

# 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*



**INTERIM  
REPORT  
2022/2023**



 **Kappa**  *phenix*

# DOONGI EX AVANGI

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## CORPORATE INFORMATION

### Executive Directors

Mr. Chen Yihong (Chairman)  
Ms. Chen Chen (Co-Chairman and Co-President)  
Mr. Zhang Zhiyong (Chief Executive Officer and President)  
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

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### Principal Place of Business in Hong Kong

Office Unit 7, 13/F,  
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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](http://www.dxsport.com)



# 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  
2022: 5,887,561,025 shares

### 2. Important dates

Announcement of 2022/2023 interim results:  
23 November 2022

### 3. 2022/2023 interim Special dividend

Interim special dividend: RMB1.17 cents  
per share

Payment date: on or around 20 December 2022

### 4. Investor Relations Department

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

Telephone: (8610) 6783 6585

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### 5. Website

[www.dxsport.com](http://www.dxsport.com)

**RESULTS HIGHLIGHTS****RESULTS HIGHLIGHTS**

For the six months ended 30 September

	<b>2022</b> <b>Unaudited</b> <b>(RMB million)</b>	2021 Unaudited <i>(RMB million)</i>	Change
Revenue	<b>776</b>	852	-8.9%
Gross profit	<b>484</b>	552	-12.3%
Gross profit (before reversal of/(provision for) impairment of inventories)	<b>461</b>	558	-17.4%
Gross profit margin	<b>62.4%</b>	64.8%	-2.4ppts
Gross profit margin (before reversal of/(provision for) impairment of inventories)	<b>59.4%</b>	65.5%	-6.1ppts
Operating loss	<b>(392)</b>	(770)	49.1%
Operating loss excluding investment segment	<b>(24)</b>	(75)	68.0%
Loss attributable to owners of the Company	<b>(386)</b>	(748)	48.4%
	<b>(RMB cents)</b>	<i>(RMB cents)</i>	
Basic/Diluted losses per share	<b>(6.59)</b>	(12.76)	48.4%
Interim special dividend per share	<b>1.17</b>	—	—

## CHAIRMAN'S STATEMENT

Dear Shareholders,

I hereby present on behalf of the Board our interim results ended 30 September 2022 (the "Reporting Period").

During the first half of the 2022 financial year, the Chinese economy faced challenging conditions amidst ongoing global economic doldrums coupled with recurring pandemic outbreaks in isolated areas in the country, as destabilising external factors resulted in negative impacts that should not be underestimated. Despite multiple challenges and volatilities, the domestic economy appears to be stabilising and set for a rebound as the resumption of work and production activities has been advanced in an orderly manner in various parts of the country since June, thanks to the protection afforded by national policies and a resilient economic backdrop. In the meantime sports-related personal spending was further stimulated by a number of policies aimed at driving the development of sports announced by the General Administration of Sport of China in early July which strongly encouraged universal involvement in sports and training. Industry-wise, while the pandemic has disrupted the rhythm of the retail market, it has also accelerated transformation of the business. During this period, the brand owners and retailers in China's apparel and accessories sector continued to adjust their operating capabilities in order to actively seize opportunities presented by the online market. Improvements for sportswear and accessories brands under such extremely complicated and volatile conditions were particularly noticeable, and these brands will also enjoy the most stable growth in future. Looking to the future, the Group remains fully confident in the macro-environment, and is also hopeful of macro-economic recovery and the unleashing of spending power. We firmly believe that, with the support of national policies, and the gradual waning of external impacts, the Group's effort in intensive reforms and delicacy operation will drive the stable recovery of its overall business.

Year 2022 marks the twentieth anniversary of Kappa brand entering in China and the fifteenth anniversary since China Dongxiang Group was listed. While difficult external conditions prevail, this critical period might present a rare opportunity for self-enhancement in operational competence for an enterprise with a solid foundation and strong resilience such as China Dongxiang Group. We might be facing the same adverse conditions as others do, but China Dongxiang is distinguished by its strength and dynamism to constantly self-adjust, underpinned by the concerted efforts of all staff to take on future challenges and steer through this difficult period under clear and united goals.

The Group registered revenue of RMB776 million for the Reporting Period, decreasing by 8.9% compared to last year, while loss attributable to equity holders narrowed by 48.4% to RMB386 million. Basic loss per share narrowed by 48.4% to RMB6.59 cents.

Against the backdrop of lacklustre global economic recovery in the post-pandemic era, the Board has resolved to declare an interim special dividend of the Group of RMB1.17 cents per ordinary share for the six months ended 30 September 2022 as a token of appreciation for the shareholders' longstanding support of the Company,

### ACCELERATING UPGRADE AND TRANSFORMATION AS DIVERSIFIED MARKETING BECOMES THE NEW NORMAL

The business environment for the offline apparel retail sector has been subject to enormous challenges ever since the outbreak of the pandemic, and it has become a consensus in the sector that digitalisation is one of the goals that must be achieved. Retail sales of the apparel industry had yet to stabilise in the first half of the financial year owing to sporadic pandemic outbreaks in China, despite the benefits of favourable policy measures. Given the instability of the environment for offline sales, the Group thoroughly implemented the core strategic goal of digitalising the omni-channel and complemented it with a revamping Internet marketing strategy that provided a refreshing experience for consumers. The Group's Kappa brand embraced the movie and music world of youngsters by collaborating with young idols, artists and rappers, making trendy blockbuster movies and theme song singles and even tapped the metaverse virtual world, such that the brand maintained in both the real and the virtual worlds a close tracking of consumers' needs to ensure brand success in future.

As at 30 September 2022, the Group had a total of 1,099 Kappa stores (excluding Kappa Kid's stores), representing a net decrease of 84 stores as compared to that as at the end of March). In future, the Group will continue to enhance its single-store performance.

### DUAL EMPHASIS ON TRENDS AND RETRO SHOWCASING THE BRAND'S VANGUARD ATTITUDE

Deeply rooted in the youth culture, the Group's Kappa brand has continued to express the young and energetic vanguard attitude through consistent explorations and endeavours to enhance the brand's appeal to youngsters. In the post-pandemic era, the Group has developed the marketing theme of "Playfulness Unlimited" for the Kappa brand with the launch of the brand new Kappa Player Series that has presented a brand new interpretation integrating the most popular fashionable sports culture with the historic DNA of the Kappa brand. Marketing was targeted at Generation Z to relay street trends and youth culture to the public, encouraging young people to "dare to be different and play with an attitude". Generation-Z young idols and rappers have been invited to collaborate with the brand by serving as brand ambassadors and launching the Summer theme song single and MV entitled "Playfulness Unlimited", and the initiative has brought us closer to young consumers and generally enhanced young consumers' goodwill for the brand. Meanwhile, the brand has also launched the Kappa 1916 Series to revisit the century-old history of the Kappa brand for design inspirations, launching a retro classic set presenting a brand new definition of "playfulness" using retro and classical resources and heralding the new generation of retro sportswear mix-and-match. In future, the brand will continue to stand in solidarity with the young community and express the brand philosophy of "vanguard, passion, dynamism and creativity" in



association with the young through innovative and timeless products on the back of more interactive consumer experience and an ever-expanding market presence.

Positioned as a supplier of high-end professional ski products, the Group's PHENIX brand has been providing sponsorships to a number of national sports teams over the years, worn by top skiing athletes in competitions and tournaments and highly favored by ski lovers. During the period, the X-niX Single-board Series was rebooted in retro style, integrating high-end technology, retro elements and mix-match styles to provide consumers with a brand new PHENIX interpretation of latest trends and hallmarks of the era. The Group will continue to support different sporting activities and work with athletes to deliver further outstanding results.

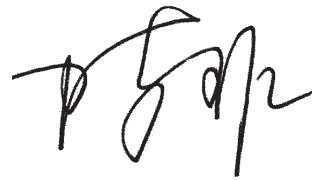
### **A DEEPENED FRAMEWORK FOR SALES SCENARIO BACKED BY THE DIGITAL OMNI-CHANNEL STRATEGY**

During the Reporting Period, the Group continued to implement the omni-channel operation model and maintained its brand competitiveness by developing marketing strategies for emerging markets through new formats such as live broadcast and short video. In addition, the Group continued to enhance private domain operation and growth in private domain traffic by enlarging private domain membership through various marketing activities aimed at increasing and maintaining the conversion rate of transactions. In future, the Group will actively optimise the "people, goods, venue" framework and improve the information integration system to advance the application scenarios of "goods seeking buyers" and "buyers seeking goods" for better sales efficiency. During the period, the Group registered rapid growth for its new e-commerce platform. In tandem with the new trend of digitalised retail spending in China, digitalisation and omni-channel deployment will form one of the Company's ongoing core strategic goals.

### **SOLID ADHERENCE TO A PRAGMATIC INVESTMENT APPROACH AMIDST GLOBAL ECONOMIC UNCERTAINTY**

Since the beginning of 2022, global economies and markets have remained volatile owing to global uncertainties. While the Group has adopted prudent measures to control risks, its asset investment has inevitably been affected, resulting in book investment loss for the first half of the financial year. As at 30 September 2022, the Group reported a net asset value of RMB8,568 million for its investment segment, representing growth of 0.9% compared to that as at 31 March 2022. Looking to the future, with the domestic economy gradually recovering and strong support for universal involvement in sports and exercises under national policies, we believe that the sports-related industries will embrace rapid growth. The Group will continue to seize every opportunity to generate stable and long-term growth for shareholders on the back of prudent investment strategies and outstanding investment partners.

Finally, the Group wishes to take this opportunity to express sincere gratitude to the Directors and staffs for their hard work and dedication. We must also thank all our partners and shareholders for their unwavering trust and support for the Group. Looking ahead, we will continue to capitalise on opportunities in the sporting industry in adherence to the traditional Kappa brand spirit, never settling for mediocrity and bold in innovation as we strive to generate sound and stable return for shareholders.



**Chen Yihong**  
*Chairman*

23 November 2022



# MANAGEMENT DISCUSSION AND ANALYSIS



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1. Kappa Youth Brand Ambassadors Mika Hashizume and Danial Zhou
2. Kappa teams up with frontier musicians Yiting Sha and Yu Zhen to release the Summer theme song — Playfulness Unlimited
3. Kappa Store, Roosevelt, Dalian
4. Young actor Dylan Wang donning the Kappa x Banksy Co-Brand Series
5. Kappa x Chibi Maruko Chan Co-Brand Series
6. Kappa 1916 Series
7. Cross-dimensional collaborative event: Kappa x Super QQ Show



5.



6.



7.

## MACRO-ECONOMIC REVIEW

The Chinese economy faced considerable challenges during the first half of the 2022 financial year, as the global economy and market remained subject to uncertainties while the pandemic continued to take its toll. During the first half of the financial year, there were repeated epidemic outbreaks in certain regions in China, and the economies of some regions were affected as a result. Nevertheless, China's overall economic landscape remained stable and was steadily assuming recovery, thanks to the nation's economic resilience and macro-policy protection. According to macro-economic data for the first half of 2022 recently published by the National Bureau of Statistics, China registered year-on-year GDP growth of 2.5% for the first half and 3.9% for the third quarter. Indicators across the board suggested that the Chinese economy is stabilising and poised for rebound, as positive economic growth resumed for the third quarter.

Thanks to generally effective epidemic prevention and control measures, local regions across the nation have stepped up with the orderly resumption of work and production since June, as the supply chains and logistics continued to improve. There were downward corrections in the prices of raw material cotton, which had risen considerably last year, while the purchase and transit of raw materials and supplies as well as shipment and delivery of orders for the apparel sector returned to smooth operation. For the first three quarters, epidemic prevention and control as well as economic and social development in various regions of China proceeded under efficient coordination, and the series of policies actively implemented to encourage consumer spending proved effective, as spending powers were further unleashed. Owing to the confines imposed by the pandemic, traditional industries have stepped up with their development in digitalisation, Internet-based operation and intelligentisation. According to the latest data published by the National Bureau of Statistics, total retail sales of consumer goods grew by 0.7%, year-on-year, for the nine months ended 30 September, as nationwide online retail sales of physical commodities grew by 6.1%. The role of online spending as a driving force in the consumer spending market was further highlighted, while there were also gradual improvements in physical retail sales.

## INDUSTRY REVIEW

While recurring COVID-19 outbreaks disrupted the domestic retail environment during the first half of the 2022 financial year resulting in a slowdown in the average growth rate of the industry as a whole, the sportswear retail sector has been experiencing gradual recovery since July following efficiently coordinated epidemic prevention and control efforts. Measures such as the giving out of coupons for sporting goods were specifically announced in the "Work Plan for Stabilising the Economy, Driving Consumer Spending and Stimulating Vigour Through Sports" published by the General Administration of Sport of China in early July. Driven by the favourable policy, apparel retail sales in China increased by 3.1%, year-on-year, for the third quarter in sound growth. Meanwhile, the prices for raw material cotton has continued to decline since June, relieving the cost pressure on the industry.

The sportswear and sports shoes sector in China is looking at enormous growth potential given stronger health awareness of the Chinese people in the post-pandemic era and rising per capita spending levels. According to the "Announcement of Survey on Health and Exercise of Chinese Nationals 2020" published by the National Physique Monitoring Centre of China, the population of Chinese people doing sports and workouts has been increasing by the year in terms of number and percentage. In the "Exercise for All Plan 2021-2025" published by the State Council in August 2021, it is specifically mentioned that the sporting awareness of Chinese people should be enhanced across the board, the population of people doing sports and workouts on a regular basis should be increased in terms of both number and percentage, and sporting facilities should be built to provide comprehensive coverage of the nation, among others. The target size of the nationwide sports industry was set at RMB5 trillion, whilst the comparative figure for 2020 was approximately RMB3 trillion. As an important component of the sporting industry, the sportswear and sports shoes sector will fully benefit from the growth of the industry and embrace stable growth in the medium to long term.

## MANAGEMENT DISCUSSION AND ANALYSIS

The uncertainty imposed by the pandemic has accelerated the transformation and upgrade of the traditional apparel retail sector. Given myriad online consumer platforms, domestic sportswear brands are no stranger to digitalisation. The Company will further enhance its online marketing competence while capitalising on current and prospective consumer groups, as cross-selling among online channels becomes an essential aspect in business which all enterprises must claim. The understanding of consumer demands and making of timely changes through the development of new platforms, online sales and community marketing will determine the success of brands in the future.

### BUSINESS REVIEW

During the first half of the 2022 financial year, the Group's offline operations in certain regions had to a certain extent been affected by the multiple, isolated outbreaks of the pandemic in China. Nevertheless, thanks to the implementation of effectively coordinated epidemic prevention and control measures, overall operations were starting to recover. In addition, measures announced by the General Administration of Sport of China, such as the release of sporting coupons, were driving rapid development of the sportswear retail market. The Group vigorously seized such market opportunities by enhancing omni-channel planning, actively exploring new platforms and optimising e-commerce business and private domain operation on an ongoing basis to enhance efficiency and business performance. In connection with brand-building, the Group's Kappa brand continued to express the brand philosophy of "vanguard, passion, dynamism and creativity", launching a number of co-branded series in cooperation with international artists and well-known brands and inviting young idols and famous singers to collaborate in the creation of quality works, blockbustre films and theme songs in a diversified approach to promotion, with a view to increasing brand popularity in the market and enhancing our reputation and image in the sports sector.

### Brand-building and Marketing

#### PRC — Kappa brand

Deeply rooted in the youth culture, Kappa has continued to express the vanguard attitude through consistent investigations in and attempts at cross-sector cooperation. In April 2022, Kappa launched the fashionable and artistic 22 Spring/Summer co-branded Tee Series in association with British anti-ad creative group BRANDALISED® and Brazilian pop artist Romero Britto. Based on the works of famous street artists Banksy and Britto as its creative prototype and expressed through graffiti images, the series is sending a message to street culture lovers and cool youngsters while relaying the street trends and youth culture to the public, encouraging young people to "dare to be different and play with an attitude".

In the post-pandemic era, Kappa was focused on the creation of a warm, predisposed and sophisticated brand image that would help consumers to address the trauma of the pandemic with a positive mindset. Under the theme of "Playfulness Unlimited", the brand targeted at Generation Z and capitalised on Generation-Z social media season to launch its marketing campaigns. On the occasion of the Children's Festival, the brand launched the Chibi Maruko Chan co-branded series which featured the innovative fusion of famous Chibi scenes with Kappa's sporting fashion style, showcasing the cartoon images in different postures with the use of a variety of embroidered patterns. The series promises playful Summer fun for the energetic urban youth and brings back the treasured sentiments of good old childhood times. The enthusiastic player's attitude is firmly represented by the forthright and dauntless Chibi who always faces life with a laugh, matching seamlessly with Kappa's core brand ethos of proactiveness and youthfulness.

In line with its consistent emphasis on brand promotion, Kappa has been actively engaging Generation Z's favourite artists to collaborate in the creation of quality works, with a view to adding a touch of youthfulness to the brand. On the eve of the national university entrance examination, we invited two new-generation vanguard rappers Yiting Sha and Yu Zhen to record a video with a message of encouragement for the examination candidate. In the graduation season in July that followed, we went for in-depth cooperation with these two again to launch the single and MV of "Playfulness Unlimited", a Summer theme song, which won over the hip-hop music community with a moving melody that conveyed to new-generation youth the Kappa player attitude of fearlessly expressing oneself and bravely chasing one's dreams. The song was unanimously commended as it received voluminous collections and reviews on platforms such as QQ Music, Kugou Music and Koowo Music, ranking Top 40 on the QQ Music "Rap League" upon debut. With over 100 million views garnered on all platforms, the song has brought us closer to young consumers and generally enhanced young consumers' goodwill for the brand. Meanwhile, the brand continued to increase built-in advertising and exposure by leveraging celebrity events such as birthdays and show tours, among others.

In August, Kappa teamed up with fashion media group "Wonderland" and made a movie named "Wonderland Playfulness Unlimited Blockbuster" featuring hip-hop champions Han Yu, Capper the Rapper and vanguard artist Zhang Fan to showcase its trendy brand style and the vanguard attitude, presenting a brand new definition of "playfulness" using retro and classical resources. In the same month, Kappa launched the brand new 1916 Series, a retro set named after the year of the brand's birth and inspired by the football story. The series has blended the brand DNA of "passion, colour tones and Italy" in modern design aesthetics, reshaping the retro trend with the longstanding vanguard spirit of Kappa and reliving the legendary memory of a golden era.

The Kappa brand has continued to collaborate with young idols to facilitate sustained fans' following by capitalising on the celebrity effect. Earlier this year, Kappa invited Curley G of BonBon Girls 303 and Mika Hashizume of INTO1 to become its young brand ambassadors. Subsequently in September, Kappa renewed its collaboration with the cool Mika again while also officially announcing Daniel Zhou of INTO1 as Kappa's young brand ambassador. As an epitome of the new generation, the young idols joined forces with the brand to lead the young community in the quest for a diversified vanguard lifestyle, adding fashionable inspirations and energy to the brand in the process. In the meantime, Kappa continued to focus on the latest developments of social media frequently used by youngsters as it launched a cross-sector cooperation with the super QQ show which orchestrated active fan engagement by promoting outfits worn by idols in a virtual setting and sharing the same on social media platforms.

#### **PRC — Phenix brand**

Founded in 1952 in Japan as a brand of functional skiing outfit, PHENIX owns a range of professional ski products in the Chinese market, including the PST Series and MISS Series for double-board skiing and the SP27 and X-niX Series for single-board skiing; in addition to the professional skiing lines, PHENIX has also launched the urban functional AKL Walking Series for its daily-use product line.

The SP27 Series, in particular, has been strongly favored by avid skiers. This year, PHENIX launched a reboot during the current season of the retro X-niX Single-board Series of the 90s. Among brands dominated by high-standard double-board products, the X-niX Single-board Series emerges with a unique appearance and style in addition to the quality fabric and tech-savvy functional details consistently present in the PHENIX brand. While retaining the original retro elements, the series also integrates the single-board skiing mix-match style favored by present-day youngsters to offer highly personalised appearances for single-board skiers.

## MANAGEMENT DISCUSSION AND ANALYSIS

Over the past seventy years, PHENIX has supplied professional products to the International Ski Federation and numerous national ski teams and ski clubs. PHENIX has been the sponsor of the Norwegian National Alpine Ski Team since 1993 and the sole sponsor of Ski Association of Japan since 2006. Since 2009, PHENIX has been the apparel sponsor of the Norwegian Olympics Committee for Winter and Summer Olympics. Apart from providing outfits to top skiing athletes in competitions and tournaments, the brand's high-end image has also made it popular among European and Asian royalties.

Today, PHENIX has grown from the research on sports and technology to the care for people and living, as it blends the skiing spirit into the philosophy of self-transcendence, providing each ordinary consumer with an enthusiastic sporting spirit and strong passion for life with products of professional quality designed for a focused disposition. The quest for quintessence in quality and technique has enabled PHENIX to attain, through consistent honing and polishing, the perfect integration of functionality and fashion that embodies the latest trends and hallmarks of the era.

### Kappa Apparel Series

During the Reporting Period, Kappa was engaged in in-depth consumer research as it optimised the positioning of its product series. Full upgrades were introduced to the product lines as the Kappa 1916 Series inheriting brand classics and the retro movement, the Kappa Player Series targeted at new-generation trendy consumers, and the Kappa Sports Series integrating technical functions into fashionable sportswear were launched. The brand was also actively engaged in cross-sector initiatives, such as collaboration with the internationally reputed Chibi Maruko Chan, among others, for the launch of smart innovative co-branded models. Meanwhile, the standalone combat pant series, an all-time best-seller, was relaunched with full upgrades, including a mixed patch-up of 22 cut-out pieces highlighting Kappa's attention to quality details.

### Kappa 1916 Series

The Kappa 1916 Series was launched during the Reporting Period on the back of a soul-searching look at the century-old history of the Kappa brand for design inspirations, incorporating a range of brand elements such as Turin, the brand's city of origin, and the historic socks maker in its design. The retro classic football jersey relives the glories of Kappa's football team sponsorships while heralding a new fashion trend of Blokecore retro sportswear mix-and-match.

### Kappa Player Series

The Kappa Player Series launched during the Reporting Period presented a brand new interpretation that integrated the most popular fashionable sports culture with the historic DNA of the Kappa brand. Its main theme is underpinned by stories of the fashion culture and a mixture of popular street sports and complemented by popular tones matched with innovative templates, designed to highlight the individuality of young consumers as well as the outgoing character of the Kappa brand with a view to attracting young consumer groups by mixing the brand's unique attributes and stories with popular fashion.

### Kappa Sports Series

The Kappa Sports Series launched during the Reporting Period is underpinned by the combination of functional technology with fashionable design which forms its core competitiveness. The new technology platform K-TECH launched by the brand, has continued to empower Kappa sporting products with integrated technologies. The debut of the K-ICE KOOL and K-FLEX technologies has brought sporting products with a strong sense of substance and fashion to consumers, such that fashion comes with extra comfort in testimony to Kappa's premium quality.

### Shoes Series

During the Reporting Period, Kappa footwear continued to forge the passionate and fashionable sports brand underpinned by a trendy retro style in tandem with its brand strategy, while the omni-channel model and new retail approaches were helping the brand to negotiate breakthrough and built a new image among young consumers and fashion lovers. Star products such as Kappa “Bread-loaf” and Kappa “Small Beans” continued to report strong sales to lay a solid foundation for the continuous development of Kappa footwear products. While focusing on the R&D upgrade of vertical footwear products, the brand was also advancing sophisticated generational upgrades for star product series, in order to drive and enhance the reputation and market share of Kappa footwear products. Kappa footwear is firmly positioned at the point where fashion and personality meet with comfort. Through co-branding initiatives with leading skateboard brands, the vertical star series — the Competitive Skateboard Series and FATTY “Bread-loaf” Series have been enhanced with excellent market feedback and breakthroughs in standalone products. On the business front, star series such as the Bread-loaf Series for skateboarding, the Firenze Series of retro running shoes and the Bend-drifting Series of fashionable running shoes, have been launched on a continuous basis, while marketing has taken a variety of forms such as artist co-branding and digital marketing.

### Accessories Series

During the Reporting Period, Kappa accessories continued to report stable and consistent growth as the accessory department actively advanced product R&D and reforms in its channel strategy. In connection with products, 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 character of Kappa as a fashionable sports brand, as part of the effort to reflect the Company’s emphasis on brand DNA discovery and product transformation strategy and thinking. Meanwhile, the matching quality of outfit and accessory products was enhanced to closely complement the transformation of the

outfit series. 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 designed to identify sales issues and demands of end stores in a more in-depth manner. 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, forging a variety of red-hot bag items exclusively for the e-commerce platforms to achieve notable sales growth while enhancing our brand reputation. In the meantime, new customer groups were attracted and stabilised to achieve parallel growth for various channels.

### Omni-channel Retail Network

During the Reporting Period, the Group continued to focus on the omni-channel model, enhance store efficiency and improve the information integration system. As at 30 September 2022, the Group had a total of 1,099 Kappa stores (excluding Kappa Kid’s stores), a net decrease by 84 stores compared to that as at 31 March 2022. In addition, growth in private domain membership during the period was maintained at a conversion rate of more than 40% of the transaction orders. In future, the Group will actively advance the application of “goods seeking buyers” and “buyers seeking goods” scenarios, while breaking down barriers separating different channels and leveraging characteristics of individual channels to accurately reach out to target consumers and integrate commodities to increase commodity efficiency and overall sales performance.

In connection with digitalisation and omni-channel, the Group optimised the positioning of major mainstream platforms and development of corresponding strategies to maintain brand competitiveness, while effectively enhancing operational efficiency through the enhancement and transformation of the omni-channel information system to facilitate one-stop business, financial and logistics management. At the same time, the Group continued to develop marketing strategies for emerging markets through new formats such as live broadcast and short video.

## MANAGEMENT DISCUSSION AND ANALYSIS

### PRUDENT INVESTMENT STRATEGY

The Group's investments include mainly equity investment, stock investment, fixed income and cash management. The diversity in investment distribution affords strong resilience against risks and ensures the safety and effectiveness of investment. Since the beginning of the year, economies and stock markets worldwide continued to experience substantial adjustment in the wake of the Russian-Ukrainian conflict, skyrocketing inflation, recurring pandemic outbreaks and volatility in the global financial markets. During the Reporting Period, the fair value of equities and secondary-market funds held by the Group has decreased, 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, given the resilience of the Chinese economy and the assurance afforded by macro-economic policies of the government, the overall economic conditions will remain stable and steadily steer towards recovery. Meanwhile, national policies supporting workout and exercise for all will drive the rapid development of sports-related industry, and the penetration rate of sectors such as sportswear and sporting goods is expected to further increase. The Group holds an optimistic view on the prospect of China's economy and the sportswear industry, and firmly believes in the development potential of the sports market. The Group will seize every market opportunity and strive to enhance its brand competitiveness. In future, the brand will continue to stand in solidarity with the young community and express the brand philosophy of "vanguard, passion, dynamism and creativity" in the vanguard spirit of an open mind constantly striving to broaden boundaries and ready to break conventions.

The Group will continue to enhance its core brand competitiveness with a consumer-centric approach. In the meantime, we will energise our brand development through product innovation and continuous expansion of our market reach. With thriving e-commerce sales becoming a new normal in consumer spending, the Group will continue to improve the structure of its omni-channel network and advance the integration of online and offline channels to capture online consumer groups, while overcoming limitations in purchase scenarios to increase the flexibility of commodity allocation and shopping conversion rates. In the meantime, against a most challenging business environment, the Group will pursue delicacy in operation and maintain ample cash flow whilst ensuring cost control. In connection with investment, the Group will continue to optimise its investment asset portfolio, further strengthen close 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 sales of the Group for the six months ended 30 September 2022 (the “Reporting Period”) amounted to RMB776 million, a decrease by 8.9% compared with RMB852 million for the six months ended 30 September 2021 (“Comparative Period”). Loss attributable to equity holders of the Company for the Reporting Period was RMB386 million (Comparative Period: loss attributable to equity holders of the Company of RMB748 million).

## Sales Analysis

The COVID-19 pandemic has constituted high risks for the global economy. The Group’s sales revenue for the Reporting Period fell short of expectations owing to the decline in the number of visitors following the outbreak of COVID-19 in certain parts of China.

### Sales analysed by business and product category

	For the six months ended 30 September						Change
	2022			2021			
	RMB million	% of product/brand mix	% of Group sales	RMB million	% of product/brand mix	% of Group sales	
<b>Kappa Brand</b>							
Apparel	498	72.8%	64.1%	526	70.4%	61.8%	-5.3%
Footwear	159	23.2%	20.5%	197	26.4%	23.1%	-19.3%
Accessories	27	4.0%	3.5%	24	3.2%	2.8%	12.5%
<b>Kappa Brand Total</b>	<b>684</b>	<b>100.0%</b>	<b>88.1%</b>	747	100.0%	87.7%	-8.4%
Kids’ apparel business	47		6.1%	69		8.1%	-31.9%
International business and others	45		5.8%	36		4.2%	25.0%
<b>Total</b>	<b>776</b>		<b>100.0%</b>	852		100.0%	-8.9%

## MANAGEMENT DISCUSSION AND ANALYSIS

Total sales of the Kappa brand business, the core business of the Group, for the Reporting Period decreased by RMB63 million to RMB684 million as compared to RMB747 million for the Comparative Period. The sales of kids' apparel business unit for the Reporting Period amounted to RMB47 million, a decrease by RMB22 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 + direct operation" 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 management and control, 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 1,099 Kappa stores in total.

### Sales of Kappa brand analysed by sales channel

	For the six months ended 30 September				
	2022		2021		Change
	Sales RMB million	% of Kappa brand sales	Sales RMB million	% of Kappa brand sales	
Non directly-operated	268	39.2%	334	44.7%	-19.8%
Directly-operated	416	60.8%	413	55.3%	0.7%
<b>Kappa brand Total</b>	<b>684</b>	<b>100.0%</b>	747	100.0%	-8.4%

Note: Excluding Kappa Kids' apparel business.

Sales of Kappa brand via non directly-operated channel decreased by RMB66 million to RMB268 million for the Reporting Period from RMB334 million for the Comparative Period, representing 39.2% of the total sales of Kappa brand business in China segment (Comparative Period: 44.7%).

As at 30 September 2022, the number of directly-operated retail and distribution stores under Kappa brand operated by our subsidiaries reached 640. Sales via directly operated channel increased by RMB3 million to RMB416 million for the Reporting Period from RMB413 million for the Comparative Period, representing 60.8% of the Group's total Kappa brand sales (Comparative Period: 55.3%).

### Cost of Goods Sold and Gross Profit

Cost of goods sold of the Group increased by RMB21 million to RMB315 million for the Reporting Period (Comparative Period: RMB294 million).

The gross profit of the Group before reversal of impairment of inventories decreased by RMB97 million to RMB461 million (Comparative Period: RMB558 million (before provision for impairment of inventories)). Our gross profit margin before reversal of impairment of inventories for the Reporting Period decreased by 6.1 percentage points to

59.4% from 65.5% for the Comparative Period (before provision for impairment of inventories). 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 as well as the clearance of kids' wear products.

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

	For the six months ended		
	30 September		
	2022	2021	Change
	Gross profit margin	Gross profit margin	% pts
<b>Kappa Brand</b>			
Apparel	66.5%	73.3%	-6.8
Footwear	51.2%	57.1%	-5.9
Accessories	67.7%	69.5%	-1.8
<b>Kappa Brand Total</b>	<b>63.0%</b>	68.9%	-5.9
Kids' apparel business and others	33.1%	40.9%	-7.8
<b>Overall</b>	<b>59.4%</b>	65.5%	-6.1

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

Gross profit margins of Kappa brand business for the Reporting Period and the Comparative Period were 63.0% and 68.9%, respectively, representing a decline by 5.9 percentage points. Such decrease in gross profit margin was principally due to an increase in retail discounts for promotional and clearance sales activities.

### Other Loss, Net

Other loss for the Reporting Period was RMB340 million (Comparative Period: other loss of RMB660 million), which includes net investment loss of RMB355 million contributed by the investment segment as well as financial subsidies and other gains of RMB15 million.

### Investment Segment

Other loss from investment segment of the Group for the Reporting Period was RMB355 million (Comparative Period: loss of RMB661 million), comprising loss from fair value change of financial assets amounting to RMB438 million, dividend income of financial assets amounting to RMB14 million and interest income from external borrowings amounting to RMB32 million.

## MANAGEMENT DISCUSSION AND ANALYSIS

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

Investments	Six months ended 30 September	
	2022 (Loss)/gain from investment segment RMB million	2021 (Loss)/gain from investment segment RMB million
Equity	(257)	(103)
Private-equity funds	(87)	(152)
Equity funds	(51)	(220)
Single equity investments	(36)	(230)
Debts, bonds, debt funds	34	48
Others	42	(4)
Total	(355)	(661)

### Distribution Expenses and Administrative Expenses

Distribution expenses and administrative expenses mainly comprised employee salaries and benefit expenses, advertising and selling expenses, logistic fees and design and product development expenses. Total distribution expenses and administrative expenses for the Reporting Period was RMB541 million (Comparative Period: RMB644 million), constituting 69.7% of the Group's total sales and 5.9 percentage points lower 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 the 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 further optimised its organisational structure to further enhance the motivation of all staff members. Staff costs decreased by RMB34 million, year-on-year, to RMB59 million for the Reporting Period (Comparative Period: RMB93 million).

Advertising and selling expenses of the Group decreased by RMB49 million to RMB370 million for the Reporting Period from RMB419 million for the Comparative Period, which reflected primarily the decrease in relevant selling expenses in tandem with the decrease in sales during the period.

Logistics fee for the Reporting Period amounted to RMB21 million (Comparative Period: RMB22 million), a slight decrease by RMB1 million 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 amounted to RMB17 million (Comparative Period: RMB25 million), a decrease by RMB8 million versus the Comparative Period.

### Operating Loss

For the Reporting Period, operating loss of the Group was RMB392 million (Comparative Period: operating loss of RMB770 million). The operating loss margin was 50.5% for the Reporting Period (Comparative Period: operating loss margin of 90.4%). Operating loss excluding that of investment segment was RMB24 million (Comparative Period: operating loss of RMB75 million).

### Finance Income/(Expenses), Net

For the Reporting Period, net finance income of the Group amounted to RMB21 million (Comparative Period: net finance expense of RMB6 million), comprising interest income from bank deposit of RMB6 million (Comparative Period: RMB1 million) and interest expenses for loans of RMB4 million (Comparative Period: RMB3 million); interest expense of lease liabilities amounted of RMB2 million (Comparative Period: RMB2 million). Meanwhile, exchange gain of RMB21 million as also incurred during the Reporting Period (Comparative Period: exchange loss of RMB1 million).

### Taxation

For the Reporting Period, income tax expense of the Group amounted to RMB9 million, which arose mainly from certain profit-making subsidiaries. In addition, the Group did not recognise deferred income tax assets in respect of continuous loss-making subsidiaries for the period (Comparative Period: income tax credit of RMB28 million). The effective tax rate was 2.4% (Comparative Period: 3.6%).

### Loss Attributable to Owners of the Company and Net Loss Margin

Loss attributable to owners of the Company during the Reporting Period was RMB386 million (Comparative Period: Loss attributable to owners of the Company of RMB748 million). Loss margin attributable to owners of the Company was 49.7% (Comparative Period: loss margin attributable to owners of the Company 87.8%).

### Loss Per Share

The basic and diluted loss per share for loss attributable to owners of the Company were both RMB6.59 cents for the Reporting Period, compared with the basic and diluted loss per share of RMB12.76 cents for the Comparative Period.

The basic loss per share is 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 2022, the total number of ordinary shares of the Group was 5,887,561,025 shares.

### Interim Special Dividend

The board of directors of the Company has resolved to declare an interim special dividend of RMB1.17 cents (equivalent to HK1.27 cents) per ordinary share for the six months ended 30 September 2022, amounting to approximately RMB68,884,000.

The interim special dividend will be paid in HK Dollars based on the rate of HKD1.00 = RMB0.91859 being the official exchange rate of HK Dollars against Renminbi as quoted by the People's Bank of China at 22 November 2022. The dividends will be paid on or around 20 December 2022 to shareholders whose names appear on the register of members of the Company on 13 December 2022.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Closure of Register of Members for the Entitlement of Interim Special Dividend

The Register of Members of the Company will be closed from 9 December 2022 to 13 December 2022 (both days inclusive), for the purpose of determining shareholders' entitlements to the 2022/2023 interim special dividend. In order to qualify for the 2022/2023 interim special dividend, all transfer documents, accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on 8 December 2022.

### Issue of New Shares to Management Personnel

It is the intention and objective of the Company to incentivise and ensure the long term service of management personnel who are considered by the Company to be vital to the success and long term growth of the Group.

Accordingly, the Company implemented an incentive scheme whereby the Company issued and allotted shares of the Company to its management personnel and provided financial assistance to them for acquisition of such shares of the Company. The Company (i) entered into subscription agreements with 11 management personnel, namely Mr. Zhang Zhiyong, Ms. Chen Chen, Mr. Ren Yi, Mr. Yang Yang, Mr. Lyu Guanghong, Ms. Tang Lijun, Ms. Sun Wei, Mr. Chen Shaowen, Mr. Song Li, Mr. Nan Peng and Mr. Wang Yalei, on 19 January 2018 (the "January Subscription"); and (ii) entered into subscription agreement with another management personnel, namely Mr. Yang Gang, on 11 April 2018 (the "April Subscription"). Please refer to the announcements of the Company dated 9 October 2017, 19 January 2018, 11 April 2018, 27 April 2018 and 9 May 2018 and the circular of the Company dated 9 March 2018 for further details.

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 (after deducting all related expenses) received by the Company at completion was approximately HK\$48 million, which have been fully utilized 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 were 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, these loan agreements were assigned to Gaea Sports Limited ("GSL"), a wholly-owned subsidiary of the Company. Please refer to the section headed "Other financial assets at amortised cost" in note 19 to the interim condensed consolidated financial information for details of the subscription loans.

On 29 July 2022, GSL and each of (1) Mr. Zhang Zhiyong, Mr. Lyu Guanghong, Mr. Ren Yi and Ms. Sun Wei (as connected borrowers) and (2) Mr. Chen Shaowen, Mr. Song Li, Mr. Nan Peng, Mr. Wang Yalei and Mr. Yang Gang (as management borrowers) entered into amendment letters in relation to the connected subscription loan agreements and the management subscription loan agreements, pursuant to which GSL has agreed that (i) the respective subscription loan shall be extended for a further term of 5 years from the original repayment date; (ii) the principal amount of the respective subscription loan shall be an amount equal to the reduced outstanding amount as at the date of the respective amendment letter; (iii) the rate of interest of the respective subscription loan shall be adjusted to a fixed rate of 1% per annum; (iv) to the extent that the borrower was appointed as an executive director and chief executive of the Company, it will constitute an event of default if such borrower ceases to be an executive director, the chief executive office and/or hold any key positions (as determined by the Company) of the Company; and; (v) all dividends to be received in respect of the shares owned by the relevant borrower that are charged as security to the relevant subscription loan will be used to settle the interest payments and/or to partially repay the principal amount of the relevant subscription loan.

On 29 July 2022, all of the amendment letters took effect except for the amendment letter in respect of Mr. Zhang Zhiyong. On 28 September 2022, the amendment letter in respect of Mr. Zhang Zhiyong took effect after the independent shareholders' approval was obtained at the extraordinary general meeting as required under Chapter 14A of the Listing Rules. Please refer to the announcement of the Company dated 29 July 2022, the circular of the Company dated 9 September 2022 and the announcement of the Company dated 28 September 2022 for further details.

### Restricted Share Award Scheme

The share award scheme had a term of 10 years from the date of its adoption (10 December 2010). 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 and the scheme will remain valid and in effect. 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 2022.

### 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 2022.

## FINANCIAL POSITION

### Working capital efficiency ratios

The average trade receivable turnover days for the Reporting Period and the Comparative Period were 36 days and 35 days, respectively.

The average trade payable turnover days for the Reporting Period and the Comparative Period were 153 days and 133 days, respectively.

The average inventory turnover days for the Reporting Period and the Comparative Period were 246 days and 278 days, respectively. The decrease in inventory turnover days was mainly due to the decrease in the average balance of inventory for the current period.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Liquidity and financial resources

As at 30 September 2022, cash and bank balances of the Group amounted to RMB2,613 million, an increase of RMB1,061 million as compared to a balance of RMB1,552 million as at 31 March 2022, which was mainly attributable to:

- 1) Net cash inflow from operating activities amounting to approximately RMB22 million;
- 2) Outflows from bank loan repayment amounting to RMB197 million and cash inflows from proceeds from bank borrowings amounting to RMB64 million;
- 3) Cash outflows for loans to external parties and investment in other financial assets of approximately RMB925 million, cash inflow from disposal of financial assets and investment income of approximately RMB1,953 million, cash inflow from interest income of acquired loans to external parties of RMB33 million and cash inflow from repayment of loans extended to external parties of RMB89 million;
- 4) Others in aggregate: inflow of RMB22 million.

As at 30 September 2022, net asset value attributable to owners of the Company was RMB9,354 million (31 March 2022: RMB9,351 million). The Group's current assets exceeded current liabilities by RMB4,215 million (31 March 2022: RMB4,484 million). The Group also had a very strong liquidity position. The current ratio as of 30 September 2022 was 7.2 times (31 March 2022: 6.7 times).

### Investments in financial assets

As at 30 September 2022, the Group's current and non-current proportion of financial assets at fair value through profit or loss amounted to RMB5,509 million in aggregate, which includes the following:

Listed securities:

Name	Fair value as at 30 September 2022 RMB million	Fair value as at 31 March 2022 RMB million
Alibaba	505	603
Other listed securities	480	469
Total	<b>985</b>	1,072



Other unlisted investments:

<b>Investments</b>	<b>Fair value as at 30 September 2022 RMB million</b>	Fair value as at 31 March 2022 RMB million
CPE Yuanfeng Fund RMB III	451	452
Jiashi Investment Preferred Cornerstone	354	354
Pingtao (Hong Kong) Limited	279	235
Guotiao Hongtai Fund	227	231
Yunfeng Fund RMB IV	182	196
Jiashi Investment Preferred II	169	169
CPE Global Opportunities Fund, L.P	168	185
CPE Yuanfeng RMB New Fund	149	149
Yunfeng Fund USD III	142	146
Hongtai Growth Fund	120	118
Boyu USD Fund	119	148
Yunfeng Fund RMB III	114	128
CPE Global Opportunities Fund II, L.P	103	94
Yunfeng Fund USD II	71	166
Others	1,876	2,882
Total	<b>4,524</b>	5,653

### Pledge of assets

As at 30 September 2022, the Group's assets with a value of approximately RMB69 million equivalent were held by banks as collateral for bank borrowings (as at 31 March 2022: assets with a value of approximately RMB260 million equivalent held by banks as collateral for bank borrowings).

As at 30 September 2022, the Group held deposits of approximately RMB10 million at banks subject to bank acceptance bills (as at 31 March 2022: the Group held deposits of approximately RMB28 million at banks subject to bank acceptance bills).

### Capital commitments

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 2022, the Group paid a capital contribution

of US\$15 million and the remaining balance of the capital commitment was US\$15 million (equivalent to approximately RMB110 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 2022, the Group paid a capital contribution of US\$8 million and the remaining balance of the capital commitment was US\$12 million (equivalent to approximately RMB85 million).

In September 2021, the Group entered into a limited partnership agreement with Xiamen Yuanfeng Investment LLP., with a total capital commitment of RMB200 million. As at 30 September 2022, the Group paid a capital contribution of RMB130 million and the remaining balance of the capital commitment was RMB70 million.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Foreign Exchange Risk

The functional currency of the Group 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 large proportion of the Group's 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.

### Significant Investments and Acquisitions

No significant investments were held by the Group as at 30 September 2022 and no material acquisitions or disposals of the Group's subsidiaries, associates and joint ventures took place during the six months ended 30 September 2022.

## OTHER INFORMATION

### 1 RESTRICTED SHARE AWARD SCHEME

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

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

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

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

The Share Award Scheme 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 2022, none of the Restricted Shares were granted to any eligible participant pursuant to the Restricted Share Award Scheme. As at 30 September 2022, 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 2022 and 30 September 2022, 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.

As at 30 September 2022, 153,260,000 share options were available for issue upon the exercise of all outstanding options which have already been granted (assuming all of these share would be vested) under the Share Option Scheme, which represents approximately 2.6% of the issued shares as at the date of this interim report.

The table below sets out the details of the movements in the share options granted to the Grantees under the Share Option Scheme for the six months ended 30 September 2022:

Category	Date of grant	Number of share options				Outstanding as at 30 September 2022	Exercise period	Exercise price per share (HK\$)	Closing price immediately before the date of grant (HK\$)	Vesting period
		Granted during the six months ended 30 September 2022	Exercised during the six months ended 30 September 2022	Lapsed during the six months ended 30 September 2022	Cancelled during the six months ended 30 September 2022					
<b>Directors</b>										
Ms. Chen Chen <sup>(5)</sup>	15/04/2021	23,000,000	—	—	—	23,000,000	15/04/2021–14/04/2031	0.94	0.92	14/04/2024
Mr. Zhang Zhiyong <sup>(5)</sup>	15/04/2021	36,000,000	—	—	—	36,000,000	15/04/2021–14/04/2031	0.94	0.92	14/04/2024
Mr. Lyu Guanghong <sup>(5)</sup>	15/04/2021	6,000,000	—	—	—	6,000,000	15/04/2021–14/04/2031	0.94	0.92	14/04/2024
<b>Employees</b>										
—	16/09/2019 <sup>(1)</sup>	12,600,000	—	—	4,720,000	7,880,000	16/09/2019–15/09/2029	0.854	0.82	16/09/2019–15/09/2022
—	07/01/2020 <sup>(2)</sup>	1,080,000	—	—	—	1,080,000	07/01/2020–06/01/2030	0.86	0.82	07/01/2020–06/01/2023
—	01/04/2020 <sup>(3)</sup>	—	—	—	—	—	01/04/2020–31/03/2030	0.67	0.64	01/04/2020–31/03/2023
—	01/09/2020 <sup>(4)</sup>	1,200,000	—	—	800,000	400,000	01/09/2020–31/08/2030	1.09	0.99	01/09/2020–31/08/2023
—	15/04/2021 <sup>(5)</sup>	106,200,000	—	—	30,900,000	75,300,000	15/04/2021–14/04/2031	0.94	0.92	14/04/2024
—	02/07/2021 <sup>(6)</sup>	1,500,000	—	—	—	1,500,000	02/07/2021–01/07/2031	1.36	1.34	01/07/2024
—	28/01/2022 <sup>(7)</sup>	1,500,000	—	—	—	1,500,000	28/01/2022–27/01/2032	0.676	0.67	27/01/2025
—	17/03/2022 <sup>(8)</sup>	600,000	—	—	—	600,000	17/03/2022–16/03/2032	0.459	0.435	16/03/2025
<b>Total</b>		<b>189,680,000</b>	<b>—</b>	<b>—</b>	<b>36,420,000</b>	<b>153,260,000</b>				

\* 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:

1. 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.

2. 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.

## OTHER INFORMATION

3. 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.
4. 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.
5. 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.
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. On 28 January 2022, the Company granted an aggregate of 1,500,000 options to certain management staff and employees of the Company to subscribe for a total of 1,500,000 ordinary shares of HK\$0.01 each in the share capital of the Company, representing approximately 0.025% 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 28 January 2022 for details.
8. On 17 March 2022, the Company granted an aggregate of 600,000 options to certain management staff and employees of the Company to subscribe for a total of 600,000 ordinary shares of HK\$0.01 each in the share capital of the Company, representing approximately 0.01% 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 17 March 2022 for details.
9. For the six months ended 30 September 2022, no share option was granted nor exercised. 36,420,000 share options have lapsed. No share option was cancelled.
10. There are no participants with options granted in excess of the individual limit and no grants to suppliers of goods and services.
11. Save as disclosed above, no other share options were granted, exercised, lapsed or cancelled for the six months ended 30 September 2022.

### 3 DISCLOSURE OF INTEREST

#### (a) Directors' Interests in Securities

As at 30 September 2022, 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 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 Model Code contained in the Listing Rules are 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 <sup>(1)</sup>	2,359,936,000 shares	—	40.08%
	Interest of a controlled corporation <sup>(3)</sup>	312,090,025 shares	—	5.3%
Ms. Chen Chen	Interest of a controlled corporation <sup>(2)</sup>	177,998,730 shares	—	3.02%
	Beneficial owner	44,500,000 shares <sup>(5)</sup>	—	0.76%
Mr. Zhang Zhiyong	Beneficial owner <sup>(3)</sup>	202,120,025 shares <sup>(4)</sup>	—	3.43%
Mr. Lyu Guanghong	Beneficial owner <sup>(3)</sup>	16,000,000 shares <sup>(6)</sup>	—	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 2022, 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.

## OTHER INFORMATION

### (b) Interests and Short Positions of Substantial Shareholders

As at 30 September 2022, 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	2,359,936,000	—	40.08%
	Interest in a controlled corporation <sup>(2)</sup>	312,090,025	—	5.3%
Harvest Luck Development Limited <sup>(1)</sup>	Interest in a controlled corporation	2,359,936,000	—	40.08%
	Interest in a controlled corporation <sup>(2)</sup>	312,090,025	—	5.3%

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 2022, the Directors are not aware of any other person or corporation (who were not Directors or chief executive of the Company) 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 all 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").

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 2022.



## **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 2022.

The interim condensed consolidated financial information for the six months ended 30 September 2022 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”. Based on their review, PricewaterhouseCoopers confirmed that nothing has come to their attention that causes them to believe that the interim financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34 “Interim Financial Reporting”.

## **7 PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES**

During the six months ended 30 September 2022, 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 2022

	Note	Unaudited Six months ended 30 September	
		2022 RMB'000	2021 RMB'000
<b>Revenue</b>	6	<b>776,339</b>	851,893
Cost of sales	8	<b>(314,820)</b>	(294,039)
Reversal of/(provision for) impairment of inventories — net	8	<b>22,802</b>	(5,893)
<b>Gross profit</b>		<b>484,321</b>	551,961
Distribution expenses	8	<b>(490,740)</b>	(558,733)
Administrative expenses	8	<b>(49,991)</b>	(85,549)
Reversal of/(provision for) impairment of financial assets — net		<b>4,882</b>	(17,732)
Other losses — net	7	<b>(340,190)</b>	(659,716)
<b>Operating loss</b>		<b>(391,718)</b>	(769,769)
Finance income	9	<b>26,668</b>	1,147
Finance expenses	9	<b>(6,117)</b>	(7,190)
Finance income/(expenses) — net		<b>20,551</b>	(6,043)
Share of post-tax losses of joint ventures and associates accounted for using the equity method	16	<b>(6,417)</b>	(410)
<b>Loss before income tax</b>		<b>(377,584)</b>	(776,222)
Income tax (expense)/credit	10	<b>(8,643)</b>	28,273
<b>Loss for the period</b>		<b>(386,227)</b>	(747,949)
<b>Loss attributable to:</b>			
— Owners of the Company		<b>(386,227)</b>	(747,949)
— Non-controlling interests		—	—
		<b>(386,227)</b>	(747,949)

	Note	Unaudited Six months ended 30 September	
		2022 RMB'000	2021 RMB'000
<b>Other comprehensive income/(loss):</b>			
<b>Items that may be reclassified to profit or loss</b>			
— Currency translation differences on foreign operations		<b>363,415</b>	(56,292)
<b>Items that may not be reclassified to profit or loss</b>			
— Currency translation differences on foreign operations		<b>40,227</b>	(8,202)
<b>Other comprehensive income/(loss), net of tax</b>		<b>403,642</b>	(64,494)
<b>Total comprehensive income/(loss) for the period</b>		<b>17,415</b>	(812,443)
<b>Total comprehensive income/(loss) for the period attributable to:</b>			
— Owners of the Company		<b>17,415</b>	(812,443)
— Non-controlling interests		—	—
<b>Losses per share for loss attributable to owners of the Company for the period (expressed in RMB cents per share)</b>			
— Basic losses per share	11	<b>(6.59)</b>	(12.76)
— Diluted losses per share	11	<b>(6.59)</b>	(12.76)

The above interim 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 2022

	Note	Unaudited 30 September 2022 RMB'000	Audited 31 March 2022 RMB'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	13	153,173	97,835
Right-of-use assets	15	83,256	92,407
Intangible assets	14	171,330	175,651
Investments accounted for using the equity method	16	18,164	45,204
Financial assets at fair value through profit or loss	5	4,266,126	4,474,765
Deferred income tax assets		166,146	179,136
Other financial assets at amortised cost	19	576,817	82,404
Other assets		29,745	64,190
<b>Total non-current assets</b>		<b>5,464,757</b>	5,211,592
<b>Current assets</b>			
Inventories		446,839	398,495
Trade receivables	17	148,720	153,909
Other current assets		32,847	33,711
Financial assets at fair value through profit or loss	5	1,242,775	2,250,094
Other financial assets at amortised cost	19	387,109	885,593
Restricted cash		10,131	27,870
Cash and cash equivalents		2,602,990	1,523,938
Assets classified as held for sale	16	4,871,411 20,623	5,273,610 —
<b>Total current assets</b>		<b>4,892,034</b>	5,273,610
<b>Total assets</b>		<b>10,356,791</b>	10,485,202
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital and share premium	21	1,091,344	1,091,344
Shares held for employee share scheme	22	(196)	(196)
Reserves		8,262,983	8,259,742
<b>Capital and reserves attributable to owners of the Company</b>		<b>9,354,131</b>	9,350,890
<b>Non-controlling interests</b>		—	—
<b>Total equity</b>		<b>9,354,131</b>	9,350,890

	Note	Unaudited 30 September 2022 RMB'000	Audited 31 March 2022 RMB'000
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Lease liabilities	15	22,873	27,559
Deferred income tax liabilities		303,107	316,915
<b>Total non-current liabilities</b>		<b>325,980</b>	344,474
<b>Current liabilities</b>			
Derivative	5	15,503	64,835
Contract liabilities		11,812	14,027
Lease liabilities	15	42,551	49,131
Borrowings	24	41,149	156,120
Trade payables	18	296,352	229,591
Accruals and other payables	20	263,280	263,901
Current income tax liabilities		6,033	12,233
<b>Total current liabilities</b>		<b>676,680</b>	789,838
<b>Total liabilities</b>		<b>1,002,660</b>	1,134,312
<b>Total equity and liabilities</b>		<b>10,356,791</b>	10,485,202

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

The interim condensed consolidated financial information on pages 32 to 72 was approved and authorised for issue by the Board of Directors on 23 November 2022 and was signed on its behalf by:

**CHEN YIHONG**  
Executive Director & Chairman

**CHEN CHEN**  
Executive Director & Co-Chairman

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2022

		Unaudited							
		Attributable to owners of the Company							
	Note	Shares held for			Other Reserves	Retained earnings	Non-controlling interests	Total equity	
		Share capital	Share premium account	employee share scheme					
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
<b>Balance at 31 March 2022</b>		56,478	1,034,866	(196)	(175,957)	8,435,699	9,350,890	—	9,350,890
<b>Comprehensive loss</b>									
Loss for the period		—	—	—	—	(386,227)	(386,227)	—	(386,227)
<b>Other comprehensive income</b>									
Currency translation differences		—	—	—	403,642	—	403,642	—	403,642
<b>Total comprehensive income/(losses)</b>		—	—	—	403,642	(386,227)	17,415	—	17,415
Share-based compensations	23	—	—	—	(14,174)	—	(14,174)	—	(14,174)
<b>Total Transaction with owners, recognised directly in equity</b>		—	—	—	(14,174)	—	(14,174)	—	(14,174)
<b>Balance at 30 September 2022</b>		56,478	1,034,866	(196)	213,511	8,049,472	9,354,131	—	9,354,131

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

Unaudited									
Attributable to owners of the Company									
	Note	Share capital RMB'000	Share premium account RMB'000	Shares held for employee share scheme RMB'000	Other Reserves RMB'000	Retained earnings RMB'000	Total RMB'000	Non- controlling interests RMB'000	Total equity RMB'000
<b>Balance at 31 March 2021</b>		56,467	1,033,629	(196)	(40,666)	10,483,529	11,532,763	3,162	11,535,925
<b>Comprehensive loss</b>									
Loss for the period		—	—	—	—	(747,949)	(747,949)	—	(747,949)
<b>Other comprehensive loss</b>									
Currency translation differences		—	—	—	(64,494)	—	(64,494)	—	(64,494)
<b>Total comprehensive losses</b>		—	—	—	(64,494)	(747,949)	(812,443)	—	(812,443)
<b>Transactions with owners:</b>									
Exercise of share options	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)
<b>Total contribution by and distribution to owners, recognised directly in equity</b>		11	1,237	—	(295)	(300,580)	(299,627)	—	(299,627)
Share-based compensations	23	—	—	—	8,279	—	8,279	—	8,279
<b>Total Transaction with owners, recognised directly in equity</b>		11	1,237	—	7,984	(300,580)	(291,348)	—	(291,348)
<b>Balance at 30 September 2021</b>		56,478	1,034,866	(196)	(97,176)	9,435,000	10,428,972	3,162	10,432,134

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2022

	Note	Unaudited Six months ended 30 September	
		2022 RMB'000	2021 RMB'000
<b>Cash flows from operating activities</b>			
Cash generated from/(used in) operations		31,919	(154,101)
Interest received		6,029	1,147
Income tax paid		(15,661)	(19,432)
<b>Net cash generated from/(used in) operating activities</b>		<b>22,287</b>	<b>(172,386)</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(41,234)	(15,561)
Purchase of intangible assets		—	(1,444)
Purchases of land use rights		—	(11,902)
Proceeds from disposal of property, plant and equipment and intangible assets		—	515
Investment in financial assets at fair value through profit or loss		(850,782)	(1,671,416)
Proceeds from investment income and disposal of financial assets at fair value through profit or loss		1,952,706	2,046,053
Increase in loan receivables		(74,498)	(433,061)
Repayment of loan receivables		88,847	179,259
Interest received from other financial assets at amortised cost		32,588	22,425
Proceeds from disposal of investments in associates and joint ventures		36,155	14,514
Investment in a joint venture		—	(4,900)
<b>Net cash generated from investing activities</b>		<b>1,143,782</b>	<b>124,482</b>
<b>Cash flows from financing activities</b>			
Dividends paid	12	—	(300,580)
Proceeds from borrowings		64,231	105,869
Repayment of borrowings		(197,427)	(161,211)
Interest paid		(3,623)	(3,463)
Proceeds received from employees in relation to exercise of share options		—	1,025
Payment for lease liabilities		(29,778)	(25,373)
<b>Net cash used in financing activities</b>		<b>(166,597)</b>	<b>(383,733)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>999,472</b>	<b>(431,637)</b>
Cash and cash equivalents at the beginning of the period		1,523,938	1,823,757
Effects of exchange rate changes on cash and cash equivalents		79,580	(14,477)
<b>Cash and cash equivalents at end of the period</b>		<b>2,602,990</b>	<b>1,377,643</b>

The above interim 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 2022

## 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 23 November 2022.

This interim condensed consolidated financial information for the six months ended 30 September 2022 has been reviewed, not audited.

## 2 BASIS OF PREPARATION

This interim condensed consolidated financial information for the six months ended 30 September 2022 has been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting” (“IAS 34”).

The interim condensed consolidated financial information does not include all the notes of the type normally included in an annual financial statements. 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 2022, which have been prepared in accordance with International Financial Reporting Standards (“IFRS”).

## 3 ACCOUNTING POLICIES

The accounting policies applied to the preparation of this condensed consolidated interim financial information are consistent with those applied in the annual financial statements for the year ended 31 March 2022, except for the estimation of income tax using the tax rate that would be applicable to expected total annual earnings. A number of amended standards and annual improvements became applicable for the current reporting period. The Group did not change its accounting policies or make retrospective adjustments as a result of adopting these amended standards and annual improvements.

### Impact of standards issued but not yet applied by the Group

Certain new or amended accounting standards have been published but are not mandatory for reporting period commencing 1 April 2022 and have not been early adopted by the Group. These new or amended standards are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 September 2022

## 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 annual consolidated financial statements for the year ended 31 March 2022.

## 5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

### 5.1 Financial risk factors

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

The interim condensed consolidated financial information 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 2022.

There have been no changes in the risk management policies since 31 March 2022.

### 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".

### 5.3 Liquidity risk

There was no significant change in the contractual undiscounted cash out flows for financial liabilities since 31 March 2022.

### 5.4 Fair value estimation

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

## 5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONTINUED)

### 5.4 Fair value estimation (continued)

#### (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.

<b>As at 30 September 2022 (Unaudited)</b>	<b>Level 1 RMB'000</b>	<b>Level 2 RMB'000</b>	<b>Level 3 RMB'000</b>	<b>Total RMB'000</b>
<b>Financial assets</b>				
Financial assets at fair value through profit or loss (FVPL)				
— Private equity fund investments	—	—	4,200,527	4,200,527
— Listed equity securities — stock	985,114	—	—	985,114
— Other unlisted equity investments	—	—	323,260	323,260
<b>Total financial assets</b>	<b>985,114</b>	<b>—</b>	<b>4,523,787</b>	<b>5,508,901</b>
<b>Financial liabilities</b>				
Derivatives	—	—	(15,503)	(15,503)
<hr/>				
As at 31 March 2022 (Audited)	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
<b>Financial assets</b>				
Financial assets at fair value through profit or loss (FVPL)				
— Private equity fund investments	—	—	5,313,629	5,313,629
— Listed equity securities — stock	1,071,906	—	—	1,071,906
— Other unlisted equity investments	—	—	307,511	307,511
— Unlisted fixed coupon notes	—	—	31,813	31,813
<b>Total financial assets</b>	<b>1,071,906</b>	<b>—</b>	<b>5,652,953</b>	<b>6,724,859</b>
<b>Financial liabilities</b>				
Derivatives	—	—	(64,835)	(64,835)

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 September 2022

## 5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONTINUED)

### 5.4 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 5.4(b) below.

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

- 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 2022 and 31 March 2022, the Group's financial assets that are measured at fair value using Level 1 inputs mainly include 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.

- Level 2: The fair value of financial instruments that are not traded in an active market 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 5.4(c) below.

## 5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONTINUED)

### 5.4 Fair value estimation (Continued)

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

The following table presents the changes in Level 3 instruments for the six months ended 30 September 2022 and 2021.

	Private equity fund investments RMB'000	Other unlisted equity investments RMB'000	Unlisted fixed coupon notes RMB'000	Wealth Management Products ("WMPs") RMB'000	Derivatives RMB'000	Total RMB'000
<b>Opening balance at 1 April 2022</b>	<b>5,313,629</b>	<b>307,511</b>	<b>31,813</b>	—	<b>(64,835)</b>	<b>5,588,118</b>
Acquisitions	11,662	—	—	—	—	11,662
Disposals	(1,189,516)	—	(36,919)	—	—	(1,226,435)
Other losses — net*	(157,535)	(13,581)	1,268	—	53,991	(115,857)
Currency translation difference	222,287	29,330	3,838	—	(4,659)	250,796
<b>Closing balance at 30 September 2022</b>	<b>4,200,527</b>	<b>323,260</b>	—	—	<b>(15,503)</b>	<b>4,508,284</b>
* includes unrealised losses recognised in profit or loss attributable to balances held at the end of the reporting period	<b>(102,559)</b>	<b>(13,581)</b>	<b>(152)</b>	—	<b>53,991</b>	<b>(62,301)</b>
	Private equity fund investments RMB'000	Other unlisted equity investments RMB'000	Unlisted fixed coupon notes RMB'000	WMPs RMB'000	Derivatives RMB'000	Total RMB'000
<b>Opening balance at 1 April 2021</b>	6,760,998	470,034	65,908	—	(35,403)	7,261,537
Acquisitions	256,676	—	32,427	197,000	—	486,103
Disposals	(358,721)	—	(2,801)	(197,719)	—	(559,241)
Transfer from Level 3 to Level 1	—	(32,857)	—	—	—	(32,857)
Other losses — net*	(495,888)	(103,333)	(7,275)	719	(181,324)	(787,101)
Currency translation difference	(35,963)	(4,184)	(799)	—	1,663	(39,283)
<b>Closing balance at 30 September 2021</b>	<b>6,127,102</b>	<b>329,660</b>	<b>87,460</b>	—	<b>(215,064)</b>	<b>6,329,158</b>
* includes unrealised losses recognised in profit or loss attributable to balances held at the end of the reporting period	<b>(525,586)</b>	<b>(103,333)</b>	<b>(10,076)</b>	—	<b>(181,324)</b>	<b>(820,319)</b>

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 September 2022

## 5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONTINUED)

### 5.4 Fair value estimation (Continued)

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

The following table summarises the quantitative information about the significant unobservable inputs used in level 3 fair value measurements:

Description	Fair value at		Valuation Technique	Significant unobservable inputs	Range of inputs		Relationship of unobservable inputs to fair value
	30 September 2022	31 March 2022			As at 30 September 2022	As at 31 March 2022	
<b>Financial assets</b>							
Private equity fund investments (Note 1)	4,200,527	5,313,629	Net asset value	N/A	N/A	N/A	N/A
Other unlisted equity investments (Note 2)	323,260	307,511	Market comparable companies	Price to sales multiples ("PS"), earnings before interest and tax multiples ("EV/EBIT"), Discount for lack of marketability ("DLOM")	PS: 2.59 EV/EBIT: 26.79 DLOM: 16%–20%	PS: 3.10 EV/EBIT: 21.27 DLOM: 20%	Increased or decreased PS or EV/EBIT by 1 would increase or decrease FV by RMB27,342,000 (31 March 2022: RMB20,495,000). Increased or decreased DLOM by 5% would decrease or increase FV by RMB20,073,000 (31 March 2022: RMB19,219,000).
Unlisted fixed coupon notes (Note 3)	—	31,813	Option pricing model	Expected volatility	N/A	N/A	The higher the expected volatility, the lower the fair value.
<b>Total financial assets</b>	<b>4,523,787</b>	<b>5,652,953</b>					
<b>Financial liabilities</b>							
Derivatives (Note 4)	(15,503)	(64,835)	Option pricing model	Expected volatility	N/A	N/A	The higher the expected volatility, the higher the fair value.

Notes:

- The Group determines the fair value 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.
- For other unlisted equity investments, the fair values are determined by using the market comparable companies 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.

## 5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONTINUED)

### 5.4 Fair value estimation (Continued)

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

Notes: (Continued)

- (3) The amount represents the Group's short-term investments in fixed coupon notes which in substance are equity-index notes with the maturity of no more than 12 months, which are issued by reputable multinational banks such as JPMorgan Chase Bank. As at 31 March 2022, management determined the fair value of these fixed coupon notes based on the statements provided by the respective issuing banks. The related valuation technique is option pricing model and valuation inputs were developed by the issuing banks which were 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 gross settled between the Group and the issuing banks at an agreed price when certain agreed events occurred. As at 30 September 2022, management determines the fair value of these derivatives based on the statements provided by the respective issuing banks. The related valuation technique is option pricing model and valuation inputs were developed by the issuing banks which were not reasonably available to the Group.

#### (d) Valuation processes

The Group has a team of personnel that manages the valuation on these level 3 instruments for financial reporting purposes. The team manages the valuation exercise 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 WMPs, etc), at least twice every financial year, which coincides with the Group's semi-annually reporting dates. External valuation experts may also be involved and consulted when it is necessary. The valuation process is under the management's supervision and the valuation results are finally reviewed by the Group's CFO.

## 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 Phenix brand.

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

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 September 2022

## 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 loss and segment 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 2022 and 2021, respectively are as follows:

	Unaudited		
	China — Apparel RMB'000	Investment RMB'000	Total RMB'000
<b>Six month ended 30 September 2022</b>			
Revenue from external customers	776,339	—	776,339
Cost of sales	(314,820)	—	(314,820)
Reversal of impairment of inventories — net	22,802	—	22,802
<b>Segment gross profit</b>	<b>484,321</b>	<b>—</b>	<b>484,321</b>
Other gains/(losses)— net	14,344	(354,534)	(340,190)
<b>Segment operating loss</b>	<b>(24,250)</b>	<b>(367,468)</b>	<b>(391,718)</b>
Finance income	1,128	19,423	20,551
Share of post-tax losses of joint venturers and associates accounted for using the equity method	(4,360)	(2,057)	(6,417)
<b>Loss before income tax</b>	<b>(27,482)</b>	<b>(350,102)</b>	<b>(377,584)</b>
Income tax (expense)/credit	(12,205)	3,562	(8,643)
<b>Loss for the period</b>	<b>(39,687)</b>	<b>(346,540)</b>	<b>(386,227)</b>
<b>Material items of income and expense</b>			
Depreciation and amortisation	9,480	1,023	10,503
Depreciation of right-of-use assets	26,840	239	27,079
Reversal of impairment of financial assets — net	(4,882)	—	(4,882)
Reversal of impairment of inventories — net	(22,802)	—	(22,802)
Selling and advertising expenses	370,199	—	370,199



**6 SEGMENT INFORMATION (CONTINUED)**

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

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 September 2022

## 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	Total RMB'000
<b>As at 30 September 2022</b>			
Cash and cash equivalent	214,458	2,388,532	2,602,990
Restricted cash	10,131	—	10,131
Investments accounted for using the equity method	13,264	4,900	18,164
Financial assets at fair value through profit or loss	—	5,508,901	5,508,901
Deferred income tax assets	128,378	37,768	166,146
Right-of-use assets	71,189	12,067	83,256
Assets classified as held for sale	—	20,623	20,623
Other assets	951,997	994,583	1,946,580
Total assets before inter-segment elimination	1,389,417	8,967,374	10,356,791
Inter-segment elimination	—	—	—
<b>Segment assets</b>	<b>1,389,417</b>	<b>8,967,374</b>	<b>10,356,791</b>
Deferred income tax liabilities	4,977	298,130	303,107
Current income tax liabilities	6,033	—	6,033
Lease liabilities	64,291	1,133	65,424
Other liabilities	528,187	99,909	628,096
Total liabilities before inter-segment elimination	603,488	399,172	1,002,660
Inter-segment elimination	—	—	—
<b>Segment liabilities</b>	<b>603,488</b>	<b>399,172</b>	<b>1,002,660</b>

**6 SEGMENT INFORMATION (CONTINUED)**

	Audited		
	China — Apparel RMB'000	Investment RMB'000	Total RMB'000
<b>As at 31 March 2022</b>			
Cash and cash equivalent	187,643	1,336,295	1,523,938
Restricted cash	27,870	—	27,870
Investments accounted for using the equity method	17,624	27,580	45,204
Financial assets at fair value through profit or loss	—	6,724,859	6,724,859
Deferred income tax assets	144,585	34,551	179,136
Right-of-use asset	80,101	12,306	92,407
Other assets	965,512	926,276	1,891,788
Total assets before inter-segment elimination	1,423,335	9,061,867	10,485,202
Inter-segment elimination	—	—	—
<b>Segment assets</b>	<b>1,423,335</b>	<b>9,061,867</b>	<b>10,485,202</b>
Deferred income tax liabilities	6,310	310,605	316,915
Current income tax liabilities	12,233	—	12,233
Lease liabilities	75,468	1,222	76,690
Other liabilities	468,230	260,244	728,474
Total liabilities before inter-segment elimination	562,241	572,071	1,134,312
Inter-segment elimination	—	—	—
<b>Segment liabilities</b>	<b>562,241</b>	<b>572,071</b>	<b>1,134,312</b>

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 September 2022

## 7 OTHER LOSSES — NET

	Unaudited	
	Six months ended 30 September	
	2022	2021
	RMB'000	RMB'000
Changes in fair value of financial instruments at fair value through profit or loss	(437,714)	(730,392)
Net foreign exchange gains/(losses)	36,358	(9,652)
Investment income from loan receivables	32,071	49,614
Dividend income from financial assets at fair value through profit or loss	14,133	29,445
Franchise fee income	8,195	1,486
Government subsidy income	3,622	5,149
Others	3,145	(5,366)
	<b>(340,190)</b>	<b>(659,716)</b>

## 8 EXPENSES BY NATURE

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

	Unaudited	
	Six months ended 30 September	
	2022	2021
	RMB'000	RMB'000
Selling and advertising expenses	370,199	419,033
Cost of inventories recognised as cost of sales	314,820	294,039
Employee salary and benefit expenses	59,191	92,970
Depreciation of right-of-use asset (Note 15)	27,079	26,616
(Reversal of)/provision for impairment of inventories	(22,802)	5,893
Logistic fees	20,572	22,479
Product design and development expenses	16,628	25,491
Expenses relating to short-term leases and variable leases (Note 15)	15,447	18,175
Depreciation of property, plant and equipment (Note 13)	6,182	3,557
Amortisation of intangible assets (Note 14)	4,321	4,464
Legal and consulting expenses	4,304	4,410
Travelling expenses	2,725	5,854
Auditors' remuneration	1,200	1,800
Others	12,883	19,433
Total cost of sales, reversal of/(provision for) impairment of inventories, distribution expenses and administrative expenses	<b>832,749</b>	<b>944,214</b>

**9 FINANCE INCOME/(EXPENSES) — NET**

	<b>Unaudited</b>	
	<b>Six months ended 30 September</b>	
	<b>2022</b>	2021
	<b>RMB'000</b>	RMB'000
Finance income:		
— Net foreign exchange gains	<b>20,639</b>	—
— Interest income	<b>6,029</b>	1,147
Finance expenses:		
— Net foreign exchange losses	—	(1,436)
— Interest expenses	<b>(3,623)</b>	(3,463)
— Interest of lease liabilities (Note 15)	<b>(1,588)</b>	(2,003)
— Others	<b>(906)</b>	(288)
	<b>(6,117)</b>	(7,190)
Finance income/(expenses) — net	<b>20,551</b>	(6,043)

**10 INCOME TAX EXPENSE/(CREDIT)**

	<b>Unaudited</b>	
	<b>Six months ended 30 September</b>	
	<b>2022</b>	2021
	<b>RMB'000</b>	RMB'000
Current income tax		
— PRC corporate income tax ("CIT")	<b>5,539</b>	8,831
— Withholding and remit tax recognised	<b>3,922</b>	3,585
Deferred income tax	<b>(818)</b>	(40,689)
	<b>8,643</b>	(28,273)

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 September 2022

## 10 INCOME TAX EXPENSE/(CREDIT) (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 2022 (2021: 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 2021: 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 2021: 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 2022, the Group had provided a deferred tax liability amounting to RMB179,559,000 (as at 31 March 2022: RMB177,144,000) in relation to the profit of the Group's PRC subsidiaries that will be distributed in the future.

## 11 LOSSES PER SHARE

### (a) Basic

Basic losses per share is calculated by dividing the loss 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	
	2022	2021
Loss attributable to owners of the Company (RMB'000)	(386,227)	(747,949)
Weighted average number of ordinary shares in issue less shares held for Restricted Share Award Scheme (thousands)	5,864,511	5,863,827
Basic losses per share (RMB cents per share)	(6.59)	(12.76)

## 11 LOSSES PER SHARE (CONTINUED)

### (b) Diluted

Diluted losses 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. This potential adjustment resulted in an anti-dilutive effect in the calculation of diluted losses per share for the six months ended 30 September 2022 and 2021.

## 12 DIVIDENDS

	<b>Unaudited</b>	
	<b>Six months ended 30 September</b>	
	<b>2022</b>	2021
	<b>RMB'000</b>	RMB'000
Final dividend paid of RMB0 cent (2021: RMB3.54 cent) per share	—	210,275
Final special dividend paid of RMB0 cent (2021: RMB1.54 cent) per share	—	91,475
	—	301,750

The total dividends paid for the six months ended 30 September 2022 amounted to nil (six months ended 30 September 2021: RMB301,750,000 or RMB5.08 cents per share), of which nil (six months ended 30 September 2021: RMB1,170,000) were paid to the shares held for Restricted Share Award Scheme.

Pursuant to a resolution passed on 23 November 2022, the board of directors of the Company declared an interim special dividend of RMB1.17 cents per ordinary share of the Company, amounting to RMB68,884,000 for the six months ended 30 September 2022 from the Company's retained earnings account. It will be recognised in shareholders' equity in the year ended 31 March 2023.

The aggregate amounts of the dividends paid for the six months ended 30 September 2022 and 2021 have been disclosed in the condensed consolidated statement of changes in equity in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 September 2022

## 13 PROPERTY, PLANT AND EQUIPMENT

	Unaudited						
	Freehold land RMB'000	Buildings RMB'000	Office furniture and equipment RMB'000	Vehicles RMB'000	Leasehold improvements RMB'000	Construction in progress RMB'000	Total RMB'000
<b>As at 31 March 2022</b>							
Cost	22,509	119,666	58,614	1,965	360	712	203,826
Accumulated depreciation and impairment	—	(53,203)	(50,982)	(1,446)	(360)	—	(105,991)
<b>Net book amount</b>	<b>22,509</b>	<b>66,463</b>	<b>7,632</b>	<b>519</b>	<b>—</b>	<b>712</b>	<b>97,835</b>
<b>For the six months ended 30 September 2022</b>							
<b>Opening net book amount as at 1 April 2022</b>	22,509	66,463	7,632	519	—	712	97,835
Additions	—	—	664	80	7,779	48,540	57,063
Disposals	—	—	—	(20)	—	—	(20)
Depreciation (Note 8)	—	(4,437)	(614)	(95)	(1,036)	—	(6,182)
Transfers	—	14,601	—	—	—	(14,601)	—
Currency translation difference	2,062	2,413	2	—	—	—	4,477
<b>Closing net book amount as at 30 September 2022</b>	<b>24,571</b>	<b>79,040</b>	<b>7,684</b>	<b>484</b>	<b>6,743</b>	<b>34,651</b>	<b>153,173</b>
<b>As at 30 September 2022</b>							
Cost	24,571	138,012	57,858	1,846	7,779	34,651	264,717
Accumulated depreciation and impairment	—	(58,972)	(50,174)	(1,362)	(1,036)	—	(111,544)
<b>Net book amount</b>	<b>24,571</b>	<b>79,040</b>	<b>7,684</b>	<b>484</b>	<b>6,743</b>	<b>34,651</b>	<b>153,173</b>



**13 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)**

	Unaudited						
	Freehold land RMB'000	Buildings RMB'000	Office furniture and equipment RMB'000	Vehicles RMB'000	Leasehold improvements RMB'000	Construction in progress RMB'000	Total RMB'000
<b>As at 31 March 2021</b>							
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)
<b>Net book amount</b>	<b>23,478</b>	<b>47,479</b>	<b>5,637</b>	<b>190</b>	<b>551</b>	<b>—</b>	<b>77,335</b>
<b>For the six months ended 30 September 2021</b>							
<b>Opening net book amount as at 1 April 2021</b>							
	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)
<b>Closing net book amount as at 30 September 2021</b>	<b>23,154</b>	<b>44,889</b>	<b>6,622</b>	<b>157</b>	<b>323</b>	<b>13,688</b>	<b>88,833</b>
<b>As at 30 September 2021</b>							
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)
<b>Net book amount</b>	<b>23,154</b>	<b>44,889</b>	<b>6,622</b>	<b>157</b>	<b>323</b>	<b>13,688</b>	<b>88,833</b>

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 September 2022

## 13 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Depreciation expenses have been charged to the interim condensed consolidated statement of profit or loss and other comprehensive income as follows:

	Unaudited Six months ended 30 September	
	2022 RMB'000	2021 RMB'000
Administrative expenses	3,580	2,237
Manufacturing overheads included in cost of goods sold	1,020	719
Distribution expenses	1,582	601
	<b>6,182</b>	3,557

## 14 INTANGIBLE ASSETS

	Unaudited			
	Kappa trademarks RMB'000	Phenix and other brands RMB'000	Computer Software RMB'000	Total RMB'000
<b>As at 31 March 2022</b>				
Cost	373,013	8,605	73,746	455,364
Accumulated amortisation	(206,173)	(2,563)	(70,977)	(279,713)
<b>Net book amount</b>	<b>166,840</b>	<b>6,042</b>	<b>2,769</b>	<b>175,651</b>
<b>For the six months ended 30 September 2022</b>				
<b>Opening net book amount as at 1 April 2022</b>	166,840	6,042	2,769	175,651
Amortisation charge (Note 8)	(3,511)	(108)	(702)	(4,321)
<b>Closing net book amount as at 30 September 2022</b>	<b>163,329</b>	<b>5,934</b>	<b>2,067</b>	<b>171,330</b>
<b>As at 30 September 2022</b>				
Cost	373,013	8,605	68,932	450,550
Accumulated amortisation	(209,684)	(2,671)	(66,865)	(279,220)
<b>Net book amount</b>	<b>163,329</b>	<b>5,934</b>	<b>2,067</b>	<b>171,330</b>

**14 INTANGIBLE ASSETS (CONTINUED)**

	Unaudited			Total RMB'000
	Kappa trademarks RMB'000	Phenix and other brands RMB'000	Computer Software RMB'000	
<b>As at 31 March 2021</b>				
Cost	373,013	8,605	77,536	459,154
Accumulated amortisation	(199,148)	(2,348)	(74,942)	(276,438)
<b>Net book amount</b>	<b>173,865</b>	<b>6,257</b>	<b>2,594</b>	<b>182,716</b>
<b>For the six months ended 30 September 2021</b>				
<b>Opening net book amount as at 1 April 2021</b>	173,865	6,257	2,594	182,716
Additions	—	—	1,444	1,444
Amortisation charge (Note 8)	(3,511)	(108)	(845)	(4,464)
<b>Closing net book amount as at 30 September 2021</b>	<b>170,354</b>	<b>6,149</b>	<b>3,193</b>	<b>179,696</b>
<b>As at 30 September 2021</b>				
Cost	373,013	8,605	73,318	454,936
Accumulated amortisation	(202,659)	(2,456)	(70,125)	(275,240)
<b>Net book amount</b>	<b>170,354</b>	<b>6,149</b>	<b>3,193</b>	<b>179,696</b>

Amortisation expenses have been charged to the interim condensed consolidated statement of profit or loss and other comprehensive income as follows:

	Unaudited	
	Six months ended 30 September	
	2022 RMB'000	2021 RMB'000
Administrative expenses	851	512
Distribution expenses	3,470	3,952
	<b>4,321</b>	4,464

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 September 2022

## 15 LEASES

### (a) Amounts recognised in the balance sheet

The balance sheet shows the following amounts relating to leases:

	Unaudited 30 September 2022 RMB'000	Audited 31 March 2022 RMB'000
<b>Right-of-use assets</b>		
Land use rights	20,464	20,748
Properties and warehouses	62,792	71,659
	<b>83,256</b>	92,407
<b>Lease liabilities</b>		
Current	42,551	49,131
Non-current	22,873	27,559
	<b>65,424</b>	76,690

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

	Unaudited Six months ended 30 September 2022 RMB'000	2021 RMB'000
<b>As at 1 April</b>		
Cost	175,957	173,379
Accumulated depreciation	(83,550)	(76,663)
<b>Opening net book amount</b>	<b>92,407</b>	96,716
<b>As at 1 April</b>	<b>92,407</b>	96,716
Additions	25,420	49,928
Disposal	(6,729)	(17,330)
Depreciation charge (Note 8)	(27,079)	(26,616)
Impairment	(763)	—
<b>Closing net book amount</b>	<b>83,256</b>	102,698
<b>As at 30 September</b>		
Cost	159,800	160,784
Accumulated depreciation	(76,544)	(58,086)
<b>Closing net book amount</b>	<b>83,256</b>	102,698

**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:

	<b>Unaudited</b>	
	<b>Six months ended 30 September</b>	
	<b>2022</b>	2021
	<b>RMB'000</b>	RMB'000
<b>Depreciation charge of right-of-use assets</b>		
Land use rights	<b>283</b>	166
Properties and warehouses	<b>26,796</b>	26,450
	<b>27,079</b>	26,616
Interest of lease liabilities (included in finance income/(expense) — net) (Note 9)	<b>1,588</b>	2,003
Expense relating to short-term leases not included in lease liabilities (included in distribution expenses and administrative expenses)	<b>13,827</b>	17,322
Expense relating to variable leases not included in lease liabilities (included in distribution expenses)	<b>1,620</b>	853
	<b>17,035</b>	20,178

**(c) Amounts recognised in the statement of cashflow**

	<b>Unaudited</b>	
	<b>Six months ended 30 September</b>	
	<b>2022</b>	2021
	<b>RMB'000</b>	RMB'000
The cash outflow for leases as operating activities	<b>15,278</b>	22,477
The cash outflow for leases as financing activities	<b>29,778</b>	25,373

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 September 2022

## 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 2022 and 2021:

	Unaudited	
	Six months ended 30 September	
	2022	2021
	RMB'000	RMB'000
<b>At beginning of the period</b>	<b>45,204</b>	94,656
Addition	—	4,900
Disposal (Note 1)	—	(29,202)
Share of losses	<b>(6,417)</b>	(410)
Transfer to held-for-sale assets (Note 2)	<b>(20,623)</b>	—
Currency translation difference	—	(291)
<b>At end of the period</b>	<b>18,164</b>	69,653

Notes:

- (1) In May 2021, the Group entered into share transfer agreement with a third party to dispose its 30% equity interest in one joint venture. 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.
- (2) In June 2022, the Group entered into share transfer agreement with a third party to dispose its 39% equity interest in one joint venture. As at 30 September 2022, the transaction was in the process and expected to be completed within one year. Accordingly, as at 30 September 2022, the investment in this joint venture was classified as assets held-for-sale which measured at the lower of their carrying amount and fair value less costs to sell.

**17 TRADE RECEIVABLES**

	<b>Unaudited 30 September 2022 RMB'000</b>	Audited 31 March 2022 RMB'000
Trade receivables		
— Third parties	<b>150,950</b>	166,108
— Related parties (Note 26(b))	<b>10,076</b>	4,694
	<b>161,026</b>	170,802
Less: provision for impairment	<b>(12,306)</b>	(16,893)
Trade receivables, net	<b>148,720</b>	153,909

Customers are normally granted credit terms within 30–90 days. The aging analysis of trade receivables based on recognition date as at 30 September 2022 and 31 March 2022 were as follows:

	<b>Unaudited 30 September 2022 RMB'000</b>	Audited 31 March 2022 RMB'000
Within 30 days	<b>104,242</b>	90,386
31 to 180 days	<b>48,847</b>	70,930
Over 180 days	<b>7,937</b>	9,486
	<b>161,026</b>	170,802

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.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 September 2022

### 17 TRADE RECEIVABLES (CONTINUED)

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

	<b>Unaudited</b>	
	<b>Six months ended 30 September</b>	
	<b>2022</b>	2021
	<b>RMB'000</b>	RMB'000
At 1 April	<b>16,893</b>	9,311
Provision for impairment losses of receivables	—	5,041
Reversal of impairment losses of receivables	<b>(4,500)</b>	(731)
Written off impairment losses of receivables	<b>(87)</b>	(118)
At 30 September	<b>12,306</b>	13,503

### 18 TRADE PAYABLES

At 30 September 2022 and 31 March 2022, the aging analysis of the trade payables based on recognition date were as follows:

	<b>Unaudited</b>	Audited
	<b>30 September</b>	31 March
	<b>2022</b>	2022
	<b>RMB'000</b>	RMB'000
Within 30 days	<b>164,602</b>	85,570
31 to 180 days	<b>121,428</b>	129,516
Over 180 days	<b>10,322</b>	14,505
	<b>296,352</b>	229,591

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**

	<b>Unaudited 30 September 2022 RMB'000</b>	Audited 31 March 2022 RMB'000
<b>Current portion:</b>		
Loan receivables (a)	<b>329,808</b>	652,620
Loans to management personnel (b) (Note 26(b))	—	242,453
Loans to related parties (Note 26(b))	<b>13,518</b>	9,903
Consideration receivable in relation to disposal of investments accounted for using the equity method	<b>8,551</b>	35,155
Others	<b>49,626</b>	54,849
Less: provision for impairment (c)	<b>(14,394)</b>	(109,387)
— Stage 1	<b>(1,032)</b>	(1,395)
— Stage 2	—	—
— Stage 3	<b>(13,362)</b>	(107,992)
<b>Total</b>	<b>387,109</b>	885,593
<b>Non-current portion:</b>		
Loan receivables (a)	<b>391,003</b>	70,469
Loans to management personnel (b) (Note 26(b))	<b>234,050</b>	—
Others	<b>17,951</b>	11,935
Less: provision for impairment (c)	<b>(66,187)</b>	—
— Stage 1	—	—
— Stage 2	—	—
— Stage 3	<b>(66,187)</b>	—
<b>Total</b>	<b>576,817</b>	82,404

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 2022, the gross amount of loans receivables due from third parties summed up to RMB720,811,000 (As at 31 March 2022: RMB723,089,000) with the interest rate in the range of 8% to 12% (as at 31 March 2022: 8% to 15%) per annum. The amount of each loan receivables varies from RMB3,756,000 to RM207,839,000 (as at 31 March 2022: RMB3,756,000 to RMB236,262,000). The maturity period of each loan receivables varies with the range from 3 to 60 months.

As at 30 September and 31 March 2022, 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 change during the reporting period and there was 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 2022, the fair value of collateral held for loans receivables is RMB733 million and RMB742 million respectively.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 September 2022

## 19 OTHER FINANCIAL ASSETS AT AMORTISED COST (CONTINUED)

Notes: (Continued)

- (b) The balance represented loans to certain management personnel, which bear interest at one month HIBOR+1% per annum and have an initial maturity of 5 years upon inception. All the shares subscribed by the borrowers were pledged as the collateral of these loans (Note 26(b)).

On 29 July 2022, the Group and each management personnel entered into an amendment letter, which extended the payment schedule with a future term of five years from the original repayment date. The amended interest will be fixed rate of 1% per annum and be effective from the original repayment date of respective loan. As at 30 September 2022, the outstanding loans to management personnel were therefore reclassified to non-current portion of other financial assets at amortised cost.

- (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 2022 RMB'000	Audited As at 31 March 2022 RMB'000
<b>Current portion:</b>		
Suppliers' deposits	<b>85,129</b>	95,329
Deposits of investment in FVPL	<b>41,000</b>	36,000
Payables for marketing expenses	<b>28,132</b>	29,097
Salary and welfare payable	<b>25,149</b>	16,087
Other taxes and levies payable	<b>16,339</b>	19,273
Cash advance in relation to the disposal of an investment accounted for using the equity method	<b>10,000</b>	—
Deposits payable to related parties (Note 26(b))	<b>9,950</b>	10,937
Payables for logistic fees	<b>9,576</b>	8,859
Payables for professional and legal fees	<b>2,103</b>	4,303
Others	<b>35,902</b>	44,016
	<b>263,280</b>	263,901

**21 SHARE CAPITAL AND SHARE PREMIUM**

	<b>Number of ordinary shares of par value HK\$0.01</b>	<b>Nominal value of issued ordinary shares HK\$'000</b>	<b>Unaudited Equivalent nominal value of ordinary shares RMB'000</b>	<b>Share premium account RMB'000</b>	<b>Total RMB'000</b>
As at 1 April 2022 and 30 September 2022	<b>5,887,561,025</b>	<b>58,876</b>	<b>56,478</b>	<b>1,034,866</b>	<b>1,091,344</b>
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

Note a:

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

**22 SHARES HELD FOR EMPLOYEE SHARE SCHEME**

	<b>As at 30 September 2022 Number of shares</b>	As at 31 March 2022 Number of shares	<b>As at 30 September 2022 RMB'000</b>	As at 31 March 2022 RMB'000
Shares held for employee share scheme	<b>23,050,071</b>	23,050,071	<b>196</b>	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.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 September 2022

## 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 2022, no shares were granted under the Restricted Share Award Scheme (six months ended 30 September 2021: nil). The amount charged to the interim condensed consolidated statement of profit or loss and other comprehensive income is nil (six months ended 30 September 2021: 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"). The 2019 Share Option Scheme will remain in force for a period of 10 years commencing from the respective grant date. The vesting period for the options granted is 1–3 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").

During the six months ended 30 September 2022, no new share options were granted under the 2019 Share Option Scheme (six months ended 30 September 2021: 192,900,000 share options).

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 2022, the Group recognised a reversal of previously recognised share option expenses of RMB14,174,000 in respect of the revision of the number of options that are expected to ultimately vest (six months ended 30 September 2021: a provision of share option expenses of RMB8,279,000).

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 September 2022

## 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 2022 and 30 September 2021 under this scheme and their weighted average exercise prices are as follows:

	2022		2021	
	Weighted average exercise price (per share) HK\$	Outstanding options (thousands)	Weighted average exercise price (per share) HK\$	Outstanding options (thousands)
<b>As at 1 April</b>	<b>0.934</b>	<b>189,680</b>	0.847	21,360
Granted	—	—	0.948	192,900
Exercised	—	—	0.854	(1,340)
Lapsed/forfeited	<b>0.932</b>	<b>(36,420)</b>	0.904	(16,160)
<b>As at 30 September</b>	<b>0.935</b>	<b>153,260</b>	0.941	196,760
Exercisable as at 30 September	<b>0.865</b>	<b>9,000</b>	0.849	10,520

Share options outstanding at 30 September 2022 and 31 March 2022 have the following expiry date and exercise prices:

Grant Date	Expiry date	Exercise price	Share options (thousands) 30 September 2022	Share options (thousands) 31 March 2022
16 September 2019	15 September 2029	HKD0.854	<b>7,880</b>	12,600
7 January 2020	6 January 2030	HKD0.860	<b>1,080</b>	1,080
1 April 2020	31 March 2030	HKD0.670	—	—
1 September 2020	31 August 2030	HKD1.090	<b>400</b>	1,200
15 April 2021	14 April 2031	HKD0.940	<b>140,300</b>	171,200
2 July 2021	1 July 2031	HKD1.360	<b>1,500</b>	1,500
28 January 2022	27 January 2032	HKD0.676	<b>1,500</b>	1,500
17 March 2022	16 March 2032	HKD0.459	<b>600</b>	600
<b>Total</b>			<b>153,260</b>	189,680
Weighted average remaining contractual life of options outstanding at end of period			<b>8.46 years</b>	8.94 years

## 24 BORROWINGS

	Unaudited 30 September 2022 RMB'000	Audited 31 March 2022 RMB'000
Bank loans		
— Pledged (a)	41,149	156,120
	<b>41,149</b>	156,120

- a. As at 30 September 2022, the outstanding loans due to Morgan Stanley Asia International Limited at the prevailing interest rate was HKD45,497,000 (equivalent to approximately RMB41,149,000), which was secured by an equivalent value of shares held by banks as collateral.

As at 30 September 2022, the Group's borrowings were repayable as follows:

	As at 30 September 2022 RMB'000	As at 31 March 2022 RMB'000
Within 1 year	41,149	156,120

## 25 COMMITMENTS

The Group had the following commitments as at 30 September 2022:

### Capital commitments

In September 2020, the Group entered into a limited partnership agreement with Xiamen Yuanfeng Investment LLP. (廈門源峰股權投資基金合夥企業(有限合夥)). As at 30 September 2022, the remaining balance of the investment commitment was RMB70 million (as at 31 March 2022: RMB70 million).

In January 2021, the Group entered into a limited partnership agreement with CPE Global Opportunities Fund II. As at 30 September 2022, the remaining balance of the investment commitment was USD15 million (equivalent to approximately RMB110 million). As at 31 March 2022, the remaining balance of the investment commitment was USD15 million (equivalent to approximately RMB98 million).

In February 2021, the Group entered into a limited partnership agreement with Yunfeng Fund IV (雲鋒基金IV). As at 30 September 2022, the remaining balance of the investment commitment was USD12 million (equivalent to approximately RMB85 million). As at 31 March 2022, the remaining balance of the investment commitment was USD12 million (equivalent to approximately RMB79 million).

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 September 2022

## 26 RELATED PARTY TRANSACTIONS

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

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

### (a) Transactions with related parties

During the six months ended and as at 30 September 2022 and 30 September 2021, in addition to those disclosed elsewhere in the financial information, the Group had the following transactions and balances with related parties:

	<b>Unaudited</b>	
	<b>Six months ended 30 September</b>	
	<b>2022</b>	2021
	<b>RMB'000</b>	RMB'000
Sales of goods to		
— Joint ventures of the Group	<b>4,715</b>	—
Interest income from loans to		
— Management personnel	<b>2,978</b>	1,516
Commissions		
— Joint ventures of the Group	<b>13,631</b>	24,516
Loans granted to		
— Joint ventures of the Group	<b>3,500</b>	10,000
Loans repaid by		
— Joint ventures of the Group	—	10,000



**26 RELATED PARTY TRANSACTIONS (CONTINUED)****(b) Balances with related parties*****Trade receivables (Note 17)***

	<b>Unaudited 30 September 2022 RMB'000</b>	Audited 31 March 2022 RMB'000
— Joint ventures of the Group	<b>10,076</b>	4,694

***Other financial assets at amortised cost (Note 19)***

	<b>Unaudited 30 September 2022 RMB'000</b>	Audited 31 March 2022 RMB'000
Current portion		
— Joint ventures of the Group	<b>13,518</b>	9,903
— Management personnel	—	242,453
— Provision	<b>(20)</b>	(20)
Non-current portion		
— Management personnel	<b>234,050</b>	—
Total	<b>247,548</b>	252,336

***Accruals and other payables (Note 20)***

	<b>Unaudited 30 September 2022 RMB'000</b>	Audited 31 March 2022 RMB'000
— Joint ventures of the Group	<b>9,950</b>	10,937

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 September 2022

## 26 RELATED PARTY TRANSACTIONS (CONTINUED)

### (b) Balances with related parties (Continued)

#### *Contract liability*

	Unaudited 30 September 2022 RMB'000	Audited 31 March 2022 RMB'000
— Joint ventures of the Group	<b>1,101</b>	—

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	
	2022 RMB'000	2021 RMB'000
Salaries, bonus and other welfares and benefits	<b>4,865</b>	4,967
Share-based compensation	<b>(4,885)</b>	2,426
Pension — defined contribution plans	<b>87</b>	83
	<b>67</b>	7,476

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

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