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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)

**INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2021**

The Board of Directors (the “Board”) of China Dongxiang (Group) Co., Ltd. (the “Company”) is pleased to announce the unaudited results of the Company and its subsidiaries (together referred to as the “Group”) for the six months ended 30 September 2021. The results highlights are as below:

Results Highlights	Six months ended 30 September		Change
	2021	2020	
	Unaudited	Unaudited	
	(RMB million)	Restated	
	(RMB million)	(RMB million)	
Revenue	852	815	+4.5%
Gross profit	552	567	-2.6%
Gross profit (before (provision for)/ reversal of impairment of inventories)	558	537	+3.9%
Gross profit margin	64.8%	69.6%	-4.8ppt
Gross profit margin (before (provision for)/reversal of impairment of inventories)	65.5%	65.9%	-0.4ppt
Operating (loss)/profit	(770)	1,282	-160.1%
Operating (loss)/profit excluding investment segment	(75)	65	-215.4%
(Loss)/profit attributable to owners of the Company	(748)	1,116	-167.0%
	(RMB cents)	(RMB cents)	
Basic/Diluted (losses)/earnings per share	(12.76)	19.04	-167.0%
Interim dividend per share	—	5.69	-100.0%

This announcement, containing the full text of the interim report of the Company for the six months ended 30 September 2021, complies with the relevant requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited in relation to information to accompany preliminary announcements of interim results.

The printed version of the Company's 2021/2022 Interim Report will be delivered to the relevant shareholders of the Company and will be available for viewing on the websites of The Stock Exchange of Hong Kong Limited at www.hkexnews.hk and of the Company at www.dxsport.com on or around 3 December 2021.

2021/2022 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
Certified Public Accountants and Registered PIE Auditor

Legal Advisers

Norton Rose Fulbright Hong Kong
Conyers Dill & Pearman (Cayman) Limited
Zhong Lun (Shanghai) Law Firm, 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
Suite 3204, Unit 2A, Block 3,
Building D, P.O. Box 1586, Gardenia Court,
Camana Bay, Grand Cayman,
KY1-1100, 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 7, 13/F,
Tower One, 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



2021

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
2021: 5,887,561,025 shares

2. Important dates

Announcement of 2021/2022 interim results:
24 November 2021

3. 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

4. Website

www.dxsport.com

RESULTS HIGHLIGHTS**RESULTS HIGHLIGHTS**

For the six months ended 30 September

	2021 Unaudited <i>(RMB million)</i>	2020 Unaudited Restated <i>(RMB million)</i>	Change
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Gross profit margin (before (provision for)/reversal of impairment of inventories)	65.5%	65.9%	-0.4ppt
Operating (loss)/profit	(770)	1,282	-160.1%
Operating (loss)/profit excluding investment segment	(75)	65	-215.4%
(Loss)/profit attributable to owners of the Company	(748)	1,116	-167.0%
	<i>(RMB cents)</i>	<i>(RMB cents)</i>	
Basic/Diluted (losses)/earnings per share	(12.76)	19.04	-167.0%
Interim dividend per share	—	5.69	-100.0%

CHAIRMAN'S STATEMENT

Dear Shareholders,

I hereby present on behalf of the Board our interim results ended 30 September 2021 (the "Reporting Period").

During the first half of the 2021 financial year, the steady pace of China's economic recovery remained unchanged, as domestic spending picked up steadily with a palpable trend of spending upgrades. While there was a slowdown in economic growth for the third quarter, given the support afforded by the favourable policy of increasing domestic demand and driving consumer spending stated in the national 14th Five-Year-Plan, continuous improvement in the people's ability and willingness to spend is expected. The Tokyo 2020 Olympics held during the year created a wave of enthusiasm for international sports, which in turn sparked off fervour for sports among the domestic public. The Group's brand strategy of "refocusing on sports" set earlier was met with enormous opportunities under the wave of "sports for all" emerging in the "major year of international sporting events". The Group capitalised fully on the opportunity and adopted a range of brand marketing strategies, such as cooperation with athletes of national sports teams, significantly enhancing its brand image and exposure as a result. Moreover, the Group actively explored multiple channels for promotion and optimised its online and offline sales platforms, in a vigorous effort to seek innovation and lay the groundwork for broadening its customer base. Nevertheless, owing to adverse external factors such as the decline in offline customer flow as a result of the localised outbreak of COVID-19 and the weather conditions, revenue for August and September 2021 fell short of expectations. Meanwhile, the fair value of the equities and secondary market funds held by the Group decreased due to macro-economic fluctuations since March 2021, resulting in a loss in the book value of investments for the first half of the financial year.

The Group registered revenue of RMB852 million for the Reporting Period, representing a year-on-year increase of 4.5%, while loss attributable to owners of the Company was RMB748 million, compared to profit of RMB1,116 million for the Comparative Period. Basic loss per share was RMB12.76 cents.

ENHANCING BRAND INFLUENCE THROUGH EFFORTS IN PRODUCT AND MARKETING

Against the backdrop of an extremely complicated market environment during the period, the Group continued to implement the direct-franchise operation model and optimised the structure of its offline channels, while consolidating its branded product lines to introduce sweeping renovation of its products. Through the premiere show of Kappa Sports Fashion Series in China and the first brand concept store in China, the Group completed a new round of brand upgrade, with a special emphasis of increasing operational efficiency with the support of marketing efforts. Against the market backdrop of young consumers being increasingly inclined to spending on highly personalised products, the brand intended to enhance its influence in a more precise manner by seeking exposure of the commodities on social media. In addition, the Group will continue to explore further omni-channel business scenarios in the future to increase brand exposure and procure stable sales growth. During the Reporting Period, we reported stable growth in the business performance of outlets and shopping centres, which provided the growth driver for offline sales. In future, the Group will continue to enhance single-store performance. As at 30 September 2021, the Group had a total of 1,421 Kappa stores (including Kappa Kid's stores), representing a net increase of 46 stores as compared to that as at the end of March.

REFOCUSING ON SPORTS TO ESTABLISH EXTENSIVE PRESENCE IN SPORTS MARKET SUB-SEGMENTS

The Kappa brand has a longstanding history in sports. Against the backdrop of the Tokyo Olympics and the upcoming Beijing Winter Olympics, the Group reverted to its initial brand objective under the new core brand strategy of "refocusing on sports". Accordingly, Kappa was actively sponsoring various types of popular sports, aiming to convey the brand's sporting character through vigorous involvement in the sports sector. Previously, Kappa had already become the official sponsor of the Chinese national skateboarding team, equestrian team and fencing teams to help them achieve strong results. Following the conclusion of the Tokyo Olympics, Sun Yiwen, an Olympic champion who won the first gold medal for women's epee for China, was officially appointed as the brand's sports ambassador to promote, together with the brand, the spirit of rising to the challenge and courage to show one's abilities. In connection with "sports + industry", Kappa was engaged in strategic cooperation with Shougang Infinite Park and served as its lead strategic sponsoring partner and official title sponsor, in a joint effort to groom trendy cultures. The range of brand operations in the sports sector described above have underlined the Company's determination to return to sports as its direction for business development.

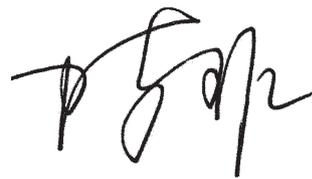
EMBRACING THE DIGITAL ERA WITH FULL-SCALE DEVELOPMENT OF DIGITALISATION AND OMNI-CHANNEL MARKETING

As consumer spending continues to shift to online channels, the domestic e-commerce business is growing and expanding. Meanwhile, the Group has continued to pursue digitalisation and omni-channel operation as one of its core strategic goals, in a bid to improve its omni-channel operation model at multiple levels and in a differentiated manner. During the Reporting Period, the Group continued to consolidate its channels in the private domains, while going online with new marketing scenarios, such as WeChat Mall and “members only” arrangements, and making stronger efforts to stabilise memberships so as to translate them into sales. In the meantime, the Group continued to establish its presence on multiple platforms of branded e-commerce operators, with a view to exploring consumer groups at different tiers and speedily enhancing its brand exposure. Furthermore, the Group has deepened its sales deployment with new channels such as Douyin and Dewu, in order further bolster online brand marketing and increase overall sales.

PRAGMATIC INVESTMENT STRATEGY

For the period, the Group reported net investment loss of RMB661 million, compared to investment gain of RMB1,243 million for the Comparative Period. As at 30 September 2021, the net asset value of the Group’s investment segment was RMB9,488 million for its, representing a 9.8% decline compared to that as at 31 March 2021. Compared with the substantial increase in investment income in the 2020/21 financial year, the fair value of the equities and secondary market funds held by the Group decreased due to macroeconomic fluctuations since March 2021, resulting in a loss in the book value of investments for the first half of the financial year. Over the past 10 years, the Group’s investment business has provided sound returns to shareholders and significantly enhanced its net asset value. We believe that the Group’s investment business will continue to provide lucrative returns in the future when the COVID-19 pandemic gradually comes under control and the economy sees stable recovery. In future, the Group will continue to optimise its investment asset portfolio, further strengthen cooperation with its investment project managers, advance new project investment in a prudent manner and facilitate timely and reasonable divestments of invested projects.

Finally, the Group wishes to take this opportunity to express sincere gratitude to the Directors and all members of the staff for their hard work and contributions. We must also thank all our partners and shareholders for their trust and longstanding support for the Group. Looking ahead, we will continue to uphold the traditional brand spirit of Kappa 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

24 November 2021



MANAGEMENT DISCUSSION AND ANALYSIS



1. Premiere of the Kappa Sports Fashion Series in China
2. Kappa Sports Fashion Series donned by artist Guo Caijie
3. Kappa Sports Fashion Series donned by artist Tizzy_T
4. Launch of Kappa x Canal Street Co-branded Skateboard Shoes
5. Offline Kappa skateboard activity in Dayuechang, Chaoyang District, Beijing
6. Kappa becomes the leading strategic sponsoring partner of Shougang Infinite Park
7. Kappa Azzurro, first global Kappa Concept Store
8. Pop-up Activities at Sanlitun, Beijing



MACRO-ECONOMIC REVIEW

During the first half of the 2021 financial year, leading economies in the world continued to be affected by the COVID-19 pandemic. With the launch of COVID-19 vaccines and mass vaccination programmes, there had been a slowdown in the proliferation of the pandemic at one point, before the rapid outbreak of the Delta variant resulted in volatile pandemic conditions in various parts of the world and disrupted the stable recovery of the global economy. Given the shortage of raw materials resulting from imbalances in the global supply chain, global economic outlook was subject to enormous uncertainty. According to the World Economic Outlook report published by the International Monetary Fund (IMF), a 5.9% global GDP growth is estimated for the current year, which was 0.1 percentage point lower than the projection given in July and reflected the uncertain economic outlook caused by the pandemic.

In comparison with other regions and Europe and America, China's measures in pandemic prevention and control have been exceedingly effective and the fundamental trend of its long-term positive economic growth has not altered. During the first half of the year, the pandemic rebounded in China with dispersed outbreaks in various regions. Thanks to a rigorous policy for pandemic prevention and control implemented by the nation, the pandemic outbreak subsequently came under control and production activities resumed in an orderly manner. According to the figures published by National Bureau of Statistics of China, the nation recorded a 9.8% GDP growth, year-on-year, for the first three quarters and an average biennial growth rate of 5.2%, while the year-on-year grow rate for the third quarter declined to 4.9%, reflecting the impact of the localised pandemic outbreaks and unbending raw material prices on the full-scale economic recovery in China, in addition the effect of the comparative bases.

The effect of the policy of encouraging spending driven by domestic demand stated in the "14th Five-Year Plan" of China continued to be felt, as the consumer spending market saw further recovery. According to the figures published by National Bureau of Statistics of China, total retail sales of consumer goods for the first half of 2021 grew by 13.9%, year-on-year. Online retail sales of consumer goods amounted to approximately RMB6.1 trillion, representing a year-on-year growth of 23.2%. Businesses also started to enhance their ability to engage in cross-channel online operations, leveraging the advantage of guided offline purchases to direct consumers to online retail channels, as the market embraced a new era of e-commerce spending with a diverse range of popularised online spending models.

INDUSTRY REVIEW

Affected by the pandemic and other factors, apparel companies reported lacklustre end-sales for the first half of the 2021 financial year, as retail sales of apparel retailers in China reported year-on-year declines. Apart from the effect of the comparative bases, stringent pandemic prevention and control measures with control over people's movement to cope with the dispersed localised pandemic outbreaks in various parts of China during the period also affected physical retail stores in certain regions. Meanwhile, the industry supply chain has been subject to impact since the second quarter, with tightened supply resulting in rising raw material prices. In particular, the price of Chinese cotton, a major raw material, had been going up since March this year, culminating in an annual record-high level for cotton prices in September and resulting in higher overall selling costs for the industry. Coupled with the delay in dispatch of certain goods caused by problems in the supply chain undermining retailers' ability to improvise, retail sales have been affected as a result.

Into the third quarter of the year, sales performance of the apparel retail sector was affected to a certain extent by lacklustre end-customer spending, as the impact of the pandemic and the warmer weather had pushed back consumers' demand for Autumn and Winter product lines; moreover, with slower turnover of new goods resulting in rising inventory levels at the channels, retailers were under increasing pressure to offer price discounts, thereby squeezing the industry's profit margin as a whole.

MANAGEMENT DISCUSSION AND ANALYSIS

The pandemic has accelerated the shift of China consumers from offline to online shopping, underpinned by the rapid development in China of novel social media broadcast means such as live selling and community group purchase, among others. As online spending is taking on an increasingly dominant role in China's shopping culture, it will drive the transformation of Chinese retail apparel companies' online marketing strategy with a strong focus on delivering a more complete and all-round experience for consumers.

The pandemic has also resulted in strong health awareness amongst the people, whose vigorous engagement in workouts and exercises has driven continuous growth in spending on related sporting goods. Currently, sportswear accounts for only 12.5% of China's overall spending on footwear and apparel, a percentage far lower than that for developed countries suggesting enormous potential for growth. In particular, the market for sports shoes and sportswear in China grows at a faster pace than the nation's overall footwear and apparel market. Data indicate that the market size of China's sports shoes and sportswear industry in 2021 reaches RMB385.8 billion, representing a compound annual growth rate of 9.83% for 2021–2023 and ranking second among all retail sub-sectors. Furthermore, as a major sporting power, China continues to provide strong policy support, with policies announced in recent years, such as the "Workout for All Programme" and "13th FYP Foundation Planning for the Sporting Industry", underpinning rapid development of the sporting industry. With the added impetus afforded by the forthcoming Beijing Winter Olympics to be held in the first quarter of 2022, increasing enthusiasm for sports brands is expected among the public.

Given rising economic standards and per capita disposable income, stronger health awareness on the part of consumers, upgrades in spending for sportswear, rapid development of social media and the unfailing popularity of sports fashion, a new consumer trend has already come into shape and this trend will continue to increase the penetration and repeated purchase of sportswear in China in the future, thereby contributing to the long-term, stable growth of China's sportswear industry.

BUSINESS REVIEW

The domestic market continued to recover during the period. The Group implemented upgrade and reform of the process of commodity circulation and sales through digital technology based on consumer demands. Meanwhile, in-depth integration of online and offline sales scenarios was facilitated to enhance effective brand promotion and increase brand value. In the meantime, the Group enhanced its reputation in the sports community by launching cooperation with the members of three national sports teams, capitalising on the sporting fervour arising from the Tokyo Olympics.

Brand-building and Marketing

PRC — Kappa brand

Brand-marketing has always been a top priority for Kappa. During the Reporting Period, the brand vigorously adopted different marketing strategies covering various online and offline channels to increase its market exposure. These included cross-sector cooperation in collaboration with celebrities and KOLs (key opinion leaders) of the sporting, entertainment and art sectors, among others, and pop-up events, in an effort to explore different customer segments and increase brand exposure.

In May, the brand successfully hosted the Kappa Annual Sports Fashion Show in China, the first of its kind by the Kappa brand since its entry into the Chinese market 20 years ago, in a further showcasing of its diverse brand DNA to the public. Chinese designer Xander Zhou, engaged as a designer-in-chief for the sports fashion show, creatively propositioned the theme concept of the "binary style system", calling for a joint effort by youngsters to explore the myriad of possibilities in aesthetic choices and identify their unique, individual styles. The theme concept integrated the classic "sporting" DNA with "fashion" designs to create a more diversified style of fashion sports. The premiere show boasted an exposure rate of over 11 billion, in an effective enhancement of Kappa's brand reputation in the domestic market.

During the same month, Kappa's first brand concept store was opened in Sanlitun, Beijing. The new Kappa brand concept store incorporated the classic element of Italy, the country where the brand originates, while drawing design inspirations from the Omini — "back-to-back" — logo of the brand. Designed to bring premium, bespoke buying experience to consumers, the first Kappa brand concept store marked another milestone in the renovation and upgrade of the Kappa brand. Moreover, the Sanlitun Kappa Store launched a three-day sports fashion series pop-up event in late May. The pop-up event continued with the theme of the premiere Kappa Sports Fashion Series show and encouraged young groups to unlock their own unique character and style together under the concept of the "binary style system". The pop-up store attracted massive visitors and provided a more diversified and avant-garde brand experience to chic young people and consumers in general.

In July, Kappa and Shougang Infinite Park held a signing ceremony for strategic cooperation at Shougang Park, Beijing, whereby Kappa officially became the title sponsor and lead strategic sponsoring partner of Shougang Infinite Park. Kappa Shougang Infinite Park is committed to the creation of an exclusive skateboarding lifestyle and construction of a new landmark for skateboarding in China. The skateboarding venue, comprising a warm-up zone, a street skateboarding zone and a pool and bowl skateboarding zone, is eligible for holding professional international tournaments. The design of the skateboarding arena in the park has preserved the industrial aura of a former industrial site while integrating the element of fashionable sports, making it an enchanting sanctuary for skateboarding. The bold innovation and ever-onward spirit of Shougang Infinite Park is in perfect tandem with Kappa's brand culture about courage to negotiate breakthroughs, while introducing a more diverse range of concepts and inspirations for fashion and trends to skateboarding in China in contribution to the fostering of the nation's skateboarding culture.

Kappa continued to support sporting development in China in an active bid to refocus the brand on sports. In August, Kappa signed up Sun Yiwen, member of the China fencing team and gold medalist for women's epee individual, as the brand's sports ambassador. Sun overcame strong opponents all the way to the final in women's epee at the Tokyo Olympics and won the first individual gold in the history of China's women epee team. Her achievement underlines perfectly Kappa's vanguard spirit of rising to the challenge and courage to show one's abilities. The cooperation has enhanced Kappa's close association with sports in accordance with the brand's initial objective of "refocus on sports".

As the official sponsor of the Chinese national skateboarding team, equestrian team and fencing teams, Kappa is well-poised to help Chinese athletes achieve stellar results. With the support of Kappa, Zeng Wenhui and Zhang Xin, members of the China skateboarding team, came 6th and 15th in women's street skateboarding and women's bowl skateboarding, respectively, to make history in China's skateboarding Olympics records. Kappa also dominated the scene at the skateboarding arena of the Shaanxi National Games of China when provincial skateboarding team members appeared in Kappa-designed outfits, underlining the brand's wide influence in the nationwide skateboarding sector.

PRC — Phenix brand

In July, Phenix launched the brand new "MISS PHENIX" series featuring mainly One-Piece Style. The series draws inspirations from female fashion ideas in the eighties while incorporating the double characters of cross-sector skiing and fashion, culminating in a young and trendy sporting style that offers a sentimental and sportive outfit experience. In October, Phenix supported the commencement of the all-Asia 2021 ski season at Keketuohai International Ski Resort with the opening of a PHENIX store in Keketuohai Town where a full range of Phenix ski products were available. As the only strategic partner brand for ski products, Phenix will continue with its effort to help fostering an ice and snow culture by bolstering the development of ancillary businesses in the ski sector.

MANAGEMENT DISCUSSION AND ANALYSIS

Kappa Apparel Series

During the Reporting Period, Kappa continued to engage in in-depth development of the domestic market with a dual emphasis on products and sales. On the one hand, we sought to enhance the creative quality of its products, with a special focus on building brand character. Meanwhile, we were actively engaged in cross-sector collaboration with celebrities and fashionable brands to launch signature creative co-branded products in consistent upholding of the brand outlook of “saying no to mediocrity”. Kappa was also committed to the reshaping of its sporting DNA to enhance its brand value by bolstering its sporting assets.

Classic Series

During the Reporting Period, the Classic Series presented a brand new Italian classic series with greater premium and fashionable ingredients by combining the Olympics rings and the logo tape with modern popular elements, drawing inspirations from the classic elements used by Kappa as a sponsor of the Los Angeles 1984 Olympics.

Lifestyle Series

Inspired by the classic acts and swift movements of the skateboard culture, the Lifestyle Series introduced skateboard jargons in the printed patterns and auxiliary materials during the Reporting Period, creating a prestigiously fashionable sense of speed and rhythm in the skateboard element. To address the outfit requirements for different scenarios, popular seasonal colours have been chosen to provide a stronger dose of bold, passionate and outgoing Kappa sentiments for the skateboard, a sport that has been followed by an increasing number of people in recent years. Moreover, the Lifestyle Series mimics the U-shaped pool and the bottom-up V-shaped ridge of the skateboarding venue while smashing and restructuring the elements using geometric shapes. Debuting at the 2021 Tokyo Olympics, Kappa skateboarding products provided a fine complement to the passion and energy of the national-team skateboarders.

Newtro-Ku Series

Born from the football DNA in Kappa’s illustrious sporting sponsorship history, the Newtro-Ku Series brings to consumers sporting products with rich textures and fashionable elements, which inherit the sophisticated sporting DNA of Kappa in a fashionable manner. Products from the series are made with fabrics offering rich textures and delicate touch, which keep an upright silhouette for the apparel while ensuring comfort in wearing.

Kappa Sports Fashion Series

During the Reporting Period, the first Kappa Sports Fashion Series engaged Xander Zhou as a designer-in-chief. The collaboration resulted in a new evolution of the classic “back-to-back” Omini logo and logo tape Banda in the sports fashion series. Certain logo marks were pixelated to convey the designer’s observation of the present and imagination for the future. For the first time, the crack was placed at the centre of the silhouette, a fine detail that testifies the pioneering spirit of Kappa.

Shoes Series

During the Reporting Period, Kappa footwear continued its development in a stable and consistent manner, driving sales growth by forging individual star Kappa products. The footwear segment reported improvements in terms of book orders, sales and buyers’ feedback for both online and offline channels, registering notable growth compared to the same period of the previous year. The footwear portfolio was increasingly focused on tailored designs, comfort and engagement with consumers based primarily on a strategy of differentiation from similar, competing products in the market, with a special emphasis on promotional marketing and cross-sector co-branding. During the Reporting Period, Kappa footwear launched a number of important co-branded projects, including co-branding with One Piece, Canal Street, WHIZ LIMITED, TIANC and GOALSTUDIO, among others, providing continuous promotional effect for the overall sales of footwear products. In the meantime, our online and offline sales channels for footwear were growing in maturity, making us well-positioned to broaden our brand business and attract more young and fashionable buyers as new customers.

Accessories Series

During the Reporting Period, Kappa accessories continued to report stable and consistent growth as it advanced product R&D and reforms in its commodity and channel strategy. In connection with products, research on spending scenarios and the physical store channel in support of the Company's general product transformation strategy and thinking was established as the guideline for product design and development, as differentiation in selling points and practical functionality were identified as the core focuses of our tasks, while the fashionable elements were consistently enhanced with ongoing innovation to highlight the quality of Kappa products as fashionable sports outfit. In terms of commodity and channel, we continued to enhance the operation and management of accessory goods at offline stores with more rigorous inventory control complemented by a specific retail policy for accessory products, making intensive efforts to identify sales issues and demands of end stores. At online stores, the brand business was expanded as accessory products were developed and supplied on a standalone basis according to the product demands and marketing approaches of the platforms, in a bid to attract new customer groups and achieve parallel growth for various channels.

Kappa Kids' Apparel Business

During the period, Kappa Kids was engaged in active brand promotion through cross-sector cooperation with a number of renowned brands. In addition to co-branded casual wear for boys and girls launched in association with B Family of Korea and Care Bears of the United States, we also joined forces with MUZIKTIGER for the launch of the joint Tiger Cub Series to coincide with the Year of the Tiger and provide free-spirit, comfy sportswear to the tiger boys of China. In August, Kappa Kids took part in the "Douyin Baby Boom Kids' Fashion Show" organised by the maternity care e-commerce platform of Douyin. Underpinned by the idea of "Super Omini Evolution", the show was a perfect display of the brand's three apparel categories: brand classic, sport fashion and IP co-branding. Through a range of variations of the logo tape, the sport fashion DNA for trendy kids was explored to create Kappa classics for the new generation. During the Reporting Period, Kappa Kids reported a 50.0% year-on-year growth in sales to RMB69 million.

Omni-channel Retail Network

During the Reporting Period, the Group continued to focus on the direct-franchise model and optimisation of same-store performance, in a bid to accelerate the efficient turnover of goods through omni-channels. As at 30 September 2021, the Group had a total of 1,421 Kappa stores (including Kappa Kid's stores), representing a net increase of 46 stores as compared to that as at 31 March 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

Meanwhile, the Group continued to pursue digitalisation and omni-channel operation as one of its core strategic goals. In addition to maintaining its brand competitiveness through comprehensive planning on its positioning on various mainstream platforms and formulation of relevant strategies, the brand also implemented one-stop business, financial and logistics management through the enhancement and upgrade of its omni-channel information system to effectively improve operational efficiency. During the Reporting Period, 720 cloud storage outlets were in operation facilitating flexible turnover of goods. In the meantime, the Group continued to explore novel marketing strategies through new modes of market outreach such as live streaming and short videos.

PRAGMATIC INVESTMENT STRATEGY

Compared with the substantial increase in investment income in the 2020/21 financial year, the fair value of the equities and secondary market funds held by the Group decreased due to macroeconomic fluctuations since March 2021, resulting in a loss in the book value of investments for the first half of the financial year. In future, the Group will continue to optimise its investment asset portfolio, further strengthen cooperation with its investment project managers, advance new project investment in a prudent manner and facilitate timely and reasonable divestments of invested projects to generate long-term and stable return for shareholders.

OUTLOOK

Looking to the future, as the trend of economic recovery continues to proliferate, the domestic economy and consumer confidence will gradually be restored. In the meantime, with economic development and policy support providing double driving force as well as the upcoming Beijing Winter Olympics, workout and exercise for all will become a dominant trend set to foster an enormous market for the development of the sporting industry. With full confidence in the prospects of China's economy and sportswear industry, the Group will seize the market opportunities and meet rapidly growing demands from the sporting sector.

In connection with the sports business, the Group will identify target consumer groups of the brand and cover different market sub-segments with a multi-brand strategy, in order to sustain stable growth in the future. In the meantime, the Group will conduct in-depth reform in commodity teams, retail market and brand promotion, in order to energise brand development and enhance market leadership of the brand through effective product upgrades. In addition, the Group will continue to carry out effective deployment of its digitalisation and omni-channel capabilities, with a view to providing target consumers of the brand with more prestigious all-round shopping experience. In connection with investment, the Group will continue to optimise its investment asset portfolio, further strengthen cooperation with its investment project managers, advance new project investment in a prudent manner and facilitate timely and reasonable divestments of invested projects to generate long-term and stable return for shareholders.

FINANCIAL REVIEW

The revenue of the Group for the six months ended 30 September 2021 (the “Reporting Period”) amounted to RMB852 million, an increase by 4.5% compared with RMB815 million for the six months ended 30 September 2020 (the “Comparative Period”). Loss attributable to owners of the Company for the Reporting Period was RMB748 million (Comparative Period: profit attributable to owners of the Company of RMB1,116 million).

Revenue Analysis

The COVID-19 pandemic has constituted high risks for the global economy. The Group’s revenue for the Reporting Period falling short of expectations was attributable to adverse factors in various aspects, such as the decline in the number of visitors owing to the outbreak of COVID-19 in certain parts of China, as well as the rainy weather in the north.

Revenue analysed by business and product categories

	For the six months ended 30 September						
	2021			2020			Change
	RMB million	% of product/brand mix	% of Group revenue	RMB million	% of product/brand mix	% of Group revenue	
Kappa Brand							
Apparel	526	70.4%	61.8%	560	74.9%	68.7%	-6.1%
Footwear	197	26.4%	23.1%	169	22.6%	20.8%	16.6%
Accessories	24	3.2%	2.8%	19	2.5%	2.3%	26.3%
Kappa Brand Total	747	100%	87.7%	748	100.0%	91.8%	-0.1%
Kids’ apparel business	69		8.1%	46		5.6%	50.0%
International business and others	36		4.2%	21		2.6%	71.4%
Total	852		100.0%	815		100.0%	4.5%

MANAGEMENT DISCUSSION AND ANALYSIS

Total revenue of the Kappa brand business, the core business of the Group, for the Reporting Period decreased slightly by RMB1 million to RMB747 million as compared to RMB748 million for the Comparative Period. The revenue of kids' apparel business unit for the Reporting Period amounted to RMB69 million, an increase by RMB23 million as compared to that for the Comparative Period.

For the Reporting Period, the Group continued to consolidate the business models of "brand + product" and "brand + retail" in a bid to further enhance our brand value

and forge solid brand influence by continuously refining and upgrading our products with our brand culture on the one hand, while continuing to optimise and improve the new operation model in control and management, optimise our direct operation networking, enhance store efficiency and expand our e-commerce operations on the other, so that the purchase demands from consumers are better accommodated and satisfied. Meanwhile, the Group continued to conduct adjustments and optimisation of its directly operated stores, resulting in 1,217 Kappa stores in total.

Revenue of Kappa brand analysed by sales channels

	For the six months ended 30 September				
	2021		2020		Change
	Revenue RMB million	% of Kappa brand revenue	Revenue RMB million	% of Kappa brand revenue	
Non directly-operated	334	44.7%	309	41.3%	8.1%
Directly-operated	413	55.3%	439	58.7%	-5.9%
Kappa brand Total	747	100.0%	748	100.0%	-0.1%

Note: Excluding Kappa Kids' apparel business.

Revenue of Kappa brand via non directly-operated channel increased by RMB25 million to RMB334 million for the Reporting Period from RMB309 million for the Comparative Period, representing 44.7% of the total revenue of the Group's Kappa brand business (Comparative Period: 41.3%).

As at 30 September 2021, the number of directly-operated retail and distribution stores under Kappa brand operated by our subsidiaries reached 618. Revenue via directly operated channel decreased by RMB26 million to RMB413 million for the Reporting Period from RMB439 million for the Comparative Period, representing 55.3% of the Group's total Kappa brand revenue (Comparative Period: 58.7%).

Cost of Sales and Gross Profit

Cost of sales of the Group increased by RMB16 million to RMB294 million for the Reporting Period (Comparative Period: RMB278 million).

The gross profit of the Group before provision for impairment of inventories increased by RMB21 million to RMB558 million (Comparative Period: RMB537 million). Our gross profit margin before provision for impairment of inventories for the Reporting Period decreased by 0.4 percentage points to 65.5% from 65.9% for the Comparative Period. The decrease in gross profit margin was mainly attributable to an increase in discount for sales resulting from the promotion and clearance sales activities under the impact of the COVID-19 pandemic.

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

	For the six months ended		
	30 September		
	2021	2020	Change
	Gross profit margin	Gross profit margin	% pts
Kappa Brand			
Apparel	73.3%	72.7%	0.6
Footwear	57.1%	58.2%	-1.1
Accessories	69.5%	79.3%	-9.8
Kappa Brand Total	68.9%	69.6%	-0.7
Kids' apparel business	54.4%	49.1%	5.3
Overall	65.5%	65.9%	-0.4

* Before (provision)/reversal of impairment loss of inventories

Gross profit margins of Kappa brand business for the Reporting Period and the Comparative Period were 68.9% and 69.6%, respectively, representing a decline by 0.7 percentage points. Such decrease in gross profit margin was principally due to an increase in retail discounts for promotional and clearance sales activities of the e-commerce business.

Other (losses)/gains — net

Other losses — net for the Reporting Period was RMB660 million (Comparative Period: other gains — net of RMB1,259 million), which includes the net amount of investment related losses of RMB661 million contributed by the investment segment, government subsidy income of RMB5 million and others losses (net) of RMB4 million.

Investment segment

Other losses — net from investment segment of the Group for the Reporting Period was RMB661 million (Comparative Period: other gains — net of RMB1,243 million), mainly comprising loss from fair value change of financial assets amounting to RMB730 million, partially offset by the dividend income from financial assets amounting to RMB29 million and interest income from loan receivables amounting to RMB50 million.

MANAGEMENT DISCUSSION AND ANALYSIS

As per the Group's investment categories, other losses — net from investment segment are as follows:

Investments	For the six months ended 30 September 2021	
	(Loss)/gain from investment segment RMB million	Including: (Loss)/ gain on change in fair value of financial instruments RMB million
Equity	(103)	(132)
Private-equity funds	(152)	(152)
Equity funds	(220)	(220)
Single equity investments	(230)	(230)
Debts, bonds, debt funds	48	(1)
Others	(4)	5
Total	(661)	(730)

Distribution Expenses and Administrative Expenses

Distribution expenses and administrative expenses mainly comprised employee salary and benefit expenses, selling and advertising expenses, logistic fees and design and product development expenses. Total distribution expenses and administrative expenses for the Reporting Period was RMB644 million (Comparative Period: RMB547 million), constituting 75.6% of the Group's total revenue and 8.5 percentage points higher than that for the Comparative Period. The Group continued to further optimise various resource allocations and improve cost structure, in a bid to enhance production efficiency subject to reasonable cost control. In order to minimise the existing and future potential pressure on the Group arising from the COVID-19 pandemic, the Group has strictly controlled various expenditures through effective management measures.

During the Reporting Period, the Group hired additional personnel for key positions to further enhance efficiency of all staff members. Employee salary and benefit expenses increased by RMB37 million, year-on-year, to RMB102 million for the Reporting Period (Comparative Period: RMB65 million).

Advertising and selling expenses of the Group increased by RMB45 million to RMB419 million for the Reporting Period from RMB374 million for the Comparative Period, which was principally due to the increase in marketing, advertising and promotional expenses during the period to enhance brand influence and the increase in relevant store expenses in tandem with the increase in the number of directly operated stores during the period.

Logistic fees for the Reporting Period amounted to RMB22 million (Comparative Period: RMB24 million), a decrease by RMB2 million versus the Comparative Period, which was principally due to the decrease in the logistic fees in line with the decrease in revenue from the overall on-line channels versus the Comparative Period.

For the Reporting Period, the Group continued to take a more cautious but effective approach in investment in product development, as our design and product development expenses increased by RMB6 million over the Comparative Period to RMB17 million (Comparative Period: RMB11 million), which was principally due to the improvement in the R&D capacity.

Operating Loss

For the Reporting Period, operating loss of the Group was RMB770 million (Comparative Period: operating profit of RMB1,282 million). The operating loss margin was 90.4% for the Reporting Period (Comparative Period: operating profit margin 157.3%). Operating loss excluding investment segment was RMB75 million (Comparative Period: operating profit of RMB65 million).

Finance Expenses-Net

For the Reporting Period, finance expenses-net of the Group amounted to RMB6 million (Comparative Period: RMB6 million), comprising interest income from bank deposit of RMB1 million (Comparative Period: RMB3 million) and interest expenses for borrowings of RMB3 million (Comparative Period: RMB5 million); interest expense of lease liabilities of RMB2 million (Comparative Period: RMB2 million) was also incurred during the Reporting Period.

Taxation

For the Reporting Period, income tax credit of the Group amounted to RMB28 million, which was mainly attributable to deferred income tax assets recognised for losses (Comparative Period: income tax expense of RMB92 million). The effective tax rate was 3.6% (Comparative Period: 7.3%).

Loss Attributable to Owners of the Company and Net Loss Margin

Loss attributable to owners of the Company during the Reporting Period was RMB748 million (Comparative Period: profit attributable to owners of the Company of RMB1,116 million), and the net loss margin was 87.8% (Comparative Period: net profit margin 136.9%).

Losses Per Share

The basic and diluted losses per share for loss attributable to owners of the Company were both RMB12.76 cents for the Reporting Period, decreasing by 167.0% compared with the basic and diluted earnings per share of RMB19.04 cents for the Comparative Period.

The basic loss per share are calculated by dividing the loss for the period 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. As at 30 September 2021, the total number of ordinary shares of the Group was 5,887,561,025 shares.

Interim Dividend and Interim Special Dividend

The board of directors of the Company has resolved not to declare any interim dividend or interim special dividend for the six months ended 30 September 2021.

Issue of New Shares to Management Personnel

To incentivize and ensure the long-term service of management personnel of the Company, the Company entered into: (i) 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) a 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.

Restricted Share Award Scheme

The share award scheme had a term of 10 years from the date of its adoption (10 December 2010) and ended on 10 December 2020. On 8 December 2020, the Board resolved to extend the term of the Scheme for another 10 years and the Scheme will end on 10 December 2030. Save as the aforesaid, all other material terms of the Scheme remain unchanged and valid.

Details of the Company's Restricted share award scheme can be found in the "Other Information — Restricted share award scheme" section set out in page 25 of the Company's interim report for the six months ended 30 September 2021.

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.

Details of the Company's Share Option Scheme can be found in the "Other Information — Share Option Scheme" section set out in pages 26 to 28 of the Company's interim report for the six months ended 30 September 2021.

FINANCIAL POSITION

Working capital efficiency ratios

The average trade receivable turnover days for the Reporting Period and the Comparative Period were 35 days and 30 days, respectively. The increase in the number of average trade receivable turnover days was mainly due to the increase in the average balance of trade receivables for the current period.

The average trade payable turnover days for the Reporting Period and the Comparative Period were 133 days and 109 days, respectively.

The average inventory turnover days for the Reporting Period and the Comparative Period were 278 days and 262 days, respectively. The increase in inventory turnover days was mainly due to the increase in the average balance of inventory for the current period.

Liquidity and financial resources

As at 30 September 2021, cash and bank balances of the Group amounted to RMB1,378 million, a decrease of RMB446 million as compared to a balance of RMB1,824 million as at 31 March 2021. Such decrease was mainly attributable to:

- 1) Payment of dividends for the Reporting Period with an amount equivalent to approximately RMB301 million;
- 2) Net cash outflow from operating activities amounting to approximately RMB172 million;
- 3) Outflows from bank loan repayment amounting to RMB161 million and cash inflows from proceeds from bank borrowings amounting to RMB106 million;
- 4) Cash outflows for loans to external parties and investment in other financial assets of approximately RMB2,104 million, cash inflow from partial disposal of financial assets of approximately RMB2,017 million and cash inflow from dividend income from acquired financial assets of RMB29 million, and cash inflow from repayment of loans to external parties of RMB179 million;
- 5) Others of an aggregate outflows amount of RMB39 million.

As at 30 September 2021, net asset value attributable to owners of the Company was RMB10,429 million (31 March 2021: RMB11,533 million). The Group's current assets exceeded current liabilities by RMB5,537 million (31 March 2021: RMB5,764 million). The Group also had a very strong liquidity position. The current ratio as of 30 September 2021 was 7.3 times (31 March 2021: 9.0 times).

MANAGEMENT DISCUSSION AND ANALYSIS

Investments in financial assets

As at 30 September 2021, the Group's current and non-current proportion of financial assets at fair value through profit or loss amounted to RMB7,625 million in aggregate, which includes the following:

Listed securities:

Name	Fair value as at 30 September 2021 RMB million	Fair value as at 31 March 2021 RMB million
Alibaba	466	359
Other listed securities	615	711
Total	1,081	1,070

Other unlisted investments:

Investments	Fair value as at 30 September 2021 RMB million	Fair value as at 31 March 2021 RMB million
CPE Greater China Enterprises Growth Fund	552	661
CPE Yuanfeng Fund RMB III	457	493
Jiashi Investment Preferred Cornerstone	353	353
Yunfeng Fund USD II	292	461
Pan Feng Value Private Equity Investment Fund Phase C	282	329
Pingtao (Hong Kong) Limited	257	367
Golden China Fund	245	198
CPE Global Opportunities Fund, L.P	242	291
Guotiao Hongtai Fund	226	224
Yunfeng Fund RMB IV	206	208
Boyu Capital Offshore Fund	204	193
Jiashi Investment Preferred II	161	164
Yunfeng Fund USD III	156	142
Yunfeng Fund RMB II	155	193
Others	2,756	3,062
Total	6,544	7,339

Pledge of assets

As at 30 September 2021, the Group's assets with a value of approximately RMB40 million equivalent were held by banks as collateral for bank borrowings (as at 31 March 2021: assets with a value of approximately RMB130 million equivalent held by banks as collateral for bank borrowings).

Capital commitments and contingent liabilities

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 2021, the Group paid a capital contribution of RMB171 million and the remaining balance of the capital commitment was RMB129 million.

In January 2021, the Group entered into a limited partnership agreement with CPE Global Opportunities Fund II, with a total capital commitment of US\$30 million. As at 30 September 2021, the Group paid a capital contribution of US\$12 million and the remaining balance of the capital commitment was US\$18 million (equivalent to approximately RMB116 million).

In February 2021, the Group entered into a limited partnership agreement with Yunfeng Fund IV (雲鋒基金IV), with a total capital commitment of US\$20 million. As at 30 September 2021, the Group paid a capital contribution of US\$6 million and the remaining balance of the capital commitment was US\$14 million (equivalent to approximately RMB91 million).

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 2021, the Group paid a capital contribution of RMB110 million and the remaining balance of the capital commitment was RMB90 million.

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 Group 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 Group's HK Dollars bank deposits were recognised as exchange gains or losses in the Group's income statement. The exchange gains or losses were not significant as 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, they are recognised as a separate component of equity of the Group. As 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 and Hong Kong Dollar against Renminbi will affect the Group's net assets, income and net profit. The Group will closely monitor the trend of the relevant currency exchange rates and adopt reasonable measures where necessary to maintain exchange rate risks at an acceptable level.

MANAGEMENT DISCUSSION AND ANALYSIS

Significant Investments and Acquisitions

As at 30 September 2021, the Company's external investments were mainly the financial assets at fair value through profit or loss with a fair value of RMB7,625 million, amongst which the significant investments have been the shares in CPE Greater China Enterprises Growth Fund held by the Company, the details of which are as follows:

Company name	At 30 September 2021			Fair value RMB million	Percentage of fair value to the Group's total assets
	Number of share held	Shareholding percentage	Investment cost RMB million		
CPE Greater China Enterprises Growth Fund	496,789.9	N/A	550	552	4.7%

CPE Greater China Enterprises Growth Fund is an exempted company incorporated in the Cayman Islands with limited liability, which is a regulated mutual fund and will be registered with the Monetary Authority under the Cayman Islands Mutual Funds Law. The investment goals of the fund is to achieve long-term capital appreciation through investing in securities listed on stock exchanges in Greater China, as well as various investment and asset classes such as debt instruments, bonds, convertible bonds, notes, structured products, unlisted securities and collective investment funds.

As at 30 September 2021, the fair value of CPE Greater China Enterprises Growth Fund held by the Group was RMB552 million, representing 4.7% of the Group's total assets. During the period, the Company recognised unrealized loss on changes in fair value of the fund amounting to RMB101 million. There was no redemption during the period.

Given the volatility of the capital market, the Group has made appropriate adjustments to the investment structure of the Company, sought to reduce risks in its investments in securities funds by diversifying investment subjects, improved the allocation efficiency of investment assets, and further enhanced investment returns while accommodating the liquidity, so that the allocation of investment assets is compatible with more reasonable investment goals. The Group is optimistic about its future development prospects and will continue to adopt a prudent and practical approach in the future to bring stable returns for its shareholders when ensuring the investment safety and effectiveness.

Save as disclosed above, the Group has made no other significant investment or any other material transaction involving the acquisition or disposal of subsidiaries for the six months ended 30 September 2021.

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 was effective for a term of 10 years from the Adoption Date (i.e. 10 December 2010). On 8 December 2020, the Board resolved to extend the term of the Scheme for another 10 years and the Scheme shall be valid and effective until 10 December 2030. Save as the aforesaid, all other material terms of the Scheme remain unchanged and valid.

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 2021, none of the Restricted Shares were granted to any eligible participant pursuant to the Restricted Share Award Scheme. As at 30 September 2021, 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 2021 and 30 September 2021, 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.

OTHER INFORMATION

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.

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 2021:

Category	Date of grant	Number of share options					Exercise period	Exercise price per share (HK\$)	Vesting period
		Outstanding as at 1 April 2021	Granted during the six months ended 30 September 2021	Exercised during the six months ended 30 September 2021	Lapsed during the six months ended 30 September 2021	Outstanding as at 30 September 2021			
Directors									
Mr. Zhang Zhiyong ⁽⁵⁾	15/04/2021	—	36,000,000	—	—	36,000,000	15/04/2021–14/04/2031	0.94	14/04/2024
Ms. Chen Chen ⁽⁵⁾	15/04/2021	—	23,000,000	—	—	23,000,000	15/04/2021–14/04/2031	0.94	14/04/2024
Mr. Lyu Guanghong ⁽⁵⁾	15/04/2021	—	6,000,000	—	—	6,000,000	15/04/2021–14/04/2031	0.94	14/04/2024
Employees									
—	16/09/2019 ⁽¹⁾	16,680,000	—	1,340,000 ⁽⁸⁾	1,760,000	13,580,000	16/09/2019–15/09/2029	0.854	16/09/2019–15/09/2022
—	07/01/2020 ⁽²⁾	1,080,000	—	—	—	1,080,000	07/01/2020–06/01/2030	0.86	07/01/2020–06/01/2033
—	01/04/2020 ⁽³⁾	2,400,000	—	—	1,600,000	800,000	01/04/2020–31/03/2030	0.67	01/04/2020–31/03/2033
—	01/09/2020 ⁽⁴⁾	1,200,000	—	—	—	1,200,000	01/09/2020–31/08/2030	1.09	01/09/2020–31/08/2033
—	15/04/2021 ⁽⁵⁾	—	124,400,000	—	12,800,000	111,600,000	15/04/2021–14/04/2031	0.94	14/04/2024
—	02/07/2021 ⁽⁶⁾	—	3,500,000	—	—	3,500,000	02/07/2021–01/07/2031	1.36	01/07/2024
Total		21,360,000	192,900,000	1,340,000	16,160,000	196,760,000			

* Further details of the share options are set out in note 23 to the interim condensed consolidated financial information on pages 66 to 68 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.
- On 15 April 2021, the Company granted an aggregate of 189,400,000 options to certain management staff and employees of the Company, including three executive directors of the Company (namely Mr. Zhang Zhiyong, Ms. Chen Chen and Mr. Lyu Guanghong), to subscribe for a total of 189,400,000 ordinary shares of HK\$0.01 each in the share capital of the Company, representing approximately 3.22% 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 15 April 2021 for details.

OTHER INFORMATION

6. On 2 July 2021, the Company granted an aggregate of 3,500,000 options to certain management staff and employees of the Company to subscribe for a total of 3,500,000 ordinary shares of HK\$0.01 each in the share capital of the Company, representing approximately 0.06% 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 2 July 2021 for details.
7. For the six months ended 30 September 2021, 192,900,000 share options were granted. 1,340,000 share options were exercised. 16,160,000 share options have lapsed due to the resignation of staff.
8. The weighted average closing price of the ordinary shares of the Company immediately before the dates on which the options were exercised was approximately HK\$1.25.
9. There are no participants with options granted in excess of the individual limit and no grants to suppliers of goods and services.
10. Save as disclosed above, no other share options were granted, exercised, lapsed or canceled for the six months ended 30 September 2021.

3 DISCLOSURE OF INTEREST

(a) Directors' Interests in securities

As at 30 September 2021, 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⁾	2,332,491,000 shares	—	39.62%
	Interest of a controlled corporation ⁽³⁾	312,090,025 shares	—	5.3%
Mr. Zhang Zhiyong	Beneficial owner ⁽³⁾	202,120,025 shares ⁽⁴⁾	—	3.43%
Ms. Chen Chen	Interest of a controlled corporation ⁽²⁾	176,787,730 shares	—	3.00%
	Beneficial owner	44,500,000 shares ⁽⁵⁾	—	0.76%
Mr. Lyu Guanghong	Beneficial owner ⁽³⁾	16,000,000 shares ⁽⁶⁾	—	0.27%

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) 312,090,025 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.
- (4) It included Mr. Zhang Zhiyong's interests in 166,120,025 shares and share options to subscribe for 36,000,000 shares pursuant to the share options granted by the Company on 15 April 2021 under the share option scheme adopted by the Company on 8 August 2019 at an exercise price of HK\$0.94 each.
- (5) It included Ms. Chen Chen's interests in 21,500,000 shares and share options to subscribe for 23,000,000 shares pursuant to the share options granted by the Company on 15 April 2021 under the share option scheme adopted by the Company on 8 August 2019 at an exercise price of HK\$0.94 each.
- (6) It included Mr. Lyu Guanghong's interests in 10,000,000 shares and share options to subscribe for 6,000,000 shares pursuant to the share options granted by the Company on 15 April 2021 under the share option scheme adopted by the Company on 8 August 2019 at an exercise price of HK\$0.94 each.

Save as disclosed above, as at 30 September 2021, 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 2021, 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	Corporate interest	2,332,491,000	—	39.62%
	Interest in a controlled corporation ⁽²⁾	312,090,025	—	5.3%
Harvest Luck Development Limited ⁽¹⁾	Interest in a controlled corporation	2,332,491,000	—	39.62%
	Interest in a controlled corporation ⁽²⁾	312,090,025	—	5.3%

OTHER INFORMATION

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) 312,090,025 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 2021, 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. Mr. Chen Yihong (chairman and executive director), and Ms. Chen Chen (executive director) could not attend the annual general meeting ("AGM") held on 18 August 2021, 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 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 2021.

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 2021.

The unaudited interim condensed consolidated financial information for the six months ended 30 September 2021 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 2021, 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 2021

	Note	Unaudited	
		Six months ended 30 September	
		2021	2020
		RMB'000	Restated RMB'000
Continuing operations			
Revenue	6	851,893	814,788
Cost of sales	8	(294,039)	(278,044)
(Provision for)/reversal of impairment of inventories — net	8	(5,893)	30,738
Gross profit		551,961	567,482
Distribution expenses	8	(558,733)	(481,713)
Administrative expenses	8	(85,549)	(65,579)
(Provision for)/reversal of impairment of financial assets — net		(17,732)	2,826
Other (losses)/gains — net	7	(659,716)	1,258,909
Operating (loss)/profit		(769,769)	1,281,925
Finance income	9	1,147	2,574
Finance expenses	9	(7,190)	(8,075)
Finance expenses — net		(6,043)	(5,501)
Share of post-tax losses of joint ventures and associates accounted for using the equity method	16	(410)	(13,660)
(Loss)/profit before income tax		(776,222)	1,262,764
Income tax credit/(expense)	10	28,273	(92,373)
(Loss)/profit from continuing operations		(747,949)	1,170,391
Loss from discontinued operations		—	(56,798)
(Loss)/profit for the period		(747,949)	1,113,593
(Loss)/profit attributable to:			
— Owners of the Company		(747,949)	1,116,183
— Non-controlling interests		—	(2,590)
		(747,949)	1,113,593

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

For the six months ended 30 September 2021

	Note	Unaudited	
		Six months ended 30 September	
		2021	2020
		RMB'000	Restated RMB'000
Other comprehensive (loss)/income:			
Items that may be reclassified to profit or loss			
— Currency translation differences on foreign operations of continuing operations		(56,292)	(176,095)
— Currency translation differences on foreign operations of discontinued operations		—	3,866
Items that may not be reclassified to profit or loss			
— Currency translation differences on foreign operations		(8,202)	(27,644)
Other comprehensive loss, net of tax		(64,494)	(199,873)
Total comprehensive (loss)/income for the period		(812,443)	913,720
Total comprehensive (loss)/income for the period attributable to:			
— Owners of the Company		(812,443)	916,310
— Non-controlling interests		—	(2,590)
(Losses)/earnings per share for (loss)/profit from continuing operations attributable to owners of the Company for the period (expressed in RMB cents per share)			
— Basic (losses)/earnings per share	11	(12.76)	19.91
— Diluted (losses)/earnings per share	11	(12.76)	19.91
(Losses)/earnings per share for (loss)/profit attributable to owners of the Company for the period (expressed in RMB cents per share)			
— Basic (losses)/earnings per share	11	(12.76)	19.04
— Diluted (losses)/earnings per share	11	(12.76)	19.04

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 2021

	Note	Unaudited 30 September 2021 RMB'000	Audited 31 March 2021 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	13	88,833	77,335
Right-of-use assets	15	102,698	96,716
Intangible assets	14	179,696	182,716
Investments accounted for using the equity method	16	69,653	94,656
Financial assets at fair value through profit or loss	5	4,262,185	4,938,828
Deferred income tax assets		163,136	142,771
Other financial assets at amortised cost	19	354,273	449,937
Other assets		32,685	169,513
Total non-current assets		5,253,159	6,152,472
Current assets			
Inventories		522,605	369,601
Trade receivables	17	154,180	180,950
Other current assets		51,262	41,892
Financial assets at fair value through profit or loss	5	3,363,008	3,470,575
Other financial assets at amortised cost	19	951,712	598,409
Restricted cash		134	134
Cash and cash equivalents		1,377,643	1,823,757
Total current assets		6,420,544	6,485,318
Total assets		11,673,703	12,637,790
EQUITY			
Equity attributable to owners of the Company			
Share capital and share premium	21	1,091,344	1,090,096
Shares held for employee share scheme	22	(196)	(196)
Reserves		9,337,824	10,442,863
Capital and reserves attributable to owners of the Company		10,428,972	11,532,763
Non-controlling interests		3,162	3,162
Total equity		10,432,134	11,535,925

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 September 2021

	Note	Unaudited 30 September 2021 RMB'000	Audited 31 March 2021 RMB'000
LIABILITIES			
Non-current liabilities			
Lease liabilities	15	38,934	41,641
Deferred income tax liabilities		318,645	338,966
Total non-current liabilities		357,579	380,607
Current liabilities			
Derivative	5	215,064	35,403
Contract liabilities		12,637	9,738
Lease liabilities	15	46,193	47,967
Borrowings	24	70,389	126,630
Trade payables	18	302,272	125,779
Accruals and other payables	20	228,255	359,542
Deferred income tax liabilities		573	577
Current income tax liabilities		8,607	15,622
Total current liabilities		883,990	721,258
Total liabilities		1,241,569	1,101,865
Total equity and liabilities		11,673,703	12,637,790

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

The interim condensed consolidated financial information on pages 31 to 72 was approved and authorised for issue by the Board of Directors on 24 November 2021 and was signed on its behalf by:

CHEN YIHONG

Executive Director & Chairman

ZHANG ZHIYONG

Executive Director

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2021

		Unaudited							
		Attributable to owners of the Company							
		Share capital	Share premium account	Shares held for employee share scheme	Other Reserves	Retained earnings	Total	Non-controlling interests	Total equity
	Note	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 31 March 2021		56,467	1,033,629	(196)	(40,666)	10,483,529	11,532,763	3,162	11,535,925
Comprehensive loss									
Loss for the period		—	—	—	—	(747,949)	(747,949)	—	(747,949)
Other comprehensive loss									
Currency translation differences		—	—	—	(64,494)	—	(64,494)	—	(64,494)
Total comprehensive losses		—	—	—	(64,494)	(747,949)	(812,443)	—	(812,443)
Transactions with owners:									
Net proceeds from share issuance pursuant to share option schemes	21	11	942	—	—	—	953	—	953
Transfer of fair value of share options exercised to share premium	21	—	295	—	(295)	—	—	—	—
Dividends declared and paid	12	—	—	—	—	(300,580)	(300,580)	—	(300,580)
Total contribution by and distribution to owners, recognised directly in equity		11	1,237	—	(295)	(300,580)	(299,627)	—	(299,627)
Value of service provided under share option scheme	23	—	—	—	8,279	—	8,279	—	8,279
Total Transaction with owners, recognised directly in equity		11	1,237	—	7,984	(300,580)	(291,348)	—	(291,348)
Balance at 30 September 2021		56,478	1,034,866	(196)	(97,176)	9,435,000	10,428,972	3,162	10,432,134

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2021

	Unaudited								
	Attributable to owners of the Company							Non-controlling interests	Total equity
	Note	Share capital	Share premium	Shares held for employee share scheme	Other Reserves	Retained earnings	Total		
	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/(loss) for the period		—	—	—	—	1,116,183	1,116,183	(2,590)	1,113,593
Other comprehensive loss									
Currency translation difference		—	—	—	(199,873)	—	(199,873)	—	(199,873)
Total comprehensive income		—	—	—	(199,873)	1,116,183	916,310	(2,590)	913,720
Transactions with owners:									
Dividends declared and paid	12	—	—	—	—	(158,702)	(158,702)	—	(158,702)
Disposal of a non-wholly owned subsidiary		—	—	—	—	—	—	(1,725)	(1,725)
Total contributions by and distributions to owners, recognised directly in Equity		—	—	—	—	(158,702)	(158,702)	(1,725)	(160,427)
Value of service provided under share option scheme	23	—	—	—	1,437	—	1,437	—	1,437
Total Transaction 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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2021

	Note	Unaudited Six months ended 30 September	
		2021 RMB'000	2020 RMB'000
Cash flows from operating activities			
Cash used in operations		(154,101)	(34,999)
Interest received		1,147	2,581
Income tax paid		(19,432)	(28,571)
Net cash used in operating activities		(172,386)	(60,989)
Cash flows from investing activities			
Purchase of property, plant and equipment		(15,561)	(1,375)
Purchase of intangible assets		(1,444)	(224)
Purchases of right-of-use assets		(11,902)	—
Decrease in term deposits with initial terms over three months		—	37,738
Proceeds from disposal of property, plant and equipment and intangible assets		515	88,970
Increase in financial assets at fair value through profit or loss		(1,671,416)	(1,906,094)
Proceeds from disposal of financial assets at fair value through profit or loss		2,016,608	2,969,392
Dividend and investment income from financial assets at fair value through profit or loss		29,445	143,960
Increase in loan receivables		(433,061)	(175,000)
Repayment of loan receivables		179,259	115,150
Interest received from other financial assets at amortised cost		22,425	47,687
Proceeds from disposal of investment in a joint venture		14,514	—
Investment in a joint venture		(4,900)	—
Net cash generated from investing activities		124,482	1,320,204
Cash flows from financing activities			
Dividends paid	12	(300,580)	(158,702)
Proceeds from bank borrowings		105,869	263,644
Repayment of bank borrowings		(161,211)	(319,303)
Interest paid		(3,463)	(4,739)
Proceeds received from employees in relation to exercise of share options		1,025	—
Payment for lease liabilities		(25,373)	(28,737)
Net cash used in financing activities		(383,733)	(247,837)
Net (decrease)/increase in cash and cash equivalents		(431,637)	1,011,378
Cash and cash equivalents at the beginning of the period		1,823,757	2,063,150
Exchange loss on cash and cash equivalents		(14,477)	(81,248)
Cash and cash equivalents at end of the period		1,377,643	2,993,280

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 2021

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 was approved for issue by the board of directors of the Company on 24 November 2021.

This interim condensed consolidated financial information for the six months ended 30 September 2021 has not been audited.

2 BASIS OF PREPARATION

This interim condensed consolidated financial information for the six months ended 30 September 2021 has been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting (“IAS 34”).

During the year ended 31 March 2021, the Group discontinued the business of Japan-Apparel segment. Accordingly, in preparing this interim condensed consolidated financial information, the comparative figures for revenue, expenses, and other operating results of the Japan-Apparel segment are reclassified and presented as a single amount as “loss from discontinued operations” in the interim condensed consolidated statement of profit or loss and other comprehensive income for the six months ended 30 September 2020 for consistent presentation purpose.

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 2021, which have been prepared in accordance with International Financial Reporting Standards (“IFRS”), and any public announcements made by the Company during the interim reporting period.

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 2021, 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.

The adoption of the new and amended standards which are effective for annual reporting period commencing 1 April 2021 does not have any significant impact on the Group's significant accounting policies and the presentation of this interim condensed consolidated financial information.

In addition, 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 CRITICAL ESTIMATES AND JUDGEMENTS

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 2021.

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), and credit risk.

The interim condensed consolidated financial information does 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 2021.

There have been no changes in the risk management policies since 31 March 2021.

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 loan 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".

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 September 2021

5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONTINUED)

5.3 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

This section explains the judgements and estimates made in determining the fair values of the financial instruments that are recognised and measured at fair value in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its financial instruments into the three levels prescribed under the accounting standards. An explanation of each level follows underneath the table.

As at 30 September 2021	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	—	—	6,127,102	6,127,102
— Other unlisted investments	—	—	329,660	329,660
— Listed equity securities — stock	1,080,971	—	—	1,080,971
— Unlisted fixed coupon notes	—	—	87,460	87,460
Total financial assets	1,080,971	—	6,544,222	7,625,193
Financial liabilities				
Derivatives	—	—	(215,064)	(215,064)
As at 31 March 2021	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	—	—	6,760,999	6,760,999
— Other unlisted investments	—	41,582	470,033	511,615
— Listed equity securities — stock	993,794	—	—	993,794
— Listed perpetual bonds	53,984	—	—	53,984
— Listed debt securities	23,103	—	—	23,103
— Unlisted fixed coupon notes	—	—	65,908	65,908
Total financial assets	1,070,881	41,582	7,296,940	8,409,403
Financial liabilities				
Derivatives	—	—	(35,403)	(35,403)

5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONTINUED)

5.3 Fair value estimation (Continued)

(a) Fair value hierarchy (Continued)

There were no transfers between Level 1 and Level 2 for recurring fair value measurements during the period. For transfers in and out of Level 3 measurements see Note 5.3(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.

- 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 2021 and 31 March 2021, the Group's financial assets that are measured at fair value using Level 1 inputs mainly include:

- (i) Listed equity securities — stock, representing investments in ordinary shares of certain US listed companies 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.
 - 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, unlisted fixed coupon notes and other derivative products.

Further details of the Group's financial assets and financial liabilities that are measured at fair value using Level 3 inputs are given in Note 5.3(c) below.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 September 2021

5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONTINUED)

5.3 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 2021 and 2020.

	Financial assets at fair value through profit or loss RMB'000	Derivatives RMB'000	Total RMB'000
Opening balance at 1 April 2021	7,296,940	(35,403)	7,261,537
Acquisitions	486,103	—	486,103
Disposals	(559,241)	—	(559,241)
Transfer from Level 3 to Level 1	(32,857)	—	(32,857)
Other losses — net*	(605,777)	(181,324)	(787,101)
Currency translation difference	(40,946)	1,663	(39,283)
Closing balance at 30 September 2021	6,544,222	(215,064)	6,329,158
* includes unrealised losses recognised in profit or loss attributable to balances held at the end of the reporting period	(638,995)	(181,324)	(820,319)
	Financial assets at fair value through profit or loss RMB'000	Derivatives RMB'000	Total RMB'000
Opening balance at 1 April 2020	4,514,638	(29,616)	4,485,022
Acquisitions	1,266,046	—	1,266,046
Disposals	(936,306)	—	(936,306)
Other gains/ (losses) — 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/(losses) recognised in profit or loss attributable to balances held at the end of the reporting period	648,004	(64,800)	583,204

5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONTINUED)

5.3 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 September 2021 RMB'000	31 March 2021 RMB'000			As at 30 September 2021	As at 31 March 2021	
Financial assets							
Private equity fund investments (Note 1)	6,127,102	6,760,999	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)	329,660	470,033	Market approach	PS:EV/EBIT Discount for lack of marketability ("DLOM")	PS : 10.41 EV/EBIT : 19.60 DLOM : 20%	PS: 2.04-10.56 EV/EBIT: 28.03 — 22%	Increased or decreased PS or EV/EBIT by 1 would increase or decrease FV by RMB20,084,000 (31 March 2021: RMB19,767,000). Increased or decreased DLOM by 10% would decrease or increase FV by RMB41,208,000 (31 March 2021: RMB58,650,000).
Unlisted fixed coupon notes (Note 3)	87,460	65,908	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
Total financial assets	6,544,222	7,296,940					
Financial liabilities							
Derivatives (Note 4)	(215,064)	(35,403)	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

* 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 PS 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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 September 2021

5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONTINUED)

5.3 Fair value estimation (Continued)

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

Notes: (Continued)

- (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 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 2021 and 31 March 2021, 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) 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 2021 and 31 March 2021, 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.

(d) Valuation processes

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, the issuing banks of the unlisted fixed coupon notes and other derivative products as well as the banks sponsoring and managing the wealth management products, etc.), at least twice every financial year, which coincides with the Group's semi-annually reporting dates.

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.

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

During the year ended 31 March 2021, the Group discontinued the business in Japan-Apparel segment. Accordingly, certain comparative segment information related to the Japan-Apparel segment for the six months ended 30 September 2020 is considered retrospectively and the Group's operating segment information is restated as if the Group had reallocated the resources in that period.

6 SEGMENT INFORMATION (CONTINUED)

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 interim condensed consolidated statement of profit or loss and other comprehensive income.

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 2021 and 2020, respectively are as follows:

	Unaudited				
	Continuing operations China —			Discontinued operations Japan —	
	Apparel — RMB'000	Investment RMB'000	Subtotal RMB'000	Apparel RMB'000	Total RMB'000
Six month ended					
30 September 2021					
Revenue from external customers	851,893	—	851,893	—	851,893
Cost of sales	(294,039)	—	(294,039)	—	(294,039)
Provision for impairment of inventories — net	(5,893)	—	(5,893)	—	(5,893)
Segment gross profit	551,961	—	551,961	—	551,961
Other gains/(losses) — net	1,267	(660,983)	(659,716)	—	(659,716)
Segment operating loss	(75,033)	(694,736)	(769,769)	—	(769,769)
Finance income/(expense), net	6,232	(12,275)	(6,043)	—	(6,043)
Share of post-tax profit/(loss) of joint venturers and associates accounted for using the equity method	576	(986)	(410)	—	(410)
Loss before income tax	(68,225)	(707,997)	(776,222)	—	(776,222)
Income tax credit	13,241	15,032	28,273	—	28,273
Loss for the period	(54,984)	(692,965)	(747,949)	—	(747,949)
Material items of income and expense					
Depreciation and amortisation	7,388	633	8,021	—	8,021
Depreciation of right-of-use assets	26,609	7	26,616	—	26,616
Provision for impairment of financial assets — net	241	17,491	17,732	—	17,732
Provision for impairment of inventories	5,893	—	5,893	—	5,893
Selling and advertising expenses	419,033	—	419,033	—	419,033

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 September 2021

6 SEGMENT INFORMATION (CONTINUED)

	Continuing operations		Unaudited	Discontinued operations	Total
	China —		Subtotal	Japan —	
	Apparel	Investment		Apparel	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Six months ended 30 September 2020 (Restated)					
Total revenue before inter-segment elimination	864,433	—	864,433	88,810	953,243
Inter-segment revenue	(49,645)	—	(49,645)	(4,641)	(54,286)
Revenue from external customers	814,788	—	814,788	84,169	898,957
Cost of sales	(278,044)	—	(278,044)	(57,771)	(335,815)
Reversal of/(provision for) impairment of inventories — net	30,738	—	30,738	(53,992)	(23,254)
Segment gross profit/(loss)	567,482	—	567,482	(27,594)	539,888
Other gains — net	16,137	1,242,772	1,258,909	78,127	1,337,036
Segment operating profit/(loss)	64,602	1,217,323	1,281,925	(59,781)	1,222,144
Finance (expense)/income, net	(2,675)	(2,826)	(5,501)	1,683	(3,818)
Share of post-tax loss of joint ventures and associates accounted for using the equity method	(5,632)	(8,028)	(13,660)	—	(13,660)
Profit/(loss) before income tax	56,295	1,206,469	1,262,764	(58,098)	1,204,666
Income tax expense	(20,424)	(71,949)	(92,373)	1,300	(91,073)
Profit/(loss) for the period	35,871	1,134,520	1,170,391	(56,798)	1,113,593
Material items of income and expense					
Depreciation and amortisation	7,643	—	7,643	2,542	10,185
Depreciation of right-of-use assets	20,717	—	20,717	8,096	28,813
(Reversal of)/provision for impairment of financial assets — net	(18,850)	16,024	(2,826)	4	(2,822)
(Reversal of)/provision for impairment of inventories	(30,738)	—	(30,738)	53,992	23,254
Selling and advertising expenses	374,467	—	374,467	16,613	391,080

6 SEGMENT INFORMATION (CONTINUED)

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

	Unaudited				
	China — Apparel RMB'000	Investment RMB'000	Subtotal RMB'000	Japan — Apparel RMB'000	Total RMB'000
As at 30 September 2021					
Cash and cash equivalent	237,936	1,138,819	1,376,755	888	1,377,643
Restricted cash	134	—	134	—	134
Investments accounted for using the equity method	21,719	47,934	69,653	—	69,653
Financial assets at fair value through profit or loss	—	7,625,193	7,625,193	—	7,625,193
Deferred income tax assets	139,655	23,481	163,136	—	163,136
Right-of-use assets	90,794	11,904	102,698	—	102,698
Other assets	1,095,548	1,239,698	2,335,246	—	2,335,246
Total assets before inter-segment elimination	1,585,786	10,087,029	11,672,815	888	11,673,703
Inter-segment elimination	—	—	—	—	—
Segment assets	1,585,786	10,087,029	11,672,815	888	11,673,703
Deferred income tax liabilities	4,834	314,384	319,218	—	319,218
Current income tax liabilities	8,607	—	8,607	—	8,607
Lease liabilities	84,662	465	85,127	—	85,127
Other liabilities	544,547	284,070	828,617	—	828,617
Total liabilities before inter-segment elimination	642,650	598,919	1,241,569	—	1,241,569
Inter-segment elimination	—	—	—	—	—
Segment liabilities	642,650	598,919	1,241,569	—	1,241,569

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6 SEGMENT INFORMATION (CONTINUED)

	Audited				
	China — Apparel RMB'000	Investment RMB'000	Subtotal RMB'000	Japan — Apparel RMB'000	Total RMB'000
As at 31 March 2021					
Cash and cash equivalent	241,521	1,569,885	1,811,406	12,351	1,823,757
Restricted cash	134	—	134	—	134
Investments accounted for using the equity method	50,345	44,311	94,656	—	94,656
Financial assets at fair value through profit or loss	—	8,409,403	8,409,403	—	8,409,403
Deferred income tax assets	127,947	14,824	142,771	—	142,771
Right-of-use asset	96,716	—	96,716	—	96,716
Other assets	660,531	1,093,297	1,753,828	74,543	1,828,371
Total assets before inter-segment elimination	1,177,194	11,131,720	12,308,914	86,894	12,395,808
Inter-segment elimination	290,745	—	290,745	(48,763)	241,982
Segment assets	1,467,939	11,131,720	12,599,659	38,131	12,637,790
Deferred income tax liabilities	4,464	334,502	338,966	577	339,543
Current income tax liabilities	15,622	—	15,622	—	15,622
Lease liabilities	89,608	—	89,608	—	89,608
Other liabilities	412,157	279,256	691,413	321,416	1,012,829
Total liabilities before inter-segment elimination	521,851	613,758	1,135,609	321,993	1,457,602
Inter-segment elimination	(48,756)	—	(48,756)	(306,981)	(355,737)
Segment liabilities	473,095	613,758	1,086,853	15,012	1,101,865

As at 30 September 2021, the total non-current assets other than financial assets and deferred tax assets located in the PRC amounted to RMB399,349,000 (As at 31 March 2021: RMB542,086,000) and those located in other countries and regions are amounted to RMB74,216,000 (As at 31 March 2021: RMB78,850,000).

7 OTHER (LOSSES)/GAINS — NET

	Unaudited	
	Six months ended 30 September	
	2021	2020
	RMB'000	Restated RMB'000
Changes in fair value of financial instruments at fair value through profit or loss	(730,392)	1,226,001
Investment income from loan receivables	49,614	31,179
Dividend income from financial assets at fair value through profit or loss	29,445	3,246
Government subsidy income	5,149	14,620
Net foreign exchange losses	(9,652)	(18,157)
Others	(3,880)	2,020
	(659,716)	1,258,909

8 EXPENSES 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	
	2021	2020
	RMB'000	Restated RMB'000
Selling and advertising expenses	419,033	374,467
Cost of inventories recognised as cost of sales	294,039	278,044
Employee salary and benefit expenses	101,626	64,667
Depreciation of right-of-use asset (Note 15)	26,616	20,717
Logistic fees	22,479	23,611
Expenses relating to short-term leases and variable leases (Note 15)	18,175	15,868
Design and product development expenses	16,823	10,777
Provision for/(reversal of) impairment of inventories	5,893	(30,738)
Travelling expenses	5,854	2,286
Amortisation of intangible assets (Note 14)	4,464	4,416
Legal and consulting expenses	4,410	1,964
Depreciation of property, plant and equipment (Note 13)	3,557	3,227
Auditors' remuneration	1,800	1,800
Others	19,445	23,492
Total cost of sales, provision for/(reversal of) impairment of inventories, distribution expenses and administrative expenses	944,214	794,598

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 September 2021

9 FINANCE EXPENSES — NET

	Unaudited	
	Six months ended 30 September	
	2021	2020
	RMB'000	Restated RMB'000
Finance income:		
— Interest income	1,147	2,574
Finance expenses:		
— Net foreign exchange losses	(1,436)	(1,324)
— Interest expenses	(3,463)	(4,516)
— Interest of lease liabilities (Note 15)	(2,003)	(1,978)
— Others	(288)	(257)
	(7,190)	(8,075)
Finance expenses — net	(6,043)	(5,501)

10 INCOME TAX CREDIT/(EXPENSE)

	Unaudited	
	Six months ended 30 September	
	2021	2020
	RMB'000	Restated RMB'000
Current income tax		
— PRC corporate income tax ("CIT")	8,831	4,014
— Withholding and remit tax recognised	3,585	2,931
— Taxation in Japan	—	(1,300)
Deferred income tax	(40,689)	85,428
	(28,273)	91,073
Income tax (credit)/expense is attributable to:		
— Continuing operations	(28,273)	92,373
— Discontinued operations	—	(1,300)

10 INCOME TAX CREDIT/(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 2021(2020: 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 2020: 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 2020: 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 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 2021, the Group had provided a deferred tax liability amounting to RMB179,811,000 (as at 31 March 2021: RMB185,983,000) 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 2021 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 (2020: 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 2021(2020: 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 2021

11 (LOSSES)/EARNINGS PER SHARE

(a) Basic

Basic losses or earnings per share is calculated by dividing the loss or 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	
	2021	2020 Restated
(Loss)/profit attributable to owners of the Company from continuing operations (RMB'000)	(747,949)	1,167,161
Loss attributable to owners of the Company from discontinued operations (RMB'000)	—	(50,978)
(Loss)/profit attributable to owners of the Company (RMB'000)	(747,949)	1,116,183
Weighted average number of ordinary shares in issue less shares held for Restricted Share Award Scheme (thousands)	5,863,827	5,863,071
Basic (losses)/earnings per share for (loss)/profit from continuing operations (RMB cents per share)	(12.76)	19.91
Basic losses per share for loss from discontinued operations (RMB cents per share)	—	(0.87)
Total basic (losses)/earnings per share (RMB cents per share)	(12.76)	19.04

(b) Diluted

Diluted losses or 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 (LOSSES)/EARNINGS PER SHARE (CONTINUED)

(b) Diluted (Continued)

	Unaudited	
	Six months ended 30 September	
	2021	2020 Restated
(Loss)/profit attributable to owners of the Company from continuing operations (RMB'000)	(747,949)	1,167,161
Loss attributable to owners of the Company from discontinued operations (RMB'000)	—	(50,978)
(Loss)/profit attributable to owners of the Company (RMB'000)	(747,949)	1,116,183
Weighted average number of ordinary shares in issue less shares held for Restricted Share Award Scheme (thousands)	5,863,827	5,863,071
Adjustment for share options (thousands)	—	38
Weighted average number of ordinary shares in issue for calculating diluted (losses)/earnings per share (thousands)	5,863,827	5,863,109
Diluted (losses)/earnings per share for (loss)/profit from continuing operations (RMB cents per share)	(12.76)	19.91
Diluted losses per share for loss from discontinued operations (RMB cents per share)	—	(0.87)
Total diluted (losses)/earnings per share (RMB cents per share)	(12.76)	19.04

12 DIVIDENDS

	Unaudited	
	Six months ended 30 September	
	2021 RMB'000	2020 RMB'000
Final dividend paid of RMB3.54 cent (2020: RMB0.91 cent) per share	210,275	52,719
Final special dividend paid of RMB1.54 cent (2020: RMB1.84cent) per share	91,475	106,597
Proposed interim dividend of nil (2020: RMB5.69 cent) per share for the six months ended 30 September	—	334,920
	301,750	494,236

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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12 DIVIDENDS (CONTINUED)

The total dividends paid for the six months ended 30 September 2021 amounted to RMB301,750,000 or RMB5.08 cents per share (Six months ended 30 September 2020: RMB159,316,000 or RMB2.75 cents per share), of which RMB1,170,000 (Six months ended 30 September 2020: RMB614,000) were paid to the shares held for Restricted Share Award Scheme.

The board of directors of the Company has resolved not to declare any interim dividend or interim special dividend for the six months from 1 April 2021 to 30 September 2021.

The aggregate amounts of the dividends paid for the six months ended 30 September 2021 and 2020 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						Total RMB'000
	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	
As at 31 March 2021							
Cost	23,478	96,226	56,289	1,431	3,379	—	180,803
Accumulated depreciation and impairment	—	(48,747)	(50,652)	(1,241)	(2,828)	—	(103,468)
Net book amount	23,478	47,479	5,637	190	551	—	77,335
For the six months ended 30 September 2021							
Opening net book amount as at 1 April 2021	23,478	47,479	5,637	190	551	—	77,335
Additions	—	—	2,719	4	—	13,688	16,411
Disposals	—	—	(956)	—	(400)	—	(1,356)
Depreciation (Note 8)	—	(2,268)	(1,189)	(37)	(63)	—	(3,557)
Reversal of impairment	—	—	411	—	250	—	661
Currency translation difference	(324)	(322)	—	—	(15)	—	(661)
Closing net book amount as at 30 September 2021	23,154	44,889	6,622	157	323	13,688	88,833
As at 30 September 2021							
Cost	23,154	95,904	56,270	1,435	1,666	13,688	192,117
Accumulated depreciation and impairment	—	(51,015)	(49,648)	(1,278)	(1,343)	—	(103,284)
Net book amount	23,154	44,889	6,622	157	323	13,688	88,833

13 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Freehold land RMB'000	Buildings RMB'000	Unaudited 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 2020							
Cost	25,237	98,748	68,330	1,650	17,429	—	211,394
Accumulated depreciation and impairment	—	(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
Disposal	—	—	(299)	(7)	(155)	—	(461)
Depreciation (Note 8)	—	(2,307)	(1,581)	(71)	(1,372)	—	(5,331)
Impairment charges	—	(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
Accumulated depreciation and impairment	—	(46,935)	(62,657)	(1,182)	(14,273)	—	(125,047)
Net book amount	24,394	50,722	4,517	249	666	—	80,548
Unaudited							
Six months ended 30 September							
					2021		2020
					RMB'000		RMB'000
Depreciation Expense					3,557		5,331
— Continuing operations					3,557		3,227
— Discontinued operations					—		2,104

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For the six months ended 30 September 2021

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 2021				
Cost	373,013	8,605	77,536	459,154
Accumulated amortisation	(199,148)	(2,348)	(74,942)	(276,438)
Net book amount	173,865	6,257	2,594	182,716
For the six months ended 30 September 2021				
Opening net book amount as at 1 April 2021	173,865	6,257	2,594	182,716
Additions	—	—	1,444	1,444
Amortisation charge (Note 8)	(3,511)	(108)	(845)	(4,464)
Closing net book amount as at 30 September 2021	170,354	6,149	3,193	179,696
As at 30 September 2021				
Cost	373,013	8,605	73,318	454,936
Accumulated amortisation	(202,659)	(2,456)	(70,125)	(275,240)
Net book amount	170,354	6,149	3,193	179,696

14 INTANGIBLE ASSETS (CONTINUED)

	Kappa trademarks RMB'000	Unaudited Phenix and other brands RMB'000	Computer software RMB'000	Total 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	(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
Unaudited				
Six months ended 30 September				
		2021		2020
		RMB'000		RMB'000
Depreciation Expense		4,464		4,854
— Continuing operations		4,464		4,416
— Discontinued operations		—		438

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 September 2021

15 LEASES

(a) Amounts recognised in the balance sheet

The balance sheet shows the following amounts relating to leases:

	Unaudited 30 September 2021 RMB'000	Audited 31 March 2021 RMB'000
Right-of-use assets		
Lease prepayment	21,031	9,938
Properties and warehouses	81,667	86,778
	102,698	96,716
Lease liabilities		
Current	46,193	47,967
Non-current	38,934	41,641
	85,127	89,608

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

	Unaudited Six months ended 30 September 2021 RMB'000	2020 RMB'000
As at 1 April		
Cost	173,379	155,933
Accumulated depreciation	(76,663)	(55,772)
Opening net book amount	96,716	100,161
As at 1 April	96,716	100,161
Additions	49,928	49,172
Disposal	(17,330)	(2,417)
Depreciation charge (Note 8)	(26,616)	(28,813)
Impairment	—	(24,191)
Currency exchange difference	—	(581)
Closing net book amount	102,698	93,331
As at 30 September		
Cost	160,784	203,989
Accumulated depreciation	(58,086)	(110,658)
Closing net book amount	102,698	93,331

15 LEASES (CONTINUED)

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

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

	Unaudited Six months ended 30 September	
	2021 RMB'000	2020 RMB'000
Depreciation charge of right-of-use assets		
— for continuing operations		
Lease prepayment	166	143
Properties and warehouses	26,450	20,574
	26,616	20,717
— for discontinued operations	—	8,096
	26,616	28,813
— for continuing operations		
Interest expense (included in finance expenses) (Note 9)	2,003	1,978
Expense relating to short-term leases and variable leases (included in distribution expenses and administrative expenses) (Note 8)	18,175	15,868
	20,178	17,846
— for discontinued operations	—	1,983
	20,178	19,829

The total cash outflow for leases for the six months ended 30 September 2021 was approximately RMB47,850,000 (six months ended 30 September 2020: RMB48,654,000).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 September 2021

16 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

The carrying amount of equity-accounted investments has changed as follows in the six months ended 30 September 2021 and 2020:

	Unaudited	
	Six months ended 30 September	
	2021	2020
	RMB'000	RMB'000
At beginning of the period	94,656	117,173
Addition (Note 1)	4,900	1,000
Disposal (Note 2)	(29,202)	—
Share of loss	(410)	(13,660)
Elimination of unrealised profit	—	721
Currency translation difference	(291)	(1,121)
At end of the period	69,653	104,113

Notes :

- (1) In June 2021, the Group entered into an investment agreement with a third party in respect of the establishment of Fulong Davos Xinjiang Real Estate Co., Ltd. ("Fulong Davos", a limited liability company established in the PRC and principally engaged in the real estate development and operation in the PRC). The total registered capital of Fulong Davos is RMB10,000,000, including RMB4,900,000 contributed by the Group, representing 49% of the registered capital.
- (2) In May 2021, the Group entered into an equity transfer agreement with a third party in respect of the disposal of 30% equity of Mai Sheng Yue He Sporting Goods Co., Ltd ("Mai Sheng Yue He"). The transaction was completed in July 2021. The total consideration is RMB28,514,000, of which the Group received RMB14,514,000 in September 2021 with remaining balance to be paid by March 2023. The Group recognized a disposal loss of RMB623,000 in the interim condensed consolidated statement of profit or loss and other comprehensive income for the six months ended 30 September 2021.

17 TRADE RECEIVABLES

	Unaudited 30 September 2021 RMB'000	Audited 31 March 2021 RMB'000
Trade receivables		
— Third parties	160,521	163,021
— Related parties (Note 26(b))	7,162	27,240
	167,683	190,261
Less: provision for impairment	(13,503)	(9,311)
Trade receivables, net	154,180	180,950

Customers are normally granted credit terms within 30–45 days. The aging analysis of trade receivables based on recognition date as at 30 September 2021 and 31 March 2021 were as follows:

	Unaudited 30 September 2021 RMB'000	Audited 31 March 2021 RMB'000
Within 30 days	104,996	99,667
31 to 180 days	54,173	86,861
Over 180 days	8,514	3,733
	167,683	190,261

The trade receivables were mainly denominated in RMB. 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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 September 2021

17 TRADE RECEIVABLES (CONTINUED)

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

	Unaudited	
	Six months ended 30 September	
	2021	2020
	RMB'000	RMB'000
At 1 April	9,311	39,463
Provision for impairment losses of receivables	5,041	12,340
Reversal of impairment losses of receivables	(731)	(30,950)
Written off impairment losses of receivables	(118)	(580)
At 30 September	13,503	20,273

18 TRADE PAYABLES

At 30 September 2021 and 31 March 2021, the aging analysis of the trade payables based on recognition date were as follows:

	Unaudited	
	30 September	Audited
	2021	31 March
	RMB'000	RMB'000
Within 30 days	165,823	70,271
31 to 180 days	121,163	43,498
Over 180 days	15,286	12,010
	302,272	125,779

The trade payables were mainly denominated in RMB. 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 2021 RMB'000	Audited 31 March 2021 RMB'000
Current portion:		
Loan receivables (a)	966,433	577,032
Loans to related parties (Note 26(b))	1,960	14,606
Others	76,644	87,120
Less: provision for impairment (c)	(93,325)	(80,349)
— Stage 1	(1,130)	(645)
— Stage 2	—	—
— Stage 3	(92,195)	(79,704)
Total	951,712	598,409
Non-current portion:		
Loan receivables (a)	76,378	171,200
Loans to management personnel (b)	272,607	278,737
Others	5,734	—
Less: provision for impairment (c)	(446)	—
— Stage 1	(446)	—
— Stage 2	—	—
— Stage 3	—	—
Total	354,273	449,937

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 2021, the gross amount of loans receivables due from third parties summed up to RMB1,042,811,000 (As at 31 March 2021: RMB748,232,000) with the interest rate in the range of 8% to 12% (As at 31 March 2021: 8% to 16%) per annum. The amount of each loan receivables varies from RMB3,895,000 to RMB262,036,000 (As at 31 March 2021: RMB4,745,000 to RMB201,761,000). The maturity period of each loan receivables varies with the range from 6 to 60 months.

As at 30 September and 31 March 2021, 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 2021, the fair value of collateral held for loans receivables is RMB2,898 million and RMB1,587 million respectively.

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19 OTHER FINANCIAL ASSETS AT AMORTISED COST (CONTINUED)

Notes: (Continued)

- (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 30 September 2021 RMB'000	Audited As at 31 March 2021 RMB'000
Current portion:		
Suppliers' deposits	94,671	73,547
Amounts due to related parties (Note 26(b))	15,104	26,769
Deposits of investment in FVPL	18,000	18,000
Salary and welfare payable	16,732	26,000
Other taxes and levies payable	15,682	22,204
Payables for marketing expenses	15,106	34,246
Payables for logistic fees	13,124	11,723
Payables for professional and legal fees	3,013	7,116
Deposits of loan receivables	—	98,570
Refund liabilities	—	1,464
Others	36,823	39,903
	228,255	359,542

21 SHARE CAPITAL AND SHARE PREMIUM

	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 2021	5,886,221,025	58,863	56,467	1,033,629	1,090,096
Issuance of ordinary shares (Note a)	1,340,000	13	11	1,237	1,248
At 30 September 2021	5,887,561,025	58,876	56,478	1,034,866	1,091,344
As at 1 April 2020 and 30 September 2020	5,886,121,025	58,862	56,466	1,033,539	1,090,005

Note a:

During the six months ended 30 September 2021, the Company issued 1,340,000 shares (2020: nil) to certain employees of the Group at weighted-average issue price of HK\$0.854 (2020: nil) per share pursuant to the Company's 2019 Share Option Scheme (see Note 23).

22 SHARES HELD FOR EMPLOYEE SHARE SCHEME

	As at 30 September 2021 Number of shares	As at 31 March 2021 Number of shares	As at 30 September 2021 RMB'000	As at 31 March 2021 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.

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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.

The Scheme has a term of 10 years and will end on 10 December 2020. On 8 December 2020, the Board of the Company resolved to extend the term of the scheme for another 10 years and the scheme will end on 10 December 2030. Save as the aforesaid, all other material terms of the scheme remain unchanged and valid.

During the six months ended 30 September 2021, no shares were granted under the Restricted Share Award Scheme (six months ended 30 September 2020: nil).

(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, 1 September 2020, 15 April 2021 and 2 July 2021, the Group granted 18,300,000 share options, 1,560,000 share options, 2,400,000 share options, 1,200,000 share options, 189,400,000 share options and 3,500,000 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, 1 September 2020, 15 April 2021 and 2 July 2021. The vesting period for the options granted during the period 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.

23 SHARE BASED COMPENSATION SCHEMES (CONTINUED)

(b) The 2019 Share Option Scheme (Continued)

Participants of the Share Option Scheme are required to pay HK\$1.00 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.
- (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 Hong Kong Stock Exchange ("HKSE").

The fair values of the options granted pursuant to the 2019 Share Option Scheme during the six months ended 30 September 2021 are as below:

Grant date	Unaudited Fair value RMB'000
15 April 2021	45,893
2 July 2021	1,238

The fair value of options granted during the six months ended 30 September 2021 determined using the Binomial model was HK\$0.282 to HK\$0.290 and HK\$0.412 to HK\$0.434 per option. 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\$0.940 and HK\$1.360 at the grant date, exercise price of HK\$0.940 and HK\$1.360, volatility of 41.12% to 41.86%, expected dividend yield of 4.75%, a contractual option life of ten years, and an annual risk-free interest rate of 1.27% to 1.34%.

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 2021, 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 RMB8,279,000 (six months ended 30 September 2020: RMB1,437,000).

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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 2021 under this scheme and their weighted average exercise prices are as follows:

	Unaudited Six months ended 30 September			
	2021		2020	
	Weighted average exercise price (per share) HK\$	Outstanding options (thousands)	Weighted average exercise price (per share) HK\$	Outstanding options (thousands)
As at 1 April	0.847	21,360	0.854	19,860
Granted	0.948	192,900	0.810	3,600
Exercised	0.854	(1,340)	—	—
Lapsed	0.904	(16,160)	0.857	(960)
As at 30 September	0.941	196,760	0.847	22,500
Exercisable as at 30 September	0.849	10,520	0.854	5,940

Share options outstanding at 30 September 2021 and 31 March 2021 have the following expiry date and exercise prices:

Grant Date	Expiry date	Exercise price	Share options (thousands)	Share options (thousands)
			30 September 2021	31 March 2021
16/09/2019	15/09/2029	HK\$0.854	13,580	16,680
07/01/2020	06/01/2030	HK\$0.860	1,080	1,080
01/04/2020	31/03/2030	HK\$0.670	800	2,400
01/09/2020	31/08/2030	HK\$1.090	1,200	1,200
15/04/2021	14/04/2031	HK\$0.940	176,600	—
02/07/2021	01/07/2031	HK\$1.360	3,500	—
Total			196,760	21,360

24 BORROWINGS

	Unaudited 30 September 2021 RMB'000	Audited 31 March 2021 RMB'000
Bank loans		
— Pledged (a)	40,389	126,630
— Unsecured (b)	30,000	—
	70,389	126,630

- a. As at 30 September 2021, the outstanding loans due to Morgan Stanley Asia International Limited at the prevailing interest rate were HK\$33,524,000 (equivalent to approximately RMB27,923,000) and USD1,922,000 (equivalent to approximately RMB12,466,000).
- b. The balance represented the loans due to Shanghai Pudong Development Bank, which is unsecured and charged at daily interest rate 0.01%.

As at 30 September 2021, the Group's borrowings were repayable as follows:

	Bank loans	
	As at 30 September 2021 RMB'000	As at 31 March 2021 RMB'000
Within 1 year	70,389	126,630

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25 COMMITMENTS

The Group had the following commitments as at 30 September 2021:

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 2021, the Group paid a capital contribution of RMB171 million and the remaining balance of the capital commitment was RMB129 million.

In January 2021, the Group entered into a limited partnership agreement with CPE Global Opportunities Fund II, with a total capital commitment of US\$30 million. As at 30 September 2021, the Group paid a capital contribution of US\$12 million and the remaining balance of the capital commitment was US\$18 million (equivalent to approximately RMB116 million).

In February 2021, the Group entered into a limited partnership agreement with Yunfeng Fund IV (雲鋒基金IV), with a total capital commitment of US\$20 million. As at 30 September 2021, the Group paid a capital contribution of US\$6 million and the remaining balance of the capital commitment was US\$14 million (equivalent to approximately RMB91 million).

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 2021, the Group paid a capital contribution of RMB110 million and the remaining balance of the capital commitment was RMB90 million.

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.

26 RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Transactions with related parties

During the six months ended and as at 30 September 2021 and 30 September 2020, 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	
	2021	2020
	RMB'000	RMB'000
Sales of goods to		
— Joint ventures of the Group	—	4,977
Interest income from loans to		
— Joint ventures of the Group	—	163
— Management personnel	1,516	2,489
Commissions		
— Joint ventures of the Group	24,516	48,683
Loans granted to		
— Joint ventures of the Group	10,000	15,000
Loans repaid by		
— Joint ventures of the Group	10,000	15,000
Loans received from		
— Company controlled by the ultimate controlling party	5,354	—

(b) Balances with related parties

Trade receivables (Note 17)

	Unaudited	
	30 September	
	2021	Audited
	RMB'000	31 March
		2021
		RMB'000
— Joint ventures of the Group	7,162	27,240

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 September 2021

26 RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Balances with related parties (Continued)

Other financial assets at amortised cost (Note 19)

	Unaudited 30 September 2021 RMB'000	Audited 31 March 2021 RMB'000
Current portion		
— Loan receivables from joint ventures of the Group	1,960	14,606
— Other receivables from joint ventures of the Group	847	—
— Provision	(20)	(14,606)
	2,787	—
Non-current portion		
— Management personnel	272,607	278,737
Total	275,394	278,737

Accruals and other payables (Note 20)

	Unaudited 30 September 2021 RMB'000	Audited 31 March 2021 RMB'000
— Joint ventures of the Group	15,104	26,769

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.

(c) Key management compensation

	Unaudited Six months ended 30 September 2021 RMB'000	2020 RMB'000
Salaries, bonus and other welfares and benefits	7,393	5,433
Pension — defined contribution plans	83	8
	7,476	5,441

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

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Review of Interim Results

The Audit Committee of the Company has reviewed with the management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a review of the unaudited interim condensed consolidated financial information for the six months ended 30 September 2021.

Interim Dividend and Interim Special Dividend

The board of directors of the Company has resolved not to declare any interim dividend or interim special dividend for the six months ended 30 September 2021.

Publication of Results Announcement

This interim results announcement is available for viewing on The Stock Exchange of Hong Kong Limited's website at www.hkexnews.hk and the Company's website at www.dxsport.com.

On behalf of the Board
China Dongxiang (Group) Co., Ltd.
Chen Yihong
Chairman

24 November 2021

As at the date of this announcement, the executive directors of the Company are Mr. Chen Yihong, Mr. Zhang Zhiyong, Ms. Chen Chen and Mr. Lyu Guanghong; and the independent non-executive directors of the Company are Dr. Chen Guogang, Mr. Gao Yu and Mr. Liu Xiaosong.