 2020, Phenix Co., Ltd., the Company, Basic Trademark S.r.l. con socio unico and BasicNet S.p.A., entered into a sale agreement in relation to the disposal the Kappa trademarks in Japan.

Pursuant to the sale agreement, Phenix Co., Ltd. agreed to sell to Basic Trademark S.r.l. con socio unico the (i) registered trademarks of "Kappa" and "Robe di Kappa" and intellectual property rights in Japan (the "Japan Business"); and (ii) other intellectual properties owned by Phenix Co., Ltd. and used in the Japan Business, including copyrights on marketing materials, domain names and digital assets, products specifications and design rights on products and goodwill in relation to the Japan Business for a consideration of US\$13 million. For details, please refer to the announcement dated 31 July 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

Business of Phenix

On 7 October 2020, the Company also entered into a distribution and license agreement with Shiffon Co., Ltd. and its actual controller, pursuant to which the Company granted Shiffon Co., Ltd. an exclusive right to utilize certain “Phenix” trademarks in connection with the design, manufacture, sales and marketing of certain products within Japan, Korea (South) and European area (limited to partial European countries and regions where China Dongxiang and its subsidiaries own the trademark of Phenix brand) for a term of three years and three months from 1 January 2021 to 31 March 2024. For details, please refer to the announcement dated 7 October 2020.

Our investment business: a focused and prudent approach for the long term

The world economy has been subject to the severe impact of the COVID-19 pandemic since April in the biggest challenge ever seen since the Great Depression. Against this backdrop, the Chinese economy gradually showed signs of steady recovery with the benefit of a range of timely and effective government measures as it became the first economy in the world to stabilise and rebound. During the Period, the Group continued to control the size and risks of its investment assets in a prudent and pragmatic manner. As at 30 September 2020, the Group reported a net asset value of RMB10 billion for its investment segment. The Group’s net investment gains for the Reporting Period amounted to RMB1,261 million. However, we are aware that significant increase in investment gains was mostly due to increase in unrealized gain from rise in valuation of investment products in major markets. The Group’s investment department will continue to closely monitor the impacts of fluctuation in major markets on its investment gains. Looking to the future, the Group will continue to enhance close cooperation with high-calibre investment partners in a prudent manner and cash in on investment projects as and when appropriate with due patience and tenacity, so as to generate stable returns for shareholders while assuring the safety and effectiveness of its investments.

OUTLOOK

With the epidemic coming under control in China, corporations were resuming operations in a disciplined manner and retail spending was slowly picking up, as the Group reported growth in overall sales for the period under review, while anticipating stable growth in results for the second half of the financial year. The Group is fully confident in the prospect of China’s economy and the sportswear industry. Backed by our staffs and partners who work closely with us as well as our strong financial resources, we believe that any difficulties in the short term will be overcome and our business as a whole will enjoy healthy and stable development.

In the future, China Dongxiang will continue to implement the strategy of localisation for sales teams, expedite the turnover of goods via the omni channel and enhance the expertise of its product teams in ongoing adherence of the traditional spirit of the Kappa brand. The Group will also take advantage of opportunities in the sports industry to explore channels for brand promotion and marketing through reasonable application of our resources. Meanwhile, as a listed company, China Dongxiang will continue to seek more effective integration of capital and sports through prudent global deployment and investment, with a view to generating long-term, stable returns for the Group and its shareholders.

FINANCIAL REVIEW

The sales of the Group for the six months ended 30 September 2020 (the "Reporting Period") amounted to RMB899 million, which was in line with RMB899 million for the six months ended 30 September 2019. Profit attributable to equity holders for the Reporting Period increased significantly to RMB1,116 million (Corresponding Period: RMB188 million).

Sales Analysis

Sales analyzed by geographical segments, business segments and product categories

	For the six months ended 30 September						change
	2020			2019			
	RMB million	% of product/brand mix	% of Group sales	RMB million	% of product/brand mix	% of Group sales	
CHINA SEGMENT							
Kappa Brand							
Apparel	560	74.9%	62.3%	500	75.7%	55.6%	12.0%
Footwear	169	22.6%	18.8%	143	21.6%	15.9%	18.2%
Accessories	19	2.5%	2.1%	18	2.7%	2.0%	5.6%
Kappa Brand total	748	100%	83.2%	661	100.0%	73.5%	13.2%
Kids' apparel business	46		5.2%	52		5.8%	-11.5%
International business and others	21		2.3%	36		4.0%	-41.7%
CHINA SEGMENT TOTAL	815		90.7%	749		83.3%	8.8%
JAPAN SEGMENT							
Phenix Brand	55	65.5%	6.1%	98	65.3%	10.9%	-43.9%
Kappa Brand	29	34.5%	3.2%	52	34.7%	5.8%	-44.2%
JAPAN SEGMENT TOTAL	84	100%	9.3%	150	100.0%	16.7%	-44.0%
THE GROUP TOTAL	899		100.0%	899		100.0%	0.0%

MANAGEMENT DISCUSSION AND ANALYSIS

Total sales of the Kappa brand business, the core business of the Group, for the Reporting Period increased by RMB87 million to RMB748 million as compared to RMB661 million for the Corresponding Period. The sales of kids' apparel business unit for the Reporting Period decreased by RMB6 million as compared to that for the Corresponding Period to RMB46 million.

In the Reporting Period, the Group continued to make dedicated efforts in consolidating the business models of "brand + product" and "brand + directly-operated" in a bid

to, on the one hand, further enhance our brand value and consolidate our brand influence by continuous refining of our products with a brand-oriented principle, and, on the other hand, continue to optimise and improve the new operation model in control and management, optimise direct operation networking, enhance store efficiency and expand the e-commerce operations so that demands from end customers are better accommodated and satisfied. In addition, the Group has continued to conduct adjustments and optimisation of its directly operated stores, resulting in 1,153 Kappa stores in total. Also, there were 209 Kappa Kid's stores in total in the Reporting Period.

Sales of Kappa brand products analyzed by sales channels

	For the six months ended 30 September				
	2020		2019		Change
	Sales RMB million	% of sales of Kappa brand	Sales RMB million	% of sales of Kappa brand	
Non directly-operated	309	41.3%	236	35.7%	30.9%
Directly-operated	439	58.7%	425	64.3%	3.3%
Total of Kappa brand	748	100.0%	661	100.0%	13.2%

Note: Excluding Kappa Kids' apparel business.

Sales of Kappa brand products via non directly-operated channel in China segment increased by RMB73 million to RMB309 million for the Reporting Period from RMB236 million for the Corresponding Period, representing 41.3% of the total sales of Kappa brand in China segment for the Reporting Period as compared to 35.7% for the Corresponding Period.

As at 30 September 2020, the number of directly-operated stores under Kappa brand operated by our subsidiaries in China reached 501. Sales via directly-operated channel increased by RMB14 million to RMB439 million for the Reporting Period from RMB425 million for the Corresponding Period, representing 58.7% of the total sales of Kappa brand in China segment for the Reporting Period (the Corresponding Period: 64.3%).

Cost of Goods Sold and Gross Profit

Cost of goods sold of the Group decreased by RMB2 million to RMB336 million for the Reporting Period (the Corresponding Period: RMB338 million).

For the Reporting Period, our gross profit before provision for impairment of inventories rose by RMB2 million to RMB563 million (the Corresponding Period: RMB561 million). Our overall gross profit margin before provision of impairment of inventories for the Reporting Period increased by 0.2 percentage point to 62.6% from 62.4% for the Corresponding Period.

The gross profit margin analysed by geographical segments, business segments and product categories are detailed as follows:

	For the six months ended		Change
	30 September		
	2020	2019	
	Gross profit margin	Gross profit margin	% pts
CHINA SEGMENT	65.9%	67.2%	-1.3
Kappa Brand:			
Apparel	72.7%	76.0%	-3.3
Footwear	58.2%	61.7%	-3.5
Accessories	79.3%	79.0%	0.3
Kappa Brand overall	69.6%	73.0%	-3.4
Kids' apparel business	49.1%	49.6%	-0.5
JAPAN SEGMENT	31.0%	38.7%	-7.7
GROUP OVERALL	62.6%	62.4%	0.2

* Before reversal of impairment of inventories

Gross profit margin of Kappa Brand business in China for the Reporting Period decreased by 3.4 percentage points to 69.6% from 73.0% for the Corresponding Period, such decrease was principally due to a decrease in discount for sales during the period.

Net gain on financial assets and other investments

Net gain on financial assets and other investments for the Reporting Period was RMB1,355 million (Corresponding Period: RMB224 million), which includes investment income of RMB1,261 million contributed by the investment segment as well as financial subsidies and other gains of RMB94 million.

Investment segment

Gain from investment segment of the Group for the Reporting Period was RMB1,261 million (Corresponding Period: RMB166 million), of which gains from fair value change of financial assets amounting RMB946 million, income from distribution of financial assets of RMB144 million and interest income from external borrowings of RMB31 million.

MANAGEMENT DISCUSSION AND ANALYSIS

As per the Group's investment categories, the realized gains from investment segment are as follows:

Investments	Six months ended 30 September	
	Gains from investment segment RMB million	In which: gains on change in fair value of financial instruments RMB million
Equity	404	256
Private-equity funds	388	341
Equity funds	219	177
Equity Investments	148	140
Debts, bonds, debt funds	95	32
Others	7	-
Total	1,261	946

Distribution Expenses and Administrative Expenses

Distribution expenses and administrative expenses mainly comprised employee salaries and benefit expenses, advertising and selling expenses, logistic fees and design and product development expenses. Total distribution expenses and administrative expenses for the Reporting Period was RMB658 million (Corresponding Period: RMB565 million), constituting 73.2% of the Group's total sales and 10.4 percentage points higher than that for the Corresponding Period. In the Reporting Period, distribution expenses and administrative expenses for the business in China was RMB548 million in total, accounting for 67.2% of total sales in China. In the Reporting Period, distribution expenses and administrative expenses for the business in Japan increased due to business contraction and adjustment, but the increase will be within controllable range in the future. The Group further optimised resources allocation and improved cost structure, in a bid to enhance production efficiency subject to reasonable cost control.

During the Reporting Period, internal organizational structure was optimised and adjusted, efficiency of all staff members was further enhanced. Our overall staff costs decreased by RMB7 million to RMB85 million for the Reporting Period from RMB92 million for the Corresponding Period.

In the Reporting Period, advertising and selling expenses increased by RMB53 million to RMB391 million from RMB338 million in the corresponding period last year, principally due to an increase in sales for the current period.

In the Reporting Period, logistics and transportation fee increased by RMB1 million to RMB28 million (Corresponding Period: RMB27 million), principally due to an increase in sales for the current period.

In the Reporting Period, the Group continued to take a more cautious but effective approach in investment in product development, our design and product development expenses was RMB20 million, which was in line with that for the Corresponding Period.

Operating Profit

In the Reporting Period, operating profit of the Group was RMB1,240 million (Corresponding Period: RMB247 million). The operating profit margin was 137.9% in the Reporting Period (Corresponding Period: 27.5%). Operating profit excluding gains of investment segment was RMB5 million (Corresponding Period: RMB89 million).

Finance Income, Net

In the Reporting Period, net finance cost of the Group amounted to RMB22 million (Corresponding Period: finance income of RMB4 million), which mainly consisted of interest income from bank deposit of RMB3 million (Corresponding Period: RMB5 million), interest expenses for loans of RMB5 million (Corresponding Period: RMB4 million) and net foreign exchange loss of RMB17 million (Corresponding Period: foreign exchange gain of RMB5 million) in the Reporting Period.

Taxation

In the Reporting Period, income tax expense of the Group amounted to RMB91 million (Corresponding Period: RMB67 million). The effective tax rate was 7.6% (Corresponding Period: 26.5%).

Profit Attributable to Equity Holders of the Company and Net Profit Margin

Profit attributable to equity holders of the Company in the Reporting Period was RMB1,116 million (Corresponding Period: RMB188 million), and net profit margin of the Group was 124.1% (Corresponding Period: 20.9%).

Earnings Per Share

The basic and diluted earnings per share were both RMB19.04 cents in the Reporting Period, increased by 493.1% against the basic and diluted earnings per share of RMB3.21 cents in the Corresponding Period.

The basic earnings per share are calculated by dividing the profit for the period attributable to equity holders of the Company by the weighted average number of ordinary shares in issue less shares held for restricted share award scheme during the period. As at 30 September 2020, the total number of shares of the Company were 5,886,121,025 shares.

Interim Dividend

The board of directors of the Company has resolved to declare an interim dividend of RMB5.69 cents (equivalent to HK6.7024 cents) per ordinary share for the six months ended 30 September 2020, amounting to approximately RMB334,920,000.

The interim dividend will be paid in HK Dollars based on the rate of HKD1.00 = RMB0.84895 being the official exchange rate of HK Dollars against Renminbi as quoted by the People's Bank of China at 24 November 2020. The dividends will be paid on or around 21 December 2020 to shareholders whose names appear on the register of members of the Company on 14 December 2020.

Closure of Register of Members for the Entitlement of Interim Dividend

The Register of Members of the Company will be closed from 10 December 2020 to 14 December 2020 (both days inclusive), for the purpose of determining shareholders' entitlements to the 2020/2021 interim dividend. In order to qualify for the 2020/2021 interim dividend, all transfer documents, accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on 9 December 2020.

Issue of New Shares to Management Personnel

To incentivize and ensure the long-term service of management personnel of the Company, the Company (i) entered into subscription agreements with 11 management personnel, namely Mr. Zhang Zhiyong, Ms. Chen Chen, Mr. Ren Yi, Mr. Yang Yang, Mr. Lyu Guanghong, Ms. Tang Lijun, Ms. Sun Wei, Mr. Chen Shaowen, Mr. Song Li, Mr. Nan Peng and Mr. Wang Yalei, on 19 January 2018 (the "January Subscription"); and (ii) entered into subscription agreement with another management personnel, namely Mr. Yang Gang, on 11 April 2018 (the "April Subscription").

MANAGEMENT DISCUSSION AND ANALYSIS

Under the January Subscription, the Company issued 202,310,000 ordinary shares in total to the management personnel on 27 April 2018 under specific mandate at the subscription price of HK\$1.35 per subscription share. The aggregate nominal value of the 202,310,000 ordinary shares issued was HK\$2,023,100, and the net subscription price (after deduction of relevant expenses) was approximately HK\$1.344 per subscription share. The subscription price of HK\$1.35 per subscription share represented a discount of approximately 9.40% to the closing price of HK\$1.49 per share as quoted on the Stock Exchange on the date of the subscription agreements. Apart from Ms. Chen Chen who settled the relevant subscription consideration using her own funds, the remaining 10 management personnel settled the relevant subscription consideration using the proceeds of five-year term loans provided by the Group. The net proceeds from Ms. Chen Chen as (after deducting all related expenses) received by the Company at completion was approximately HK\$48 million, which for the twelve months ended 31 March 2020 had been utilised as general working capital as follows: (i) approximately HK\$12 million interest payments for bank loans; (ii) approximately HK\$11 million for legal consultancy fee; (iii) approximately HK\$2.4 million for Hong Kong office rental expenses; and (iv) approximately HK\$22.6 million for other administrative expenses. The net proceeds has been used out during the financial year ended 31 March 2020.

Under the April Subscription, the Company issued 9,000,000 ordinary shares to Mr. Yang Gang on 27 April 2018 under general mandate at the subscription price of HK\$1.29 per subscription share. The aggregate nominal value of the 9,000,000 ordinary shares issued was HK\$90,000, and the net subscription price (after deduction of relevant expenses) was approximately HK\$1.279 per subscription share. The subscription price of HK\$1.29 per subscription share represented a discount of approximately 9.8% to the closing price of HK\$1.43 per share as quoted on the Stock Exchange on the date of the subscription agreement. Mr. Yang Gang settled the subscription consideration using the proceeds of five-year term loan provided by the Group.

Under the January Subscription and April Subscription, connected subscription loan agreements and management subscription loan agreements have been entered into between Bright Pacific Enterprises Limited a wholly-owned subsidiaries of the Company and each of the subscribers and management. On 29 June 2020, the above loan agreements were assigned to Gaea Sports Limited a wholly-owned subsidiary of the Company.

Share Option Scheme

The Company adopted a share option scheme ("Share Option Scheme") on 8 August 2019 ("Adoption Date") in order to provide an incentive for the qualified participants to work with commitment towards enhancing the value of the Company and its shares for the benefit of its shareholders and to recruit and retain high calibre employees and attract human resources whose contributions are or may be beneficial to the growth and development of the Group.

Unless otherwise terminated or amended, the Share Option Scheme will remain in force for a period of 10 years starting from the Adoption Date.

The maximum number of shares in respect of which options may be granted under the Share Option Scheme and any other option schemes of the Company shall not in aggregate exceed 10% of total number of issued shares as of the Adoption Date which is 588,612,102 shares, representing 10% of the issued share capital of the Company as at the date of this report.

On 16 September 2019, the Company granted an aggregate of 18,300,000 share options to certain management staff and employees of the Company to subscribe for a total of 18,300,000 ordinary shares of HK\$0.01 each in the share capital of the Company.

Each Option shall entitle the holder of such Option to subscribe for one Share upon exercise of such Option at an exercise price of HK\$0.854 per Share.

On 7 January 2020, the Company granted an aggregate of 1,560,000 share options to certain management staff and employees of the Company to subscribe for a total of 1,560,000 ordinary shares of HK\$0.01 each in the share capital of the Company.

Each Option shall entitle the holder of such Option to subscribe for one Share upon exercise of such Option at an exercise price of HK\$0.86 per Share.

On 1 April 2020, the Company granted an aggregate of 2,400,000 share options to certain management staff of the Company to subscribe for a total of 2,400,000 ordinary shares of HK\$0.01 each in the share capital of the Company.

Each Option shall entitle the holder of such Option to subscribe for one Share upon exercise of such Option at an exercise price of HK\$0.67 per Share.

On 1 September 2020, the Company granted an aggregate of 1,200,000 share options to certain management staff of the Company to subscribe for a total of 1,200,000 ordinary shares of HK\$0.01 each in the share capital of the Company.

Each Option shall entitle the holder of such Option to subscribe for one Share upon exercise of such Option at an exercise price of HK\$1.09 per Share.

Details of the Company's Share Option Scheme can be found in the "Other Information — Share Option Scheme" section set out in P. 27 to 28 of the Company's interim report for the six months ended 30 September 2020.

FINANCIAL POSITION

Working capital efficiency ratios

China Segment

Average trade receivable turnover days for the Reporting Period and the Corresponding Period were 30 days and 34 days. Decrease in number of average trade receivable turnover days was mainly due to an increase in revenue in the Reporting Period.

Average trade payable turnover days in the Reporting Period and the Corresponding Period were 109 days and 110 days, respectively.

Average inventory turnover days in the Reporting Period and the Corresponding Period were 262 days and 287 days respectively, the decrease in the average inventory turnover days was mainly due to an increase in operating cost.

Japan Segment

Average trade receivable turnover days and average trade payable turnover days were 62 days and 42 days, respectively in the Reporting Period as compared to 61 days and 58 days, respectively in the Corresponding Period. Average inventory turnover days were 288 days in the Reporting Period as compared to 243 days in the Corresponding Period.

Liquidity and financial resources

As at 30 September 2020, cash and bank balances (including long-term bank deposits) of the Group amounted to RMB2,993 million, an increase of RMB892 million as compared to a balance of RMB2,101 million as at 31 March 2020. This increase was mainly due to:

- 1) Payment of dividend for the Reporting Period for an amount of equivalent to approximately RMB159 million;
- 2) Net cash outflows from operating activities of approximately RMB61 million;
- 3) Cash outflows from repayment of bank borrowings of an amount of RMB319 million and cash inflows from proceeds from bank borrowings secured of RMB264 million;
- 4) Cash outflows from loans to external parties and investment in other financial assets of approximately RMB2,081 million, cash inflow from partial disposal of financial assets of approximately RMB3,085 million and cash inflow from loan interest and interest and income distribution from financial assets acquired of RMB192 million;
- 5) Others of an aggregate outflows amount of RMB29 million.

As at 30 September 2020, net assets attributable to our equity holders was RMB11,371 million (31 March 2020: RMB10,612 million). The Group's current assets exceeded current liabilities by RMB5,963 million (31 March 2020: RMB5,943 million). The Group also had a very strong liquidity position. The current ratio as of 30 September 2020 was 8.3 times (31 March 2020: 8.5 times).

MANAGEMENT DISCUSSION AND ANALYSIS

Investments in financial assets

As at 30 September 2020, the Group's current and non-current financial assets at fair value through profit or loss amounted to RMB7,036 million in aggregate, the details of which are as follows:

Shares of listed companies:

Name	Fair value as at 30 September 2020 RMB million	Fair value as at 31 March 2020 RMB million
Alibaba	568	1,166
Other listed securities	996	1,020
Total	1,564	2,186

Other unlisted investments:

Investment projects	Fair value as at 30 September 2020 RMB million	Fair value as at 31 March 2020 RMB million
Yunfeng Fund USD II	477	424
Jiashi Investment Preferred Cornerstone	353	364
Pingtao (Hong Kong) Limited	309	174
Pan Feng Value Private Equity Investment Fund Phase C	263	344
Yunfeng Fund RMB IV (Yunfeng Qitai)	208	196
Yunfeng Fund RMB II (Yunfeng Xinchuang)	196	196
Golden China Fund	182	132
Jiashi Investment Preferred Fund II.3	174	178
Hangzhou Hanyun Xinling (Ali new retail fund)	163	133
Yunfeng Fund USD III	119	115
Yunfeng Fund RMB III (Yunfeng Xincheng)	118	117
Vision Knight Capital Fund RMB I (Weixin Zhonghua)	111	69
Hongtai Growth Fund (Angel Plus)	108	108
Boyu Fund RMB II (Guokai Boyu)	103	78
Others	2,588	2,132
Total	5,472	4,760

Pledge of assets

As at 30 September 2020, the Group had an equivalent value of approximately RMB130 million of assets held by banks as collateral for bank borrowings (as at 31 March 2020: approximately RMB400 million of assets in banks as collateral for bank borrowings).

Capital commitments and contingencies

In June 2017, the Group entered into a limited partnership agreement with Shanghai Xianghe Yongyuan Equity Investment Fund Partnership (Limited Partnership) (上海祥禾涌原股權投資合夥企業(有限合夥)), with a total capital commitment of RMB20 million. As at 30 September 2020, the Group paid a capital contribution of RMB14 million with remaining balance of RMB6 million as capital commitments.

In August 2017, the Group entered into a limited partnership agreement with Hangzhou Hanyun Xinling Investment LLP. (杭州瀚雲新領股權投資基金合夥企業(有限合夥)), with a total capital commitment of RMB300 million. As at 30 September 2020, the Group paid a capital contribution of RMB171 million with remaining balance of RMB129 million as capital commitments.

In February 2018, the Group entered into a limited partnership agreement with Yunfeng Fund III (雲鋒基金III), with a total capital commitment of US\$20 million. As at 30 September 2020, the Group paid a capital contribution of US\$16 million with remaining balance of US\$4 million (equivalent to approximately RMB30 million) as capital commitments.

In September 2020, the Group entered into a limited partnership agreement with Xiamen Yuanfeng Investment LLP. (廈門源峰股權投資基金合夥企業(有限合夥)), with a total capital commitment of RMB200 million. As at 30 September 2020, the Group paid a capital contribution of RMB60 million with remaining balance of RMB140 million as capital commitments.

In September 2020, the Group entered into a limited partnership agreement with Persistent Edge China Partners, Ltd, with a total capital commitment of US\$20 million. As at 30 September 2020, the capital commitment has not been settled by the Group with remaining balance of US\$20 million (equivalent to approximately RMB136 million) as capital commitments.

In September 2020, the Group entered into a limited partnership agreement with CR Tech Investment Limited, with a total capital commitment of US\$10 million. As at 30 September 2020, the capital commitment has not been settled by the Group with remaining balance of US\$10 million (equivalent to approximately RMB68 million) as capital commitments.

MANAGEMENT DISCUSSION AND ANALYSIS

Foreign Exchange Risk

The functional currency of the Company is US Dollars owing to the fact that its business is transacted in US Dollars. During the Global Offering in October 2007, the Company received its proceeds in HK Dollars. The proceeds were either deposited in bank accounts denominated in HK Dollars or converted into US Dollars and deposited in bank accounts denominated in US Dollars. As a result, the exchange differences arising from appreciation or depreciation of the US Dollars against the Company's HK Dollars bank deposits, were recognised as exchange gains or losses in the Company's income statement. The exchange gains or losses were not significant because HK Dollars are pegged to US Dollars.

The financial statements expressed in US Dollars were translated into Renminbi for the Group's reporting and consolidation purposes. The foreign exchange differences from the translation of financial statements are not recognised in the income statement. Instead, it should be recognised as a separate component of equity of the Group. As the financial statements of the Group's Japan segment are measured in Japanese yen, and a larger proportion of the investment assets are measured in US Dollars or Hong Kong Dollars, fluctuations in the exchange rates of the US Dollar, Hong Kong Dollar and Japanese yen against Renminbi will make an impact to the Group's net assets, income and net profit. etc. The Group will closely monitor the trend of the relevant currency exchange rates and, if necessary, adopt reasonable measures to maintain exchange rate risk at an acceptable level.

Significant Investments and Acquisitions

As at 30 September 2020, the external investments were mainly the financial assets at fair value through profit or loss with a fair value of RMB7,036 million, amongst which the significant investments have been the shares in Alibaba held by the Company, and the details are as follows:

Name of company and stock code	Number of share held	As at 30 September 2020		Fair value RMB million	Percentage of fair value to assets of the Group in total
		Shareholding percentage	Investment cost RMB million		
Alibaba Group Holding Limited (NYSE: BABA)	198,919	0.007%	87	398	3.2%
Alibaba Group Holding Limited — SW(09988.HK)	701,944	0.003%	112	170	1.4%
Total			199	568	4.6%

Alibaba Group Holding Limited is a holding company that provides the technology infrastructure and marketing reach to help merchants, brands and other businesses to leverage the power of new technology to engage with users and customers to operate. The company operates four business segments. The core commerce segment provides China retail, China wholesale, International retail, International wholesale, Cainiao logistics services and local consumer services through Taobao Marketplace and Tmall.

As at 30 September 2020, shares in Alibaba listed in the US with a fair value of RMB398 million and shares in Alibaba listed in Hong Kong with a fair value of RMB170 million, a total fair value of RMB568 million, were held by the Group, accounting for 4.6% of the total assets of the Group. During the current period, an unrealized gain on changes in fair value of shares in Alibaba of RMB198 million was recognised and a net gain on disposal of shares in Alibaba of RMB105 million was recorded by the Company. During the current period, no dividend has been distributed for shares in Alibaba.

As Alibaba continues to expand its businesses from commerce to cloud computing, digital media and entertainment, among other sectors, Alibaba has evolved into a digital economy that is unique, energetic and innovative.

The Group is confident in the outlook of the economic development. The Company will continue to strike a balance between returns and risks in investments with cautious and practical attitude. We are committed to bring our shareholders steady returns without compromising on safety and effectiveness amid uncertainties in financial market.

Save as disclosed above, the Group has made no significant investment or any material acquisition or disposal of subsidiaries for the six months ended 30 September 2020.

OTHER INFORMATION

1 RESTRICTED SHARE AWARD SCHEME

On 10 December 2010 (the "Adoption Date"), the Board adopted the restricted share award scheme (the "Share Award Scheme") as an incentive to retain and encourage the participants for the continual operation and development of the Group.

Pursuant to the Share Award Scheme, up to 30,000,000 existing shares ("Restricted Shares") may be purchased by BOCI-Prudential Trustee Limited ("Trustee") from the market out of cash contributed by the Group and be held in trust for the relevant selected participants until such shares are vested with the relevant selected participants in accordance with the provisions of the Share Award Scheme (the "Scheme Rules").

An administration committee (comprising the remuneration committee and certain senior management of the Company which shall include the chief executive officer of the Board) (the "Administration Committee") may, subject always to the Scheme Rules, from time to time, determine the number of Restricted Shares to be granted and at its absolute discretion select any selected participant (excluding any excluded employee of the Group as provided under the Scheme Rules) to be a selected participant under the Share Award Scheme.

In addition, the maximum number of Restricted Shares which may be granted to a selected participant at any one time or in aggregate may not exceed 1% of the issued share capital of the Company as at 10 December 2010.

The Share Award Scheme is effective from the Adoption Date (i.e. 10 December 2010) and shall continue in full force and effect for a term of 10 years.

A selected participant will be qualified to receive the Restricted Shares which are referable to him after all the qualifying conditions having been fulfilled in accordance with the vesting schedule pursuant to the Scheme Rules. Pursuant to the Scheme Rules, Restricted Shares held by the Trustee which are referable to a selected participant shall not vest in the selected participant if the employment contract of the selected participant has been terminated by the Company or any of its subsidiary because of, amongst others, (i) dishonesty or serious misconduct; (ii) incompetence or negligence in the performance of his duties; (iii) becoming bankrupt; and (iv) being convicted for any criminal offence involving his integrity or honesty etc.

With a view to allow the Board to have more flexibility in the administration of the scheme, the Share Award Scheme had been amended on 6 July 2012 pursuant to which, the grant share under the Share Award Scheme are subject to the vesting schedule or any other date as determined by the Chairman of the Board and the Chief Executive Officer (or any person designated by them).

For the six months ended 30 September 2020, none of the Restricted Shares were granted to any eligible participant pursuant to the Restricted Share Award Scheme. As at 30 September 2020, the number of Restricted Shares granted under the scheme amounted to 7,081,000 Shares, representing approximately 0.125% of the issued Shares as at the Adoption Date. In 2016, 131,071 granted Restricted Shares was lapsed.

As at 1 April 2020, the number of restricted shares are 23,050,071 shares. As at 30 September 2020, the number of restricted shares are 23,050,071 shares.

At no time during the period was the Company or its subsidiaries a party to any arrangement to enable the Directors or any of their spouses or children under 18 years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

2 SHARE OPTION SCHEME

The Company adopted a share option scheme ("Share Option Scheme") on 8 August 2019 ("Adoption Date") in order to provide an incentive for the qualified participants to work with commitment towards enhancing the value of the Company and its shares for the benefit of its shareholders and to recruit and retain high calibre employees and attract human resources whose contributions are or may be beneficial to the growth and development of the Group.

The Board may from time to time grant options to any individual who is an employee of the Group or any entity in which the Group holds any equity interest and any director of the Group or any entity in which the Group holds any equity who has contributed or will contribute to the Group as approved by the Board from time to time on the basis of their contribution to the development and growth of the Group ("Grantee").

The Share Option Scheme was adopted on 8 August 2019. Unless otherwise terminated or amended, the Share Option Scheme will remain in force for a period of 10 years starting from the Adoption Date.

Participants of the Share Option Scheme are required to pay HKD1.00 for each option granted upon acceptance of the grant. The exercise price of the options is determined by the Board in its sole and absolute discretion and being at least the highest of:

- (i) the closing price of the shares as stated in the Stock Exchange's daily quotation sheets on the offer date;
- (ii) the average of the closing prices of the shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the offer date; and
- (iii) the nominal value of the shares.

Unless approved by the shareholders in general meeting in the manner prescribed in the Listing Rules, the Board shall not grant options to any Grantee if the acceptance of those options would result in the total number of shares issued and to be issued to that Grantee on exercise of his options during any 12 month period exceeding 1% of the total shares then in issue.

The maximum limit on the number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other schemes of the Company must not exceed 30% of the shares in issue from time to time. In addition, the maximum number of shares in respect of which options may be granted under the Share Option Scheme and any other option schemes of the Company shall not in aggregate exceed 10% of total number of issued shares as of the Adoption Date ("Scheme Mandate") which is 588,612,102 shares, representing 10% of the issued share capital of the Company as at the date of this report.

The Company may renew this limit at any time, subject to Shareholders' approval provided that the total number of Shares in respect of which may be granted under the Share Option Scheme and any other schemes of the Company under the Scheme Mandate as renewed must not exceed 10% of the total number of Shares in issue as of the date of such Shareholders' approval.

OTHER INFORMATION

The table below sets out the details of the movements in the share options granted to the Grantees under the Share Option Scheme during the six months ended 30 September 2020:

Date of grant	Number of share options								
	Outstanding as at	Grant during the six months ended	Outstanding as at	Exercised during the	Lapsed during the	Outstanding as at the date	Exercise period	Exercise price per share (HK\$)	Vesting period
	1 April 2020	30 September 2020	30 September 2020	period	period	of this interim report			
16/09/2019 ⁽¹⁾	18,300,000	—	18,300,000	—	480,000	17,820,000	16/09/2019–15/09/2029	0.854	16/09/2019–15/09/2022
07/01/2020 ⁽²⁾	1,560,000	—	1,560,000	—	480,000	1,080,000	07/01/2020–06/01/2030	0.86	07/01/2020–06/01/2023
01/04/2020 ⁽³⁾	2,400,000	—	2,400,000	—	—	2,400,000	01/04/2020–31/03/2030	0.67	01/04/2020–31/03/2023
01/09/2020 ⁽⁴⁾	—	1,200,000	1,200,000	—	—	1,200,000	01/09/2020–31/08/2030	1.09	01/09/2020–31/08/2023
	22,260,000	1,200,000	23,460,000	—	960,000	22,500,000			

* Further details of the share options are set out in note 23(b) to the condensed consolidated financial information on pages 73 to 75 of this interim report.

Notes:

- On 16 September 2019, the Company granted an aggregate of 18,300,000 options to certain management staff and employees of the Company to subscribe for a total of 18,300,000 ordinary shares of HK\$0.01 each in the share capital of the Company, representing approximately 0.31% of the issued share capital of the Company as at the date of grant, pursuant to the Share Option Scheme. Please refer to the announcement of the Company dated 16 September 2019 for details.
- On 7 January 2020, the Company granted an aggregate of 1,560,000 options to certain management staff and employees of the Company to subscribe for a total of 1,560,000 ordinary shares of HK\$0.01 each in the share capital of the Company, representing approximately 0.03% of the issued share capital of the Company as at the date of grant, pursuant to the Share Option Scheme. Please refer to the announcement of the Company dated 7 January 2020 for details.

- On 1 April 2020, the Company granted an aggregate of 2,400,000 options to certain management staff of the Company to subscribe for a total of 2,400,000 ordinary shares of HK\$0.01 each in the share capital of the Company, representing approximately 0.04% of the issued share capital of the Company as at the date of grant, pursuant to the Share Option Scheme. Please refer to the announcement of the Company dated 1 April 2020 for details.
- On 1 September 2020, the Company granted an aggregate of 1,200,000 options to certain management staff of the Company to subscribe for a total of 1,200,000 ordinary shares of HK\$0.01 each in the share capital of the Company, representing approximately 0.02% of the issued share capital of the Company as at the date of grant, pursuant to the Share Option Scheme. Please refer to the announcement of the Company dated 1 September 2020 for details.
- For the period ended 30 September 2020, no share option was exercised or cancelled, 960,000 share option have lapsed due to resignation.

3 DISCLOSURE OF INTEREST

(a) Directors' Interests in securities

As at 30 September 2020, the interests and short positions of the directors and chief executives of the Company in the shares, underlying shares and debentures of the Company and its associated corporations, within the meaning of Part XV of the Securities and Futures Ordinance ("SFO"), which have been notified to the Company and The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") pursuant to Divisions 7 & 8 Part XV of the SFO, including interests and short positions which the directors and chief executive of the Company are taken and

deemed to have under such provisions of the SFO, or which are required to be and are recorded in the register required to be kept pursuant to section 352 of the SFO or as otherwise required to be notified to the Company and the Hong Kong Stock Exchange pursuant to The Model Code for Securities Transactions by directors of Listed Companies ("Model Code") contained in The Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the "Listing Rules") on the Hong Kong Stock Exchange were as follows:

Interests in shares, underlying shares and debentures of the Company:

Name of Directors	Nature of interest	Number and class of securities		Approximate percentage of total issued Shares
		Long position	Short position	
Mr. Chen Yihong	Interest of a controlled corporation ⁽¹⁾	2,273,024,000 shares	—	38.62%
	Interest of a controlled corporation ⁽³⁾	315,698,025 shares	—	5.36%
Mr. Zhang Zhiyong	Beneficial owner ⁽³⁾	166,120,025 shares	—	2.82%
Ms. Chen Chen	Interest of a controlled corporation ⁽²⁾	176,787,730 shares	—	3.00%
	Beneficial owner	21,500,000 shares	—	0.37%
Lyu Guanghong	Beneficial owner ⁽³⁾	10,000,000 shares	—	0.17%

Notes:

- (1) The entire issued share capital of Poseidon Sports Limited ("Poseidon") is held by Harvest Luck Development Limited ("Harvest Luck"), which is in turn wholly-owned and controlled by Mr. Chen Yihong. Mr. Chen Yihong and Harvest Luck are therefore deemed to be interested in the shares held by Poseidon.
- (2) Bountiful Talent Ltd is wholly-owned and controlled by Ms. Chen Chen and Ms. Chen Chen is therefore deemed to be interested in the shares held by Bountiful Talent Ltd.
- (3) 315,698,025 shares (out of which 166,090,025 shares are held by Mr. Zhang Zhiyong and 10,000,000 shares are held by Mr. Lyu Guanghong) have been charged to Gaea Sports Limited ("GAEA"). Each of Mr. Chen Yihong, Harvest Luck, Poseidon and the Company is deemed to be interested in such shares by virtue of GAEA, being a wholly owned subsidiary of the Company and Poseidon being entitled to exercise or control the exercise of one- third or more of the voting power at general meetings of the Company.

OTHER INFORMATION

Save as disclosed above, as at 30 September 2020, none of the directors and chief executives of the Company had or was deemed to have any interests or short position in the Shares, underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which had been recorded in the register maintained by the Company pursuant to section 352 of the SFO or which had been notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

(b) Interests and short positions of substantial shareholders

As at 30 September 2020, other than the interests and short positions as disclosed above, the following persons have interests or short positions in the shares, underlying shares and debentures of the Company which fall to be disclosed to the Company under Divisions 2 & 3 of Part XV of the SFO as recorded in the register required to be kept by the Company under Part XV (s.336) of the SFO, or otherwise known to the directors:

Name of Shareholders	Nature of interest	Number of Shares		Approximate percentage of shareholding
		Long position	Short position	
Poseidon Sports Limited	Beneficial owner	2,273,024,000	—	38.62%
	Interest of a controlled corporation ⁽²⁾	315,698,025	—	5.36%
Harvest Luck Development Limited	Interest of a controlled corporation ⁽¹⁾	2,273,024,000	—	38.62%
	Interest of a controlled corporation ⁽²⁾	315,698,025	—	5.36%

Notes:

- (1) The entire issued share capital of Poseidon Sports Limited ("Poseidon") is held by Harvest Luck Development Limited ("Harvest Luck"), which is in turn wholly-owned and controlled by Mr. Chen Yihong. Mr. Chen Yihong and Harvest Luck are therefore deemed to be interested in the shares held by Poseidon.
- (2) 315,698,025 shares (out of which 166,090,025 shares are held by Mr. Zhang Zhiyong and 10,000,000 shares are held by Mr. Lyu Guanghong) have been charged to Gaea Sports Limited ("GAEA"). Each of Mr. Chen Yihong, Harvest Luck, Poseidon and the Company is deemed to be interested in such shares by virtue of GAEA being a wholly-owned subsidiary of the Company and Poseidon being entitled to exercise or control the exercise of one-third or more of the voting power at general meetings of the Company.

Save as disclosed above, as at 30 September 2020, the directors are not aware of any other person or corporation having an interest or short position in Shares and underlying Shares of the Company representing 5% or more of the issued share capital of the Company.

4 COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE (THE "CG CODE")

The Company is committed to ensuring high standards of corporate governance in the interests of shareholders and devotes considerable effort to identifying and formalising best practices.

During the period under review, the Company has complied with the code provisions set out in the CG Code as contained in Appendix 14 of The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Listing Rules”), except that:

Provision E.1.2 of the CG Code provides that the chairman of the board should attend the annual general meeting. Provision A.6.7 of the CG Code provides that independent non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. Mr. Chen Yihong (chairman and executive director), Mr. Liu Xiaosong (independent non-executive director) could not attend the annual general meeting (“AGM”) and extraordinary general meetings of the Company (“EGM”) held on 19 August 2020, due to important business appointments. However, the other executive directors and the other independent non-executive directors of the Company had attended the aforesaid AGM and EGM and had effective communication with the shareholders of the Company.

Details of the Company’s corporate governance practices can be found in the Corporate Governance Report set out in the Company’s annual report for the twelve months ended 31 March 2020.

5 COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS (THE “MODEL CODE”)

The Company has adopted the Model Code set out in Appendix 10 of the Listing Rules as the standard for securities transactions by directors. Having made specific enquiry by the Company, all the directors of the Company confirmed that they had complied with the required standard regarding securities transactions by the directors as set out in the Model Code during the period under review.

6 AUDIT COMMITTEE

The Audit Committee of the Company, comprising three independent non-executive directors, has reviewed the interim financial information, financial reporting system and internal control of the Company, including the interim results for the six months ended 30 September 2020.

The unaudited interim condensed consolidated financial information for the six months ended 30 September 2020 of the Group has also been reviewed by PricewaterhouseCoopers, the auditor of the Company, in accordance with International Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”.

7 PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 30 September 2020, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2020

	Note	Unaudited	
		Six months ended 30 September	
		2020	2019
		RMB'000	RMB'000
Revenue	6	898,957	899,318
Cost of sales	8	(335,815)	(337,933)
(Provision for)/reversal of impairment of inventories — net	8	(23,254)	26,468
Gross profit		539,888	587,853
Distribution expenses	8	(560,646)	(485,474)
Administrative expenses	8	(96,956)	(79,094)
Reversal of/(provision for) impairment of financial assets — net		2,822	(161)
Other gains — net	7	1,355,193	223,802
Operating profit		1,240,301	246,926
Finance income	9	2,581	10,219
Finance expenses	9	(24,556)	(6,022)
Finance (expenses)/income — net	9	(21,975)	4,197
Share of post-tax (loss)/profit of joint ventures and associates accounted for using the equity method	16	(13,660)	2,301
Profit before income tax		1,204,666	253,424
Income tax expense	10	(91,073)	(66,990)
Profit for the period		1,113,593	186,434
Profit attributable to:			
— Owners of the Company		1,116,183	188,107
— Non-controlling interests		(2,590)	(1,673)
		1,113,593	186,434

		Unaudited	
		Six months ended 30 September	
		2020	2019
		RMB'000	RMB'000
Note			
Other comprehensive (loss)/income:			
<i>Items that may be reclassified to profit or loss</i>			
	— Currency translation differences on foreign operations	(172,229)	152,213
<i>Items that may not be reclassified to profit or loss</i>			
	— Currency translation differences on foreign operations	(27,644)	54,849
Other comprehensive (loss)/income, net of tax		(199,873)	207,062
Total comprehensive income for the period		913,720	393,496
Total comprehensive income for the period attributable to:			
	— Owners of the Company	916,310	395,169
	— Non-controlling interests	(2,590)	(1,673)
		913,720	393,496
Earnings per share attributable to owners of the Company			
(expressed in RMB cents per share)			
	— Basic	19.04	3.21
	— Diluted	19.04	3.21

The above condensed consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 September 2020

	Note	Unaudited 30 September 2020 RMB'000	Audited 31 March 2020 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	13	80,548	96,984
Right-of-use assets	15	93,331	100,161
Intangible assets	14	187,182	205,580
Investments accounted for using the equity method	16	104,113	117,173
Financial assets at fair value through profit or loss	5	4,576,815	3,688,063
Deferred income tax assets		168,508	188,341
Other financial assets at amortised cost	19	518,263	442,058
Other assets		34,760	116,081
Total non-current assets		5,763,520	4,954,441
Current assets			
Inventories		520,287	457,417
Trade receivables	17	184,980	141,063
Other current assets		82,280	112,976
Financial assets at fair value through profit or loss	5	2,458,955	3,257,913
Other financial assets at amortised cost	19	544,752	664,798
Term deposits with initial terms over three months and within one year		—	37,738
Cash and cash equivalents		2,993,280	2,063,150
Total current assets		6,784,534	6,735,055
Total assets		12,548,054	11,689,496

	Note	Unaudited 30 September 2020 RMB'000	Audited 31 March 2020 RMB'000
EQUITY			
Equity attributable to owners of the Company			
Share capital and share premium	21	1,090,005	1,090,005
Shares held for employee share scheme	22	(196)	(196)
Reserves		10,280,886	9,521,841
Capital and reserves attributable to owners of the Company		11,370,695	10,611,650
Non-controlling interests		(111)	4,204
Total equity		11,370,584	10,615,854
LIABILITIES			
Non-current liabilities			
Accruals and other payables	20	—	1,245
Lease liabilities	15	57,590	48,585
Deferred income tax liabilities		297,460	231,865
Total non-current liabilities		355,050	281,695
Current liabilities			
Derivative	5	91,984	29,616
Contract liabilities		17,180	23,436
Lease liabilities	15	53,131	44,516
Borrowings	24	177,760	246,308
Trade payables	18	209,302	148,474
Accruals and other payables	20	253,818	257,426
Current income tax liabilities		19,245	42,171
Total current liabilities		822,420	791,947
Total liabilities		1,177,470	1,073,642
Total equity and liabilities		12,548,054	11,689,496

The above condensed consolidated balance sheet should be read in conjunction with the accompanying notes.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2020

	Unaudited								
	Attributable to owners of the Company								
	Note	Share	Share premium	Shares held for	Other	Retained	Total	Non-	Total equity
		capital	account	employee	Reserves	earnings		controlling	
	RMB'000	RMB'000	share scheme	RMB'000	RMB'000	RMB'000	interests	RMB'000	
			RMB'000	RMB'000	RMB'000		RMB'000	RMB'000	
Balance at 31 March 2019		56,466	1,033,539	(196)	83,585	9,077,567	10,250,961	10,790	10,261,751
Comprehensive income									
Profit for the period		—	—	—	—	188,107	188,107	(1,673)	186,434
Other comprehensive income		—	—	—	207,062	—	207,062	—	207,062
Total comprehensive income		—	—	—	207,062	188,107	395,169	(1,673)	393,496
Transaction with owners									
Dividends relating to 2018 final	12	—	—	—	—	(144,693)	(144,693)	—	(144,693)
Share option scheme	23(b)	—	—	—	111	—	111	—	111
Total transactions with owners, recognised directly in equity		—	—	—	111	(144,693)	(144,582)	—	(144,582)
Balance at 30 September 2019		56,466	1,033,539	(196)	290,758	9,120,981	10,501,548	9,117	10,510,665

		Unaudited							
		Attributable to owners of the Company							
Note	Share capital	Share premium account	Shares held for employee share scheme	Other Reserves	Retained earnings	Total	Non-controlling interests	Total equity	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
	Balance at 31 March 2020	56,466	1,033,539	(196)	346,455	9,175,386	10,611,650	4,204	10,615,854
	Comprehensive income								
	Profit for the period	—	—	—	—	1,116,183	1,116,183	(2,590)	1,113,593
	Other comprehensive loss	—	—	—	(199,873)	—	(199,873)	—	(199,873)
	Total comprehensive income	—	—	—	(199,873)	1,116,183	916,310	(2,590)	913,720
	Transaction with owners								
	Dividends relating to 2019/20 final	—	—	—	—	(158,702)	(158,702)	—	(158,702)
	Share option scheme	—	—	—	1,437	—	1,437	—	1,437
	Disposal of a non-wholly owned subsidiary	—	—	—	—	—	—	(1,725)	(1,725)
	Total transactions with owners, recognised directly in equity	—	—	—	1,437	(158,702)	(157,265)	(1,725)	(158,990)
	Balance at 30 September 2020	56,466	1,033,539	(196)	148,019	10,132,867	11,370,695	(111)	11,370,584

The above condensed consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2020

	Note	Unaudited	
		Six months ended 30 September	
		2020	2019
		RMB'000	RMB'000
Cash flows from operating activities			
Cash used in operations		(34,999)	(1,262)
Interest received		2,581	4,781
Income tax paid		(28,571)	(106,966)
Net cash used in operating activities		(60,989)	(103,447)
Cash flows from investing activities			
Purchase of property, plant and equipment		(1,375)	(1,836)
Purchase of intangible assets		(224)	(396)
Decrease in term deposits with initial terms over three months		37,738	68,044
Proceeds from disposal of property, plant and equipment and intangible assets		88,970	892
Increase in financial assets at fair value through profit or loss		(1,906,094)	(2,999,569)
Repayment of loan receivables from third parties		115,150	153,343
Proceeds from disposal of financial assets at fair value through profit or loss		2,969,392	2,923,030
Proceeds from disposal of derivatives		—	92
Increase in loans receivables		(175,000)	(93,746)
Interest received from other financial assets at amortised cost		47,687	22,428
Dividend and investment income from financial assets at fair value through profit or loss		143,960	54,186
Proceeds from disposal of joint venture		—	799
Net cash generated from investing activities		1,320,204	127,267
Cash flows from financing activities			
Dividends paid	12	(158,702)	(144,693)
Proceeds from bank borrowings		263,644	211,530
Repayment of bank borrowings		(319,303)	(571,433)
Interest paid		(4,739)	(3,768)
Payment for lease liabilities		(28,737)	(16,424)
Decrease in restricted cash		—	285,581
Net cash used in financing activities		(247,837)	(239,207)
Net increase/(decrease) in cash and cash equivalents			
Cash and cash equivalents at the beginning of the period		2,063,150	766,722
Exchange (loss)/gain on cash and cash equivalents		(81,248)	5,101
Cash and cash equivalents at end of the period		2,993,280	556,436

The above condensed consolidated statement of cash flows should be read in conjunction with the accompanying notes.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 September 2020

1 GENERAL INFORMATION

China Dongxiang (Group) Co., Ltd. (the “Company”) and its subsidiaries (together the “Group”) are principally engaged in brand development, design and sales of sport-related apparel, footwear and accessories and investment activities in Mainland of the People’s Republic of China (the “PRC”), and abroad.

The Company was incorporated in the Cayman Islands on 23 March 2007 as an exempted company with limited liability under the Companies Law of the Cayman Islands. The address of the Company’s registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

The Company’s shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (“Hong Kong Stock Exchange”) since 10 October 2007.

This interim condensed consolidated financial information is presented in Renminbi (“RMB”), unless otherwise stated.

This interim condensed consolidated financial information has not been audited.

2 BASIS OF PREPARATION

This interim condensed consolidated financial information for the six months ended 30 September 2020 has been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting (“IAS 34”).

The outbreak of COVID-19 continues to adversely affect the revenue of Japan-Apparel Segment for the six months ended 30 September 2020. As at 30 September 2020, the Group has considered the latest situation of COVID-19 and its impact on the Group’s business operations in measuring the net realisable value of inventories, the expected credit loss of financial assets that are measured at amortised cost and the fair values of financial assets at fair value through profit or loss.

The interim condensed consolidated financial information does not include all the notes of the type normally included in an annual financial report. Accordingly, this interim condensed consolidated financial information is to be read in conjunction with the Group’s annual financial statements for the year ended 31 March 2020, which have been prepared in accordance with International Financial Reporting Standards (“IFRS”).

The accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 March 2020, as described in the annual financial statements, except for the adoption of new and amended standards as set out below.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 September 2020

3 CHANGES IN ACCOUNTING POLICIES

The accounting policies applied are consistent with those described in the Group's annual consolidated financial statements for the year ended 31 March 2020, as described in those annual consolidated financial statements except for the estimation of income tax (see Note 10) using the tax rate that would be applicable to expected total annual earnings and the adoption of amended standards and revised conceptual framework which become effective for the current reporting period.

(a) New and amended standards adopted by the Group

A number of amended standards and revised conceptual framework became applicable for the current reporting period, as followed:

Amendments to IAS 1 and IAS 8	Definition of Material
Amendments to IFRS 3	Definition of a Business
Amendments to IFRS 7, IFRS 9 and IAS 39	Interest Rate Benchmark Reform and effects on financial reporting — Phase 1

Revised Conceptual Framework for Financial Reporting

The Group also elected to early adopt amendment to IFRS 16 "COVID-19 — Related Rent Concessions" (which is mandatory for reporting period on or after 1 June 2020).

Amendment to IFRS 16 on COVID-19 — Related Rent Concessions provided lessees (but not lessors) with relief in the form of an optional exemption from assessing whether a rent concession related to COVID-19 is a lease modification. Lessees can elect to account for rent concessions in the same way as they would if they were not lease modifications.

The practical expedient only applies to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if all of the following conditions are met:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments affects only payments due on or before 30 June 2021; and
- there is no substantive change to other terms and conditions of the lease.

The Group has applied the practical expedient to all rent concessions that meet the above conditions in respect of lease arrangements for which lease liabilities are recognised. During the six months ended 30 September 2020, an amount of approximately RMB1,918,000 is recognised in profit or loss as negative variable lease payments with a corresponding adjustment to lease liabilities. There is no impact on the opening balance of equity as at 1 April 2020.

Except the impact on the early adoption of amendment to IFRS 16 as mentioned above, the Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting the abovementioned amended standards and revised conceptual framework.

3 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(b) Impact of standards issued but not yet applied by the Group

Certain new and amended standards and annual improvements have been published that are not mandatory for the current reporting period and have not been early adopted by the Group. These new and amended standards and annual improvements are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

4 ESTIMATES

The preparation of the interim condensed consolidated financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing the interim condensed consolidated financial information, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the Group's consolidated financial statements for the year ended 31 March 2020.

5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

5.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk and price risk), credit risk and liquidity risk.

The interim condensed consolidated financial information do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 March 2020.

There have been no changes in the risk management policies since 31 March 2020.

5.2 Credit risk

Credit risk is the risk of suffering financial loss, should any of the Group's customers/clients or counterparties fail to fulfil their contractual obligations to the Group. Credit risk of the Group arises mainly from exposure of loans receivables and trade receivables raised by the subsidiaries engaged in investment and operating activities.

The Group adopts the "expected credit loss" model on its impairment assessment of debt instruments which are measured at amortised cost, in accordance with the provisions of IFRS 9 "Financial Instrument".

5.3 Liquidity risk

Compared to year end, there was no material change in the contractual undiscounted cash out flows for financial liabilities.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 September 2020

5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONTINUED)

5.4 Fair value estimation

This note provides an update on the judgements and estimates made by the Group in determining the fair values of the financial instruments since the last annual financial statements.

(a) Fair value hierarchy

To provide an indication about the reliability of the inputs used in determining fair value, the Group classifies its financial instruments into the three levels prescribed under the accounting standards. An explanation of each level follows underneath the table.

The following table presents the Group's financial assets and financial liabilities measured and recognised at fair value at 30 September 2020 on a recurring basis:

As at 30 September 2020	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial assets				
Financial assets at fair value through profit or loss (FVPL)				
— Private equity fund investments	—	—	4,948,123	4,948,123
— Other unlisted investments	—	42,536	379,947	422,483
— Listed equity securities — stock	1,121,404	—	—	1,121,404
— Listed perpetual bonds	418,890	—	—	418,890
— Listed debt securities	23,253	—	—	23,253
— Unlisted fixed coupon notes	—	—	101,617	101,617
Total financial assets	1,563,547	42,536	5,429,687	7,035,770
Financial liabilities				
Derivatives	—	—	(91,984)	(91,984)

5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONTINUED)

5.4 Fair value estimation (Continued)

(a) Fair value hierarchy (Continued)

The following table presents the Group's financial assets and financial liabilities measured and recognised at fair value at 31 March 2020 on a recurring basis:

As at 31 March 2020	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial assets				
Financial assets at fair value through profit or loss (FVPL)				
— Private equity fund investments	—	—	4,314,726	4,314,726
— Other unlisted investments	—	—	181,912	181,912
— Listed equity securities — stock	1,738,637	—	—	1,738,637
— Listed perpetual bonds	418,669	—	—	418,669
— Listed debt securities	29,113	—	—	29,113
— Wealth management products (“WMPs”)	—	244,919	18,000	262,919
Total financial assets	2,186,419	244,919	4,514,638	6,945,976
Financial liabilities				
Derivatives	—	—	(29,616)	(29,616)

There were no transfers between levels 1 and 2 for recurring fair value measurements during the period. For transfers in and out of level 3 measurements see Note 5.4(b) below.

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 September 2020

5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONTINUED)

5.4 Fair value estimation (Continued)

(a) Fair value hierarchy (Continued)

- Level 1: The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

As at 30 September 2020, the Group's financial assets that are measure at fair value using level 1 inputs mainly include:

- (i) Listed equity securities — stock, representing investments in ordinary shares of a US listed company and certain Hong Kong listed companies, of which the fair values are determined based on the quoted closing stock prices (level 1: quoted price (unadjusted) in active markets) in the respective stock exchanges where such shares are publicly traded, without any deduction for transaction costs; and
- (ii) Listed perpetual bonds and listed debt securities, representing investments in perpetual bonds and senior notes that are listed on the Hong Kong Stock Exchange or the Singapore Exchange Securities Trading Limited, of which the fair values are determined based on the quoted prices in the respective markets that the Group can access at the reporting date.
- Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

As at 30 September 2020, the Group's financial assets that are measured at fair value using level 2 inputs represent investments in unlisted fund established in Luxembourg that are redeemable on demand and with quoted price published by the management company of the fund on a daily basis. Although the quoted price of the fund is considered observable, they are included in level 2 as such unlisted fund is not traded in an active market.

- Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for private equity fund investments, other unlisted investments, fixed coupon notes and other derivative products and certain investments in WMPs.

Further details of the Group's financial assets and financial liabilities that are measure at fair value using level 3 inputs are given in Note 5.4(c) below.

5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONTINUED)

5.4 Fair value estimation (Continued)

(b) Fair value measurements using significant unobservable inputs (level 3)

The following table presents the changes in level 3 instruments for the six months ended 30 September 2020 and 2019.

	Financial assets at fair value through profit or loss RMB'000	Derivatives RMB'000	Total RMB'000
Opening balance at 31 March 2020	4,514,638	(29,616)	4,485,022
Acquisitions	1,266,046	—	1,266,046
Disposals	(936,306)	—	(936,306)
Other gain-net*	648,004	(64,800)	583,204
Currency translation difference	(62,695)	2,432	(60,263)
Closing balance at 30 September 2020	5,429,687	(91,984)	5,337,703
* includes unrealised gains recognised in profit or loss attributable to balances held at the end of the reporting period	648,004	(64,800)	583,204

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 September 2020

5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONTINUED)

5.4 Fair value estimation (Continued)

(b) Fair value measurements using significant unobservable inputs (level 3) (Continued)

	Financial assets at fair value through profit or loss RMB'000	Derivatives RMB'000	Total RMB'000
Opening balance at 31 March 2019	4,810,794	(41,591)	4,769,203
Acquisitions	2,675,195	14,146	2,689,341
Disposals	(2,430,268)	(14,146)	(2,444,414)
Other gain-net*	27,736	17,304	45,040
Currency translation difference	52,492	(1,670)	50,822
Closing balance at 30 September 2019	5,135,949	(25,957)	5,109,992
* includes unrealised gains recognised in profit or loss attributable to balances held at the end of the reporting period	27,736	17,304	45,040

The Group has a team of personnel who performs valuation on these level 3 instruments for financial reporting purposes. The team determines the fair value of these level 3 instruments based on available information obtained from the relevant counter parties (including the general partners of the private equity funds, the management of unlisted investees as well as the banks sponsoring and managing the fixed coupon notes and other derivative products and the WMPs, etc), at least twice every financial year, which coincides with the Group's semi-annually reporting dates.

5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONTINUED)

5.4 Fair value estimation (Continued)

(c) Valuation techniques, valuation inputs and relationships to fair value

The following table summarises the quantitative information about the significant unobservable inputs used in level 3 fair value measurements (see (a) above for the valuation techniques adopted):

Description	Fair value at		Valuation Technique	Significant unobservable inputs*	Range of inputs		Relationship of unobservable inputs to fair value
	30-Sep 2020 RMB'000	31-Mar 2020 RMB'000			As at 30 September 2020	As at 31 March 2020	
Financial assets							
Private equity fund investments (Note 1)	4,948,123	4,314,726	Net asset value	N/A as quantitative unobservable inputs are not developed by the Group	n/a	n/a	n/a
Other unlisted investments (Note 2)	379,947	181,912	Market approach	PE, EV/EBIT DLOM	PE: 15 EV/EBIT: 28.23 DLOM: 20%	PE: 15 EV/EBIT: 15.7 DLOM: 20%	Increased or decreased PE or EV/EBIT by 1 would increase or decrease FV by RMB15,661,000 (31 March 2020: RMB11,635,000). Increased or decreased DLOM by 10% would decrease or increase FV by RMB45,731,000 (31 March 2020: RMB22,536,000).
Unlisted fixed coupon notes (Note 3)	101,617	—	N/A as valuation technique is not developed by the Group	N/A as quantitative unobservable inputs are not developed by the Group	n/a	n/a	n/a
WMPs (Note 4)	—	18,000	Discounted cash flow	Expected rate of return	n/a	2.0%–2.8%	Increased or decreased expected rate of return by 1% would increase or decrease FV by nil (31 March 2020: RMB8,000).
Total financial assets	5,429,687	4,514,638					
Financial liabilities							
Derivatives (Note 5)	(91,984)	(29,616)	N/A as valuation technique is not developed by the Group	N/A as quantitative unobservable inputs are not developed by the Group	n/a	n/a	n/a

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 September 2020

5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONTINUED)

5.4 Fair value estimation (Continued)

(c) Valuation techniques, valuation inputs and relationships to fair value (Continued)

There was no significant inter-relationship between unobservable inputs that materially affect fair values.

Notes:

- (1) The Group determines the fair valuation of its private equity fund investments as at the reporting date based on the net asset values of the private equity funds with underlying assets and liabilities measured at fair value as reported by the general partners of the funds.
- (2) For other unlisted investments, the fair values are determined by using the market approach and the significant unobservable inputs include the valuation multiples (such as PE or EV/EBIT ratio) and DLOM. Management determines the valuation multiples with reference to the respective multiples of comparable companies, as adjusted by the lack of marketability that market participants would consider when estimating the fair value of these investments.
- (3) The amount represents the Group's short-term investments in fixed coupon notes with the maturity of no more than 12 months, which are issued by reputable multinational banks such as JPMorgan Chase Bank, Citigroup Global Markets Funding and Morgan Stanley. The principals and returns on these fixed coupon notes are not guaranteed, hence their contractual cash flows do not qualify for solely payments of principal and interest. Therefore they are measured at fair value through profit or loss. As at 30 September 2020, management determines the fair value of these fixed coupon notes based on the statements provided by the respective issuing banks. The related valuation technique and valuation inputs are also developed by the issuing banks which are not reasonably available to the Group.
- (4) Other than the WMPs included in level 2 as disclosed in above Note 5.4(c), the Group also invests in certain short-term WMPs of which the expected rates of return, as provided and periodically updated by the banks, cannot be accessed by the Group at the reporting date. As a result, these WMPs are included in level 3 as the respective rates of return are significant unobservable inputs in determining their fair values.
- (5) The amount recognised is to reflect the derivative agreements entered into between the Group and certain reputable multinational banks such as Morgan Stanley and Bank Julius Baer with a contract term of no more than 12 months. According to the derivative agreements, certain quantities of the underlying securities listed on the New York Stock Exchange and The Stock Exchange of Hong Kong Limited are agreed to be settled between the Group and the issuing banks at an agreed price when certain agreed events occurred. These investments are designated as derivatives and stated at fair value through profit or loss. As at 30 September 2020, management determines the fair value of these derivatives based on the statements provided by the respective issuing banks. The related valuation technique and valuation inputs are also developed by the issuing banks which are not reasonably available to the Group.

6 SEGMENT INFORMATION

The Group is principally engaged in brand development, design, and sales of sport-related apparel, footwear and accessories in Mainland of the PRC as well as investment activities in Mainland of the PRC and abroad.

The Board of Directors reviews the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports. The chief operating decision maker considers and assesses the performance of the investment activities and sportswear business separately:

China Apparel: includes distribution and retail of sport apparel under Kappa brand and other brands and international business, which includes the provision of Kappa brand products in other countries.

Japan Apparel: includes distribution and retail of sport apparel under Kappa, Phenix and other brands.

Investment: includes investment in kinds of financial assets and treasury products issued by commercial banks.

Sales between segments are carried out on terms set out in agreements governing the transactions. The revenue from external customers, segment operating profit/(loss) and segment profit/(loss) reported to the chief operating decision maker are measured in a manner consistent with that presented in the condensed consolidated statement of profit or loss and other comprehensive income.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 September 2020

6 SEGMENT INFORMATION (CONTINUED)

The segment results and other items included in the interim condensed consolidated statement of profit or loss and other comprehensive income provided to the chief operating decision maker for the reportable segments for the six months period ended 30 September 2020 and 2019, respectively are as follows:

	Unaudited			Total RMB'000
	China — Apparel RMB'000	Japan — Apparel RMB'000	Investment RMB'000	
Six month ended 30 September 2020				
Total revenue before inter-segment elimination	864,433	88,810	—	953,243
Inter-segment revenue	(49,645)	(4,641)	—	(54,286)
Revenue from external customers	814,788	84,169	—	898,957
Cost of sales	(278,044)	(57,771)	—	(335,815)
Reversal of/(provision for) impairment of inventories — net	30,738	(53,992)	—	(23,254)
Segment gross profit	567,482	(27,594)	—	539,888
Other gains — net	16,229	78,127	1,260,837	1,355,193
Segment operating profit/(loss)	64,694	(59,781)	1,235,388	1,240,301
Finance (expense)/income, net	(19,807)	1,683	(3,851)	(21,975)
Share of post-tax profit/(loss) of joint venturers and associates accounted for using the equity method	(5,632)	—	(8,028)	(13,660)
Profit/(loss) before income tax	39,255	(58,098)	1,223,509	1,204,666
Income tax expense	(20,424)	1,300	(71,949)	(91,073)
Profit/(loss) for the period	18,831	(56,798)	1,151,560	1,113,593
Material items of income and expense				
Depreciation and amortisation	7,643	2,542	—	10,185
Depreciation of right-of-use assets	20,717	8,096	—	28,813
(Reversal of)/provision for impairment of financial assets — net	(18,850)	4	16,024	(2,822)
(Reversal of)/provision for impairment of inventories	(30,738)	53,992	—	23,254
Advertising and selling expenses	374,467	16,613	—	391,080

6 SEGMENT INFORMATION (CONTINUED)

	Unaudited			Total RMB'000
	China — Apparel RMB'000	Japan — Apparel RMB'000	Investment RMB'000	
Six months ended 30 September 2019				
Total revenue before inter-segment elimination	777,186	156,495	—	933,681
Inter-segment revenue	(27,883)	(6,480)	—	(34,363)
Revenue from external customers	749,303	150,015	—	899,318
Cost of sales	(245,902)	(92,031)	—	(337,933)
Reversal of impairment of inventories — net	23,084	3,384	—	26,468
Segment gross profit	526,485	61,368	—	587,853
Other gains — net	57,213	662	165,927	223,802
Segment operating profit	108,302	(19,765)	158,389	246,926
Finance income/(expense), net	4,755	1,720	(2,278)	4,197
Share of post-tax profit/(loss) of joint ventures and associates accounted for using the equity method	7,035	(349)	(4,385)	2,301
Profit before income tax	120,092	(18,394)	151,726	253,424
Income tax expense	(49,143)	(649)	(17,198)	(66,990)
Profit for the period	70,949	(19,043)	134,528	186,434
Material items of income and expense				
Depreciation and amortisation	8,068	2,495	—	10,563
Depreciation of right-of-use assets	14,168	9,364	—	23,532
Provision for/(reversal of) impairment of financial assets — net	184	(23)	—	161
Reversal of impairment of inventories	(23,084)	(3,384)	—	(26,468)
Advertising and selling expenses	316,816	21,173	—	337,989

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 September 2020

6 SEGMENT INFORMATION (CONTINUED)

The segment assets, liabilities, and reconciliations to the Group's total assets and total liabilities are as follows:

	Unaudited			Total RMB'000
	China — Apparel RMB'000	Japan — Apparel RMB'000	Investment RMB'000	
As at 30 September 2020				
Cash and cash equivalent	262,504	22,827	2,707,949	2,993,280
Investments accounted for using the equity method	47,521	—	56,592	104,113
Financial assets at fair value through profit or loss	—	—	7,035,770	7,035,770
Deferred income tax assets	155,117	—	13,391	168,508
Right-of-use assets	93,331	—	—	93,331
Other assets	1,721,707	151,897	650,612	2,524,216
Total assets before inter-segment elimination	2,280,180	174,724	10,464,314	12,919,218
Inter-segment elimination	(368,820)	(2,344)	—	(371,164)
Segment assets	1,911,360	172,380	10,464,314	12,548,054
Deferred income tax liabilities	115,821	2,363	179,276	297,460
Current income tax liabilities	12,655	—	6,590	19,245
Lease liabilities	85,495	25,226	—	110,721
Other liabilities	427,725	419,969	278,745	1,126,439
Total liabilities before inter-segment elimination	641,696	447,558	464,611	1,553,865
Inter-segment elimination	(7,786)	(368,609)	—	(376,395)
Segment liabilities	633,910	78,949	464,611	1,177,470

6 SEGMENT INFORMATION (CONTINUED)

	Audited			Total RMB'000
	China — Apparel RMB'000	Japan — Apparel RMB'000	Investment RMB'000	
As at 31 March 2020				
Cash and cash equivalent	199,432	38,129	1,825,589	2,063,150
Investments accounted for using the equity method	47,562	—	69,611	117,173
Financial assets at fair value through profit or loss	—	—	6,945,976	6,945,976
Deferred income tax assets	177,117	—	11,224	188,341
Right-of-use asset	65,992	34,169	—	100,161
Other assets	1,797,957	194,152	666,080	2,658,189
<hr/>				
Total assets before inter-segment elimination	2,288,060	266,450	9,518,480	12,072,990
Inter-segment elimination	(373,910)	(9,584)	—	(383,494)
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Segment assets	1,914,150	256,866	9,518,480	11,689,496
<hr/>				
Deferred income tax liabilities	145,653	3,414	82,798	231,865
Current income tax liabilities	40,599	1,572	—	42,171
Lease liabilities	57,293	35,808	—	93,101
Other liabilities	471,400	439,670	190,192	1,101,262
<hr/>				
Total liabilities before inter-segment elimination	714,945	480,464	272,990	1,468,399
Inter-segment elimination	(30,569)	(364,188)	—	(394,757)
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Segment liabilities	684,376	116,276	272,990	1,073,642

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 September 2020

7 OTHER GAINS — NET

	Unaudited	
	Six months ended 30 September	
	2020	2019
	RMB'000	RMB'000
Change in fair value of financial instruments at fair value through profit or loss	946,215	54,146
Investment income from financial assets at fair value through profit or loss	143,960	54,089
Gain on disposal of financial assets at fair value through profit or loss	139,072	26,615
Gain on disposal of Kappa trademark (Note 14)	75,378	—
Interest income from loans receivables	31,179	31,085
Government subsidy income	15,445	49,636
Royalty income	2,189	652
Others	1,755	7,579
	1,355,193	223,802

8 EXPENSE BY NATURE

The expenses included in cost of sales, provision for/(reversal of) impairment of inventories, distribution expenses and administrative expenses are analysed as follows:

	Unaudited	
	Six months ended 30 September	
	2020	2019
	RMB'000	RMB'000
Cost of inventories recognised as cost of sales	335,303	337,260
Advertising and selling expenses	391,080	337,989
Employee salary and benefit expenses	84,697	91,759
Impairment of property, plant and equipment and right-of-use assets	34,106	—
Depreciation of right-of-use assets	28,813	23,532
Logistic and transportation fees	27,851	27,478
Provision for/(reversal of) impairment of inventories	23,254	(26,468)
Product design and development expenses	19,568	20,783
Short-term lease rentals and variable lease payments not included in lease liabilities and rental related expenses	17,297	22,429
Depreciation of property, plant and equipment and amortisation of intangible assets	10,185	10,563
Travelling expenses	3,338	8,846
Auditors' remuneration	1,800	1,800
Professional fees	2,810	1,697
Others	36,569	18,365
	1,016,671	876,033

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 September 2020

9 FINANCE (EXPENSES)/INCOME — NET

	Unaudited	
	Six months ended 30 September	
	2020	2019
	RMB'000	RMB'000
Finance income:		
— Foreign exchange gain, net	—	5,438
— Interest income	2,581	4,781
	2,581	10,219
Finance expenses:		
— Foreign exchange loss, net	(17,038)	—
— Interest expenses	(4,729)	(3,768)
— Interest of lease liabilities	(2,532)	(2,017)
— Others	(257)	(237)
	(24,556)	(6,022)
Finance (expenses)/income — net	(21,975)	4,197

10 INCOME TAX EXPENSE

	Unaudited	
	Six months ended 30 September	
	2020	2019
	RMB'000	RMB'000
Current income tax		
— PRC corporate income tax ("CIT")	6,945	9,282
— Taxation in Japan	(1,300)	649
Deferred income tax	85,428	57,059
	91,073	66,990

10 INCOME TAX EXPENSE (CONTINUED)

(a) Cayman Islands income tax

The Company was incorporated in the Cayman Islands. Under the laws of the Cayman Islands, there is no income, estate, corporation, capital gains, or other taxes payable by the Company.

(b) Hong Kong and Singapore income tax

Hong Kong and Singapore profits tax have not been provided as there are no estimated assessable profits arising in or derived from Hong Kong and Singapore during the six months period ended 30 September 2020 (2019: nil).

(c) PRC Corporate Income Tax ("CIT")

Provision for the PRC corporate income tax is calculated based on the statutory tax rate of 25% (six months ended 30 September 2019: 25%) on the assessable income of the group companies, except for Group's subsidiaries incorporated in Tibet Autonomous Region which is subject to preferential tax rate of 15% (six months ended 30 September 2019: 15%).

(d) PRC withholding tax ("WHT")

According to the PRC New Corporate Income Tax Law ("New CIT Law"), distribution of profits earned by PRC companies since 1 January 2008 to foreign investors is subject to withholding tax of 5% or 10%, depending on the country of incorporation of the foreign investor, upon the distribution of profits to overseas-incorporated immediate holding companies. As at 30 September 2020, the Group had provided a deferred tax liability amounting to RMB173,265,000 (as at 31 March 2020: RMB148,767,000) in relation to the profit of the Group's PRC subsidiaries that will be distributed in the future.

(e) Japan income tax

The subsidiary incorporated in Japan is subject to income tax and local inhabitant tax. The corporate income tax rate for the six months period ended 30 September 2020 applicable to this subsidiary was 15% for the taxable income part less than JPY8,000,000 and 23.2% for the taxable income part over JPY8,000,000 (2019: 15% and 23.2%) of the assessable profit. The inhabitant tax is determined based on the taxpayer's share capital, operating locations and number of employees and rates on the taxpayer's income tax payable, subject to a certain minimum payment. As there was no assessable profit derived during the six months period ended 30 September 2020(2019: nil), the subsidiary was subject to the minimum inhabitant tax payments.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 September 2020

11 EARNINGS PER SHARE

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue less shares held for Restricted Share Award Scheme during the period.

	Unaudited	
	Six months ended 30 September	
	2020	2019
Profit attributable to owners of the Company (RMB'000)	1,116,183	188,107
Weighted average number of ordinary shares in issue less shares held for Restricted Share Award Scheme (thousands)	5,863,071	5,863,071
Basic earnings per share (RMB cents per share)	19.04	3.21

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Group's dilutive potential shares comprise only share option scheme. In relation to shares issued under share option schemes, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average market share price of the Company's shares during the six months) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

11 EARNINGS PER SHARE (CONTINUED)

(b) Diluted (Continued)

	Unaudited	
	Six months ended 30 September	
	2020	2019
Profit attributable to owners of the Company (RMB'000)	1,116,183	188,107
Weighted average number of ordinary shares in issue for calculating basic earnings per share (thousands)	5,863,071	5,863,071
Adjustments for:		
— Share options granted and assumed exercised (thousands)	38	176
Weighted average number of ordinary shares and potential ordinary shares for calculating diluted earnings per share (thousands)	5,863,109	5,863,247
Diluted earnings per share (RMB cents per share)	19.04	3.21

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 September 2020

12 DIVIDENDS

	Unaudited	
	Six months ended 30 September	
	2020	2019
	RMB'000	RMB'000
Final dividend paid of RMB0.91 cent (2019: RMB1.96 cent) per share	52,719	115,368
Final special dividend paid of RMB1.84 cent (2019: RMB0.49 cent) per share	106,597	28,842
Proposed interim dividend of RMB5.69 cent (2019: RMB0.96 cent) per share for the six months ended 30 September	334,920	56,507
Proposed interim special dividend of RMB0 cent (2019: RMB0.65 cent) per share for the six months ended 30 September	—	38,260
	494,236	238,977

The total dividends paid for the six months ended 30 September 2020 amounted to RMB159,316,000 or RMB2.75 cents per share (Six months ended 30 September 2019: RMB144,210,000 or RMB2.45 cents per share), of which RMB614,000 (Six months ended 30 September 2019: RMB579,000) were paid to the shares held for Restricted Share Award Scheme.

Pursuant to a resolution passed on 25 November 2020, the board of directors of the Company declared an interim dividend of RMB5.69 cents per ordinary share of the Company, amounting to RMB334,920,000 for the six months ended 30 September 2020 from the Company's retained earnings account. They will be recognised in shareholders' equity in the year ending 31 March 2021.

The aggregate amounts of the dividends paid for the six months ended 30 September 2020 and 2019 have been disclosed in the condensed consolidated statement of changes in equity in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

13 PROPERTY, PLANT AND EQUIPMENT

	Unaudited					
	Freehold land RMB'000	Buildings RMB'000	Office furniture and equipment RMB'000	Vehicles RMB'000	Leasehold improvements RMB'000	Total RMB'000
As at 31 March 2020						
Cost	25,237	98,748	68,330	1,650	17,429	211,394
Accumulated depreciation	—	(44,470)	(58,169)	(1,331)	(10,440)	(114,410)
Net book amount	25,237	54,278	10,161	319	6,989	96,984
For the six months ended 30 September 2020						
Opening net book amount as at 1 April 2020	25,237	54,278	10,161	319	6,989	96,984
Additions	—	—	1,367	8	—	1,375
Disposals	—	—	(299)	(7)	(155)	(461)
Depreciation (Note 8)	—	(2,307)	(1,581)	(71)	(1,372)	(5,331)
Impairment (Note 8)	—	(208)	(5,030)	—	(4,677)	(9,915)
Currency translation difference	(843)	(1,041)	(101)	—	(119)	(2,104)
Closing net book amount as at 30 September 2020	24,394	50,722	4,517	249	666	80,548
As at 30 September 2020						
Cost	24,394	97,657	67,174	1,431	14,939	205,595
Impairment	—	(208)	(5,030)	—	(4,677)	(9,915)
Accumulated depreciation	—	(46,727)	(57,627)	(1,182)	(9,596)	(115,132)
Net book amount	24,394	50,722	4,517	249	666	80,548

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 September 2020

13 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Unaudited						
	Freehold land RMB'000	Buildings RMB'000	Office furniture and equipment RMB'000	Vehicles RMB'000	Leasehold improvements RMB'000	Construction in-progress RMB'000	Total RMB'000
As at 31 March 2019							
Cost	27,123	75,367	69,328	1,692	20,317	24,066	217,893
Accumulated depreciation	—	(41,067)	(55,994)	(1,220)	(8,544)	—	(106,825)
Net book amount	27,123	34,300	13,334	472	11,773	24,066	111,068
For the six months ended 30 September 2019							
Opening net book amount as at 1 April 2019	27,123	34,300	13,334	472	11,773	24,066	111,068
Changes in accounting policies (Note 3)	—	—	—	—	(3,729)	—	(3,729)
Additions	—	—	816	—	811	209	1,836
Transfer	2,695	22,793	—	—	—	(25,488)	—
Disposals	(5,812)	—	(209)	(2)	(377)	—	(6,400)
Depreciation (Note 8)	—	(1,978)	(2,110)	(76)	(1,258)	—	(5,422)
Currency translation difference	1,203	318	536	—	935	1,213	4,205
Closing net book amount as at 30 September 2019	25,209	55,433	12,367	394	8,155	—	101,558
As at 30 September 2019							
Cost	25,209	98,711	69,393	1,650	17,319	—	212,282
Accumulated depreciation	—	(43,278)	(57,026)	(1,256)	(9,164)	—	(110,724)
Net book amount	25,209	55,433	12,367	394	8,155	—	101,558

14 INTANGIBLE ASSETS

	Unaudited			Total RMB'000
	Kappa trademarks RMB'000	Phenix and other brands RMB'000	Computer software RMB'000	
As at 31 March 2020				
Cost	386,537	8,605	77,194	472,336
Accumulated amortisation	(191,642)	(2,132)	(72,982)	(266,756)
Net book amount	194,895	6,473	4,212	205,580
For the six months ended 30 September 2020				
Opening net book amount as at 1 April 2020	194,895	6,473	4,212	205,580
Additions	—	—	224	224
Disposal (a)	(13,524)	—	—	(13,524)
Amortisation (Note 8)	(3,756)	(109)	(989)	(4,854)
Currency translation difference	(238)	—	(6)	(244)
Closing net book amount as at 30 September 2020	177,377	6,364	3,441	187,182
As at 30 September 2020				
Cost	280,994	8,605	77,894	367,493
Accumulated amortisation	(103,617)	(2,241)	(74,453)	(180,311)
Net book amount	177,377	6,364	3,441	187,182

- (a) In July 2020, the Group entered into an agreement with Basic Trademark S.r.l con socio unico, a third party, to dispose the registered trademarks of "Kappa" and "Robe di Kappa" and intellectual property rights in connection with such registered trademarks used in Japan Business ("Kappa Japan Trademarks") and other intellectual properties owned by the Group and used in the Japan Business, including copyrights on marketing materials, domain names and digital assets, products specifications and design rights on products and goodwill in relation to the Japan Business ("IP Miscellaneous Assets") with a total consideration of USD13 million.

The Kappa Japan Trademarks and the IP Miscellaneous Assets are used by the Group to conduct the business of manufacturing, purchasing, selling, promoting and distributing products under the Kappa Japan Trademarks in Japan.

As a result of the above disposal, the Group derecognised intangible assets with net book value of RMB13,524,000 and recognised a gain of RMB75,378,000 for the current reporting period (Note 7).

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For the six months ended 30 September 2020

14 INTANGIBLE ASSETS (CONTINUED)

	Unaudited			Total RMB'000
	Kappa trademarks RMB'000	Phenix and other brands RMB'000	Computer software RMB'000	
As at 31 March 2019				
Cost	386,537	8,605	76,430	471,572
Accumulated amortisation	(185,112)	(1,917)	(70,659)	(257,688)
Net book amount	201,425	6,688	5,771	213,884
For the six months ended 30 September 2019				
Opening net book amount as at 1 April 2019	201,425	6,688	5,771	213,884
Additions	—	—	396	396
Amortisation (Note 8)	(3,784)	(108)	(1,249)	(5,141)
Currency translation difference	1,073	—	24	1,097
Closing net book amount as at 30 September 2020	198,714	6,580	4,942	210,236
As at 30 September 2020				
Cost	394,916	8,605	77,649	481,170
Accumulated amortisation	(196,202)	(2,025)	(72,707)	(270,934)
Net book amount	198,714	6,580	4,942	210,236

15 LEASES

(a) Amounts recognised in the balance sheet

The balance sheet shows the following amounts relating to leases:

	Unaudited 30 September 2020 RMB'000	Audited 31 March 2020 RMB'000
Right-of-use assets		
Lease prepayment	10,081	10,224
Restoration costs	—	2,703
Properties and warehouses	83,250	87,234
	93,331	100,161
Lease liabilities		
Current	53,131	44,516
Non-current	57,590	48,585
	110,721	93,101

Movements on the Group's right-of-use assets are as follow:

	Unaudited Six months ended 30 September 2020 RMB'000	2019 RMB'000
As at 1 April	100,161	86,901
Additions	49,172	54,054
Disposal	(2,417)	(1,415)
Depreciation charge (Note 8)	(28,813)	(23,330)
Impairment (Note 8)	(24,191)	—
Currency exchange difference	(581)	3,535
As at 30 September	93,331	119,745

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 September 2020

15 LEASES (CONTINUED)

(b) Amounts recognised in the statement of profit or loss and other comprehensive income

The statement of profit or loss and other comprehensive income shows the following amounts relating to leases:

	Unaudited	
	Six months ended 30 September	
	2020 RMB'000	2019 RMB'000
Depreciation charge of right-of-use assets		
Lease prepayment	143	143
Restoration costs	586	924
Properties and warehouses	28,084	22,465
	28,813	23,532
Impairment of right-of-use assets	24,191	—
Interest expense (included in finance cost)	2,532	2,017
Expense relating to short-term leases (included in distribution expenses and administrative expenses)	16,839	21,799
Expense relating to variable lease payments not included in lease liabilities (included in distribution expenses)	458	630
	19,829	24,446

The total cash outflow for leases for the six months ended 30 September 2020 was approximately RMB48,654,000 (six months ended 30 September 2019: RMB37,266,000).

16 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHODS

The carrying amount of equity-accounted investments has changed as follows in the six months ended 30 September 2020 and 2019:

	Unaudited	
	For the six months ended	
	30 September	
	2020	2019
	RMB'000	RMB'000
At beginning of the period	117,173	151,680
Addition	1,000	—
Disposal	—	(8)
Share of (loss)/profit	(13,660)	2,301
Elimination of unrealised profit	721	2,033
Asset reclassified as held for sale	—	(7,971)
Currency translation difference	(1,121)	1,434
At end of the period	104,113	149,469

17 TRADE RECEIVABLES

	Unaudited	
	30 September	
	2020	Audited
	RMB'000	31 March
		2020
		RMB'000
Trade receivables		
— Third parties	182,626	146,623
— Related parties (Note 26(b))	22,627	33,903
	205,253	180,526
Less: provision for impairment	(20,273)	(39,463)
Trade receivables, net	184,980	141,063

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 September 2020

17 TRADE RECEIVABLES (CONTINUED)

Customers are normally granted credit terms within 30–45 days. The aging analysis of trade receivables based on recognition date as at 30 September 2020 and 31 March 2020 were as follows:

	Unaudited 30 September 2020 RMB'000	Audited 31 March 2020 RMB'000
Within 30 days	137,109	67,874
31 to 180 days	56,899	90,827
Over 180 days	11,245	21,825
	205,253	180,526

The trade receivables were mainly denominated in RMB and JPY. Due to the short-term nature of the current receivables, their carrying amounts approximated their fair values as at the balance sheet dates.

The Group applies the IFRS 9 simplified approach to measure expected credit losses, which uses a lifetime expected loss allowance for all trade receivables.

Movements on the Group's provision for impairment of trade receivables are as follow:

	Unaudited 30 September 2020 RMB'000	Unaudited 30 September 2019 RMB'000
At 1 April	39,463	28,090
Provision for impairment losses of receivables	12,340	—
Reversal of impairment losses of receivables	(30,950)	(40)
Written off impairment losses of receivables	(580)	—
At 30 September	20,273	28,050

18 TRADE PAYABLES

At 30 September 2020 and 31 March 2020, the aging analysis of the trade payables based on recognition date were as follows:

	Unaudited 30 September 2020 RMB'000	Audited 31 March 2020 RMB'000
Within 30 days	88,270	76,338
31 to 180 days	110,240	61,738
Over 180 days	10,792	10,398
	209,302	148,474

The trade payables were mainly denominated in RMB and JPY. The carrying amounts of trade payables approximated their fair values as at the balance sheet dates.

19 OTHER FINANCIAL ASSETS AT AMORTISED COST

	Unaudited 30 September 2020 RMB'000	Audited 31 March 2020 RMB'000
Current portion:		
Loans receivables (a)	479,368	573,126
Loans to related parties (Note 26(b))	14,606	14,606
Others	87,324	97,988
Less: provision for impairment	(36,546)	(20,922)
— Stage 1	(916)	(1,316)
— Stage 2	—	—
— Stage 3	(35,630)	(19,606)
Total	544,752	664,798
Non-current portion:		
Loans receivables (a)	219,526	126,591
Loans to key management personnel (b)	298,737	315,467
Less: provision for impairment	—	—
Total	518,263	442,058

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 September 2020

19 OTHER FINANCIAL ASSETS AT AMORTISED COST (CONTINUED)

Notes:

- (a) Due to the short-term nature of the other current receivables, their carrying amounts were considered to be the same as their fair values. For the majority of the non-current receivables, the fair values also reasonably approximated their carrying amounts.

As at 30 September 2020, the gross amount of loans receivables due from third parties summed up to RMB698,894,000 (As at 31 March 2020: 699,717,000) with the interest rate in the range of 8% to 11% (As at 31 March 2020: 8% to 15%) per annum. The amount of each loan receivables varies from RMB4,850,000 to RMB207,291,000 (As at 31 March 2020: RMB5,000,000 to RMB204,214,000). The maturity period of each loan receivables varies with the range from 12 to 60 months.

As at 30 September and 31 March 2020, the Group's loans receivables were secured by various collaterals such as equity interest in certain companies, investment return under private equity funds as well as property.

The Group's policy regarding obtaining collateral has not significant changed during the reporting period and there has been no significant change in the overall quality of the collateral held by the Group since the prior period. As at 30 September and 31 March 2020, the fair value of collateral held for loans receivables is RMB1,610 million and RMB1,098 million respectively.

- (b) The balance represented loans to certain management personnel and employees, which bear interest at one month HIBOR+1% per annum and have a maturity of 5 years. All the shares subscribed by the borrowers were pledged as the collateral of these loans (Note 26(b)).
- (c) The impairment of loan receivables was provided based on the "three-stages" model by referring to the changes in credit quality since initial recognition. The Group measures credit risk using probability of default ("PD"), exposure at default ("EAD") and loss given default ("LGD"). This is similar to the approach used for the purposes of measuring expected credit loss ("ECL") under IFRS 9 Financial Instruments. The key judgments and assumptions include determination of significant increase in credit risk, definition of default and credit impaired assets, projecting the PD, LGD and EAD, forward-looking information incorporated in the ECL models, and grouping of instruments for losses measured on a collective basis.

20 ACCRUALS AND OTHER PAYABLES

	Unaudited As at September 2020 RMB'000	Audited As at 31 March 2020 RMB'000
Current portion:		
Salary and welfare payable	17,643	19,615
Other taxes and levies payable	17,837	9,215
Refund liabilities	13,383	24,371
Suppliers' deposits	76,600	73,087
Amounts due to related parties (Note 26(b))	28,119	37,620
Payables for marketing expenses	37,631	38,286
Payables for logistics fees	14,539	12,205
Payables for professional fees	3,702	5,842
Others	44,364	37,185
	253,818	257,426
Non-current portion:		
Other payables	—	1,245
Total	253,818	258,671

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 September 2020

21 SHARE CAPITAL AND SHARE PREMIUM ACCOUNT

	Number of ordinary shares of par value HK\$0.01	Nominal value of issued ordinary shares HK\$'000	Unaudited Equivalent nominal value of ordinary shares RMB'000	Share premium account RMB'000	Total RMB'000
As at 1 April 2020 and 30 September 2020	5,886,121,025	58,862	56,466	1,033,539	1,090,005

22 SHARES HELD FOR EMPLOYEE SHARE SCHEME

	As at 30 September 2020 Number of shares	As at 31 March 2020 Number of shares	As at 30 September 2020 RMB'000	As at 31 March 2020 RMB'000
Shares held for employee share scheme	23,050,071	23,050,071	196	196

These shares are held by the Group's Trust for the purpose of issuing shares under the Group's employee share scheme (see Note 23 for further information). Shares issued to employees are recognised on a first-in-first-out basis.

23 SHARE BASED COMPENSATION SCHEMES

(a) Restricted Share Award Scheme

The Company adopted the Restricted Share Award Scheme on 10 December 2010. The objective of the Restricted Share Award Scheme is to encourage and retain selected participants including directors and employees of the Group, to work with the Group and to provide additional incentive for them to achieve performance goals. Under the scheme, the China Dongxiang (Group) Co., Ltd. Restricted Share Award Scheme Trust (the "Trust") was established in Hong Kong and purchased 30,000,000 shares of the Company from the open market in December 2010. No further purchase of shares of the Company has been made since December 2010. The total amount of RMB87,138,000 paid to acquire the shares was financed by the Company by way of contributions made to the Trust. As the financial and operational policies of the Trust are governed by the Group and the Group benefits from the Trust's activities, the Trust is consolidated in the Group's financial statements as a special purpose entity.

When restricted shares are granted to selected participants, the fair value of the restricted shares awarded based on the market value of the Company's shares on the date of grant is charged as employee expenses in the consolidated statement of profit or loss and other comprehensive income of the Group.

During the six months ended 30 September 2020, no shares were granted under the Restricted Share Award Scheme (six months ended 30 September 2019: Nil).

23 SHARE BASED COMPENSATION SCHEMES (CONTINUED)

(b) The 2019 Share Option Scheme

Pursuant to the shareholders' resolution passed on 8 August 2019, the Group adopted a share option scheme (the "2019 Share Option Scheme"). On 16 September 2019, 7 January 2020, 1 April 2020 and 1 September 2020, the Group granted 18,300,000 share options, 1,560,000 share options, 2,400,000 share options and 1,200,000 share options respectively to management and employees. The 2019 Share Option Scheme will remain in force for a period of 10 years commencing from 16 September 2019, 7 January 2020, 1 April 2020 and 1 September 2020. The vesting period for the options granted during the year is 3 years from the respective grant date. An option may be exercised in accordance with whether a service or a non-market performance condition is met.

The purpose of the 2019 Share Option Scheme is to provide an incentive for the qualified participants to work with commitment towards enhancing the value of the Company and its shares for the benefit of its shareholders and to recruit and retain high calibre employees and attract human resources whose contributions are or may be beneficial to the growth and development of the Group.

Participants of the Share Option Scheme are required to pay HKD1.00 for each option granted upon acceptance of the grant. The exercise price of the options is determined by the Board in its sole and absolute discretion and being at least the highest of

- (i) the closing price of the shares as stated in the Stock Exchange's daily quotation sheets on the offer date;
- (ii) the average of the closing prices of the shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the offer date; and
- (iii) the nominal value of the shares.

Under the share option scheme, the total number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme shall not in aggregate exceed 588,612,102 shares of the Company, being 10% of the total number of shares in issue immediately prior to the date on which dealings in the Shares commenced on HKSE.

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23 SHARE BASED COMPENSATION SCHEMES (CONTINUED)

(b) The 2019 Share Option Scheme (Continued)

The fair values of the options granted pursuant to the 2019 Share Option Scheme during the six months ended 30 September 2020 are as below:

Grant date	Unaudited Fair value RMB'000
1 April 2020	384
1 September 2020	324

The fair value of options granted during the six months ended 30 September 2020 determined using the Binomial model was HK\$0.175 and HK\$0.306 per option for management personnel. The subjectivity and uncertainty of the values of options are subject to a number of assumptions and the limitation of the model. The significant inputs into the model were spot price of HK\$0.670 and HK\$1.090 at the grant date, exercise price of HK\$0.670 and HK\$1.090, volatility of 38% to 41%, expected dividend yield of 5.26%, a contractual option life of ten years, and an annual risk-free interest rate of 0.62% to 1.66%.

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the estimates during the vesting period, if any, is recognised in the interim condensed consolidated statement of profit or loss and other comprehensive income, with a corresponding adjustment to the share option reserve.

For the six months ended 30 September 2020, value of employee services provided under the 2019 Share Option Scheme recognised in the interim condensed consolidated statement of profit or loss and other comprehensive income was RMB1,437,000 (six months ended 30 September 2019: RMB 111,000).

23 SHARE BASED COMPENSATION SCHEMES (CONTINUED)

(b) The 2019 Share Option Scheme (Continued)

Movements in the number of share options outstanding during the six months ended 30 September 2020 under this scheme and their weighted average exercise prices are as follows:

	For the six months ended 30 September			
	2020 Weighted average exercise price (per share) HK\$	Outstanding options (thousands)	2019 Weighted average exercise price (per share) HK\$	Outstanding options (thousands)
As at 1 April	0.854	19,860	—	—
Granted	0.810	3,600	0.854	18,300
Exercised	—	—	—	—
Lapsed	0.857	(960)	—	—
As at 30 September	0.847	22,500	0.854	18,300
Exercisable as at 30 September	0.854	5,940	—	—

24 BORROWINGS

	Unaudited 30 September 2020 RMB'000	Audited 31 March 2020 RMB'000
Bank loans		
— Pledged (a)	130,026	196,647
Loans from a company (b)		
— Unsecured and interest free	47,734	49,661
	177,760	246,308

- a. As at 30 September 2020, the outstanding loans due to Morgan Stanley Asia International Limited at the prevailing interest rate were USD9,119,000 (equivalent to approximately RMB62,100,000), JPY553,193,000 (equivalent to approximately RMB35,706,000) and HKD36,677,000 (equivalent to approximately RMB32,220,000), which was secured by an equivalent value of assets held by banks as collateral.
- b. The balance represented the loans due to a third party, Forchn International Co., Ltd., which is unsecured and interest free.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 September 2020

24 BORROWINGS (CONTINUED)

As at 30 September 2020, the Group's borrowings were repayable as follows:

	Bank loans		Other loans	
	As at 30 September 2020	As at 31 March 2020	As at 30 September 2020	As at 31 March 2020
Within 1 year	130,026	196,647	47,734	49,661

25 COMMITMENTS

The Group had the following commitments as at 30 September 2020:

Operating lease commitments — Group as lessee

The Group leases various offices and warehouses under these non-cancellable short-term leases (which are exempted from recognising the related right-of-use assets and lease liabilities under IFRS16). The future minimum lease payables under these non-cancellable short-term leases contracted for at the balance sheet dates but not recognised as liabilities, are as follows:

	Unaudited 30 September 2020 RMB'000	Audited 31 March 2020 RMB'000
No later than 1 year	14,064	25,525

25 COMMITMENTS (CONTINUED)

Capital commitment

In June 2017, the Group entered into a limited partnership agreement with Shanghai Xianghe Yongyuan Equity Investment Fund Partnership (Limited Partnership) (上海祥禾涌原股權投資合夥企業(有限合夥)), with a total capital commitment of RMB20 million. As at 30 September 2020, the Group paid a capital contribution of RMB14 million with remaining balance of RMB6 million unpaid.

In August 2017, the Group entered into a limited partnership agreement with Hangzhou Hanyun Xinling Investment LLP. (杭州瀚雲新領股權投資基金合夥企業(有限合夥)), with a total capital commitment of RMB300 million. As at 30 September 2020, the Group paid a capital contribution of RMB171 million with remaining balance of RMB129 million unpaid.

In February 2018, the Group entered into a limited partnership agreement with Yunfeng Fund III (雲鋒基金 III), with a total capital commitment of US\$20 million. As at 30 September 2020, the Group paid a capital contribution of US\$16 million with remaining balance of US\$4 million (equivalent to approximately RMB30 million) unpaid.

In September 2020, the Group entered into a limited partnership agreement with Persistent Edge China Partners, Ltd, with a total capital commitment of US\$20 million. As at 30 September 2020, the total balance of US\$20 million (equivalent to approximately RMB136 million) was unpaid.

In September 2020, the Group entered into a limited partnership agreement with Xiamen Yuanfeng Investment LLP. (廈門源峰股權投資基金合夥企業(有限合夥)), with a total capital commitment of RMB200 million. As at 30 September 2020, the Group paid a capital contribution of RMB60 million with remaining balance of RMB140 million unpaid.

In September 2020, the Group entered into a limited partnership agreement with CR Tech Investment Limited, with a total capital commitment of US\$10 million. As at 30 September 2020, the total balance of US\$10 million (equivalent to approximately RMB68 million) was unpaid.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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26 RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, control or jointly control the other party or exercise significant influence over the other party in making financial and operation decisions. Parties are also considered to be related if they are subject to common control.

The ultimate controlling party of the Group is Mr. Chen Yihong, the Chairman and Executive director of the Company. Therefore, close family members of Mr. Chen Yihong and parties that are controlled, jointly controlled, or significantly influenced by Mr. Chen Yihong or his close family members are considered related parties of the Company as well.

(a) Transactions with related parties

During the six months ended and as at 30 September 2020 and 30 September 2019, in addition to those disclosed elsewhere in the financial information, the Group had the following transactions and balances with related parties:

	Unaudited	
	Six months ended 30 September	
	2020	2019
	RMB'000	RMB'000
Sales of goods to		
— Joint ventures of the Group	4,977	5,400
Interest income from loans to		
— Joint ventures of the Group	163	142
— Management personnel	2,489	3,299
Commissions		
— Joint ventures of the Group	48,683	39,519
Disposal of land to		
— A company controlled by Mr. Chen Yihong	—	6,536
Loans granted to		
— Joint ventures of the Group	15,000	—
Loans repaid by		
— Joint ventures of the Group	15,000	—

26 RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Balances with related parties

Trade receivables (Note 17)

	Unaudited 30 September 2020 RMB'000	Audited 31 March 2020 RMB'000
— Joint ventures of the Group	22,627	33,903

Other financial assets at amortised cost (Note 19)

	Unaudited 30 September 2020 RMB'000	Audited 31 March 2020 RMB'000
Current portion		
— Joint ventures of the Group	14,606	14,606
— Provision	(14,606)	(14,606)
Non-current portion		
— Management personnel	298,737	315,467
	298,737	315,467

Accruals and other payables

	Unaudited 30 September 2020 RMB'000	Audited 31 March 2020 RMB'000
— Joint ventures of the Group	28,119	37,620

Notes:

- (i) The transactions with related companies are conducted based on mutual agreements.
- (ii) Except for the loans to management personnel and loans to Joint ventures as mentioned in Note 19(b), the above balances with related parties were unsecured, non-interest bearing and collectable per demand.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 September 2020

26 RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Key management compensation

	Unaudited	
	Six months ended 30 September	
	2020	2019
	RMB'000	RMB'000
Salaries, bonus and other welfares	5,433	4,878
Pension — defined contribution plans	8	81
	5,441	4,959

27 SUBSEQUENT EVENTS

Given the impact of the COVID-19 pandemic and uncertainties in global development the Group decided to focus on the development of its key brand in the China market. On 7 October 2020, the Group entered into an agreement with Shiffon Co., Ltd. (the "Licensee", a third party), pursuant to which the Group granted the Licensee an exclusive right to utilise certain "Phenix" trademarks in connection with the design, manufacture, sales and marketing of certain products within Japan and other regions including certain European regions and Korea, where the Group owns the trademark rights in connection with the "Phenix" brand. The term of the agreement is three years and three months from 1 January 2021 to 31 March 2024, with an option to extend for a further two years as agreed by the parties of the agreement.

Accompanied by the disposal of the Kappa Japan Trademarks and the IP Miscellaneous Assets as mentioned in Note 14, these are conducive to the integration of the Group's resources and marketing operations and its bid to become one of the best sportswear companies in China.

China Dongxiang (Group) Co., Ltd. 中國動向(集團)有限公司

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