

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 2019/20





Kappa

DDONG GEXIANG

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CORPORATE INFORMATION

Executive Directors

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

Independent Non-Executive Directors

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

Auditor

PricewaterhouseCoopers
Certified Public Accountants

Legal Advisers

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

Authorised Representatives

Mr. Gao Yu
Ms. Wai Pui Man

Company Secretary

Ms. Wai Pui Man

Principal Share Registrar and Transfer Office

SMP Partners (Cayman) Limited
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KY1-1110, Cayman Islands

Hong Kong Branch Share Registrar and Transfer Office

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Wanchai,
Hong Kong

Registered Office

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Cayman Islands

Principal Place of Business in Hong Kong

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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



Authentic Sportswear Brand
Since 1967



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 2019: 5,886,121,025 shares

2. Important dates

Announcement of 2019/20 interim results:
27 November 2019

Book closure date: 11 December 2019 to 13 December
2019 (both days inclusive)

3. 2019/20 interim dividend and interim special dividend

Interim dividend: RMB0.96 cents per share

Interim special dividend: RMB0.65 cents per share

Payment date: on or around 20 December 2019

4. Investor Relations Department

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

Telephone: (8610) 6783 6585

Facsimile: (8610) 6785 6606

Email: ir@dxsport.com.cn

5. Website

www.dxsport.com

RESULTS HIGHLIGHTS

REVENUE OF THE GROUP

GREW BY

14.2%

YEAR-ON-YEAR

<p>China segment: Business stable growth</p>	<p>Japan segment: Diversification of customer base</p>	<p>Investment segment: Enhancing cooperation and being diligent</p>
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RESULTS HIGHLIGHTS

For the six months ended 30 September

	2019 <i>(RMB million)</i>	2018 <i>(RMB million)</i>	Change
Revenue	899	787	14.2%
Gross profit (before reversal of impairment of inventories)	561	453	23.8%
Gross profit margin (before reversal of impairment of inventories)	62.4%	57.6%	4.8% Pts
Operating profit	247	229	7.9%
Operating profit excluding gains of investment segment	89	37	140.5%
Net profit attributable to owners of the Company	188	138	36.2%
	<i>(RMB cents)</i>	<i>(RMB cents)</i>	
Basic/Diluted earnings per share	3.21	2.36	36.0%
Interim dividend and interim special dividend per share	1.61	N/A	N/A

The Board of Directors has proposed to distribute 30% and 20% of the net profit attributable to equity holders for the six months ended 30 September 2019 as interim dividend and interim special dividend, respectively, representing a dividend payout ratio of 50% for the full period.

CHAIRMAN'S STATEMENT

Dear Shareholders,

I am pleased to present on behalf of the Board our results for the six months ended 30 September 2019 (the "Reporting Period"):

During the Reporting Period, international trade and investment activities turned weaker, as global trade was subject to enormous pressure under international trade tensions and aggravating economic uncertainties. Against the backdrop of global economic slowdown and the decline in bulk commodity prices, emerging markets and developing economies also experienced a slowdown in growth. China's economic development faced further uncertainties in the external environment, while the reciprocal tariff hikes imposed by China and the United States on each other was starting to take their toll. With the further shrinking of export demands, domestic economic growth was subject to increasing downside pressure. Nevertheless, in spite of intricate situations both at home and abroad, China was able to sustain generally stable development with moderate growth, and the national economy is expected to maintain sound and stable development. During the first three quarters of 2019, China's consumer trend index remained strong. Meanwhile, the national sporting industry was growing in size to hold out massive market potential.

The Group registered revenue of RMB899 million for the Reporting Period, representing year-on-year growth of 14.2%, while profit attributable to equity holders increased 36.2% to RMB188 million. Basic earnings per share increased by 36.0% to RMB3.21 cents. To reward shareholders for their unflinching support, the Board of Directors has proposed to distribute 30% and 20% of the net profit attributable to equity holders for the six months ended 30 September 2019 as interim dividend and interim special dividend, respectively, representing in aggregate a dividend payout ratio of 50%.

CHINA SEGMENT: REFORM MANAGEMENT AND BUSINESS STABLE GROWTH

In connection with our "Brand + Product" initiative, brand marketing has always been an important priority for Kappa. As we celebrated the 50th anniversary of the Omini logo of Kappa this year, the KAPPA History Book was globally launched in May, recording the history of Kappa brand's century-old legend and capturing highlights of its development through the years through the collection of precious archive information. During the first half of 2019, the brand enhanced its brand penetration in the fashion market as it promoted its brand substance and philosophy through cross-sector cooperation with celebrities and KOLs (key opinion leaders) in various sectors, such as entertainment, music and art, in ongoing implementation of its integrated online and offline marketing strategy. The brand also increased the exposure of its product by hosting and participating in fashion extravaganzas and enhanced its ability as a trendsetter by integrating fashion and sports. Meanwhile, the brand actively increased its brand and product exposure through entertainment marketing and

sponsorships for sporting events such as fencing and equestrian tournaments, in a bid to set fashion trends and develop its brand assets.

During the period, we announced the official appointment of celebrated artist Zitao Huang as our brand ambassador, with the aim of attracting more youngsters to the Kappa brand. On the day of official announcement, the media exposure rate of the brand's and the ambassador's official Weibo accounts for related subjects reached 48 million. In the meantime, the brand embarked on a range of online and offline marketing activities focused on the ambassador, as a limited-edition product marketed under his name was sold out on TMALL on the day of official announcement. In 2019, Kappa made further bold attempts with the logo tape style through vigorous innovation. The BANDA Series and LABS Series showcased a brand attitude stressing the ego and the individual by toying with the retro element in an interpretation of the new brand motif of being "true to the self, colourful and sportive". Meanwhile, we were engaged in cross-sector co-branding with different fashion sectors to bring ourselves closer to trendy youngsters. Kappa footwear experienced substantial transformation and changes, as we sought to drive sales with the development of the brand new series of KOLUMN vulcanised shoes, reporting growth in online and offline orders and sales and more positive buyers' feedback.

In connection with "Brand + Retail", the Group's current growth is based on the growth in level, with gradual emergence of achievements resulting from channel optimisation and reform. Strong sales growth was also reported at shopping malls channel, as ongoing improvements were being made to our overall offline store structure. In addition, after a 12-month period, we reported higher growth in overall performance of outlet stores. The Group's inventory level is expected to drop further in the future following its ongoing effort in retail network optimisation, although the volume of inventory might increase in the short term owing to its sales model change. As at 30 September 2019, the Group had a total of 1,461 Kappa stores (including 285 Kappa Kid's stores), representing a net decrease of 43 stores as compared to that as at 31 March 2019 (a net decrease of 33 Kappa stores and a net decrease of 10 Kappa Kid's stores). In next step, the Group will be closing down underperforming stores.

Our e-commerce operations sustained stable development in an ever-evolving market. Sales through Tmall and JD.com continued to grow thanks to the Group's implementation of a multi-platform strategy during the period. In addition to active participation in promotional campaigns organised by well-known e-commerce platforms during major seasons and festivals, we have also enriched our e-commerce product categories with the development of additional product lines to attract more customers. Meanwhile, we have enhanced the online promotion of new products to facilitate integration between our online and offline business operations. As indicated by relevant data, customers aged between 18 and 24 as a percentage of the brand's e-commerce customers increased by 16 percentage points to 50% during the period.

During the first half of 2019, our kid's wear business continued to enhance its competitiveness in the kid's wear market through complementary branding activities and store promotions. The "Chinese Football Boy" campaign remained a hot favourite for its fans, as Kappa Kids continued to sponsor a series of Football Boy tournaments that attracted a huge following among the media and the public. Video clips of the Kappa Kids x Football Boy IP Tournament has proved an effective tool for propagation, claiming more than 100 million clicks as at the end of September. For the Reporting Period, revenue generated by our kid's wear business reached RMB52 million, accounting for 6.9% of our revenue from the China segment.

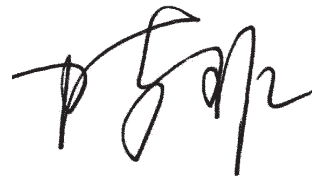
JAPAN SEGMENT: DIVERSIFICATION OF CUSTOMER BASE

Our Japan business continued to undergo reforms. During the Reporting Period, revenue from the Japan segment was substantially in line with that for the corresponding period of last year. The Group organised numerous marketing activities tailored to the characteristics of local consumer spending in Japan, providing sponsorships to golfers in addition to hosting footballing activities, in a bid to maintain stable sales by raising consumer awareness for the brand and increasing the number of retail store visitors. Meanwhile, the Group placed a strong emphasis on online promotion via social media, with a view to broadening its reach to various customer groups. The brand value of PHENIX has been further enhanced thanks to marketing through a variety of channels, such as Internet websites, various social media platforms, outdoor magazines, exhibitions (such as 2020SS and SKI FORUM) and costume sponsorship for guests appearing in TV shows.

INVESTMENT SEGMENT: ENHANCING COOPERATION AND INVESTING WITH PRUDENCE

Since 2019, under the background of the gradual cooling financial investment market and the increasing uncertainty of the project, the overall valuation of the Group's investment portfolio remains stable. The Group continued to monitor the size and risks of investment assets with a cautious and prudent approach. As on 30 September 2019, the Group reported a net asset value of RMB8,882 million for its investments, representing a 2.5% growth compared to 31 March 2019 and a 102% premium to the Group's market capitalisation for the corresponding period. The Group's investment net gains for the Reporting Period amounted to RMB166 million. In the future, the Group will continue to strengthen cooperation with its investment partners in a prudent manner and cash in on investment projects as and when appropriate, so as to secure stable returns for shareholders while assuring the safety and effectiveness of its investments.

Finally, I wish to express sincere gratitude to my fellow Directors and all members of the staff for their hard work and contributions. I also thank all our partners and shareholders for their trust and longstanding support for the Group. Looking to the future, China Dongxiang will uphold the traditional spirit of the Kappa brand and engage in product innovation and upgrade in close tandem with the fashion trends of the market, capitalising on sound opportunities in the sporting industry and resorting to reasonable use of its resources to explore channels for brand promotion and marketing. We will embrace every challenge with our usual striving and continue to venture forward to generate sound and stable return for shareholders!



Chen Yihong
Chairman

27 November 2019



MANAGEMENT DISCUSSION AND ANALYSIS

MACRO-ECONOMIC REVIEW

The momentum of global economic recovery weakened during the Reporting Period in the wake of lethargic international trade and investment coupled with renewed volatility in the financial markets. To factor in international trade tensions and increasing economic uncertainties, WTO significantly lowered its global trade growth forecast for the year, from 3.7% to 2.6% in April and further to 1.2% in October, underlining the enormous pressure hanging over global trade. Meanwhile, downside pressure set in for the U.S. economy as the cycle of recovery seemed to be drawing to a close. Consumer and investor sentiments in the U.K. was subject to uncertainties surrounding Brexit, which was also dragging the European economy. In Asia, the Japanese economy was also subject to downside pressure, as the nation's domestic consumer confidence index declined by 0.7, month-on-month, to 37.1 in August 2019, registering declines for 11 consecutive months to hit rock bottom which had not seen for more than five years. The increase in consumption tax is expected to further dampen consumer sentiments, sparking concerns for economic recession. Against the backdrop of global economic slowdown and the decline in bulk commodity prices, emerging markets and developing economies also experienced a slowdown in growth.

Since the beginning of 2019, China's economic development has been facing further uncertainties in the external environment. China-U.S. trade tensions have taken twisted turns through unpredictable developments, while the reciprocal tariff hikes have started to take their toll. With the slowdown in global economic growth and further shrinking of export demands, domestic economic growth was subject to increasing downside pressure. Nevertheless, in spite of intricate situations both at home and abroad, China was able to sustain generally stable development with moderate growth, reporting a 6.3% increase in GNP for the first half of the year. With major macro-economic indicators remaining within reasonable ranges and ongoing optimisation of the economic structure, China is expected to maintain sound and stable economic development.

INDUSTRY REVIEW

According to the National Bureau of Statistics, China's total retail sales of consumer goods for the the third quarter this year amounted to approximately RMB29.7 trillion, representing a year-on-year growth of 8.2%, as the national consumption trend index remained strong. Meanwhile, the country's sporting industry reported stable growth for the 12th consecutive year in ongoing expansion, as the value-added industrial output of the sporting sector accounted for a rapidly increasing share of the nation's GDP. From 2014 to 2017, the value-added industrial output of China's sporting sector was growing at an average rate of 24.6% each year, which growth rate is forecast to reach 60% by 2022.

China's vision of developing into a future sporting superpower has been set out in the "Outline for the Building of a Sporting Superpower" (the "Outline") officially published by the General Office of the State Council on 2 September 2019. According to the Outline, China should institute a new mechanism for sporting development compatible with the nation's general, moderate prosperity by 2020; achieve modernisation in sporting governance in terms of system and capability by 2035; and develop itself into a socialist modern sporting superpower by 2050. Moreover, the Outline has also proposed five strategic tasks in relation to the building of a sporting superpower. These include invigorating businesses in the sporting market, stimulating public demand for consumer spending on sports, expediting development of the sporting industry and fostering new engines for economic development, among others.

In tandem with favourable new policies and increasing participation in sports by the people, the public consumer demand for sporting goods has also increased. Since recent years, opportunities for doing sports have been made available in growing varieties and the importance of physical fitness has become a widely acknowledged concept. Some people have started to regard sports as an integral part of their daily life, such that an increasing portion of the population are willing to spend on sporting hobbies and health. Currently, China has a sporting population of over 500 million and there are still ample opportunities for growth. Moreover, the dawning of the 5G era and the popularisation of AI technologies have better

connected users to sporting products. Some accessories, for example, can be used to effectively monitor health indicators, providing a major enhancement to consumer experience. The convenience of online shopping and payment, meanwhile, has also further increased sales in the retail spending market. China's retail sporting market, estimated by the NDRC to grow to a size of RMB1.5 trillion by 2020, is holding out broad prospects.

Elsewhere, as the 2022 Beijing Winter Olympics draws near, ice and snow sports are also attracting strong interest in the market. According to plans devised by the General Administration of Sport of China, by 2025, the size of China's ice and snow industry should reach RMB1 trillion, or one-fifth of the aggregate worth of the nation's sporting industry, presenting yet another market with enormous potential.

BUSINESS REVIEW

The Group's Kappa offline channels reported sales growth in line with management expectations for the first half of 2019 despite ongoing volatility in the macro-market, contributed by efforts in new customer development and the introduction of the direct-franchise model to ensure sufficiency in product supply. In connection with brand promotion, we continued to apply our integrated marketing strategy with full coverage of online-and-offline platforms, as we launched cross-sector cooperation with well-known designers and IP with a focus on BANDA elements while actively participating in international fashion extravaganzas to enhance our brand image. Meanwhile, our investment business continued to report solid development in a volatile market and generate stable long-term income for shareholders while assuring safe and effective investments.

Brand-building and Marketing

PRC — Kappa brand

Brand marketing has always been an important priority for Kappa. During the first half of 2019, Kappa enhanced its brand penetration in the fashion market as it promoted its brand substance and philosophy through cross-sector cooperation with celebrities and KOLs (key opinion leaders) in various sectors, such as entertainment, music and art, in ongoing implementation of its integrated online and offline marketing strategy.

As we celebrated the 50th anniversary of the Omini logo of Kappa, the KAPPA History Book was globally launched at "The Corner" Gallery in Tokyo, Japan in May. The KAPPA History Book, published in English and Japanese, records the history of the brand's century-old legend, captures highlights of its development through the years, and collects the precious archive information. The "PATH TO THE FUTURE" exhibition was also held at the same venue in a manifestation of the past, present and future of the KAPPA brand. The event was graced by the presence of leading names in the fashion world, including co-exhibitor Kazuki Kuraish and Atsuo Watanabe, chief editor of PRODISM, as well as representatives of internationally reputed fashion media. The brand also participated in fashion week shows around the world. In April, the KAPPA x CHARM'S Series took the market by storm at the Seoul Fashion Week with a perfect blend of KAPPA's notion to be "rebellious, passionate and outgoing" and CHARM'S streetwear elements. In September, the innate fashionable DNA of Kappa was in action again at the Paris Fashion Week, as the brand new soft and young WMNS Series and the neat Kappa Kontroll Series were presented to the fashion capital of the world.

In August 2019, Kappa opened an offline pop-up store at Shanghai Shimao Festival City, Nanjing East Road, Shanghai for 21 days. Tim, General Manager of the Kappa Footwear Department, Nic, head of NPC and Cheng Di, head of ANB turned up to support the Kappa x NPC x ANB co-branding initiative. Moreover, the brand sought exposure of its products and enhance its ability as a trendsetter for fashion and culture. In the same month, Kappa took part in the seventh edition of YOHOOD, as the global fashion carnival that brought together a host of domestic as well as international fashion brands, popular cultures and plays in a fashion rave party ended on a perfect note. Meanwhile, Kappa x Watson's Soda Water was engaged in another cross-sector collaboration focused on the vibrant young community, creating pure fashion formulas with more diversity in colours to set alight the city's feast of fashion. In September, the Taobao Creation Festival dawned on Xihu as numerous major international brands teamed up with stars from the National Treasure League in a cross-sector attempt at original designs. Kappa also hosted a fashion show as part of this rapturous feast of traditional cultures and modern fashion trends.

MANAGEMENT DISCUSSION AND ANALYSIS



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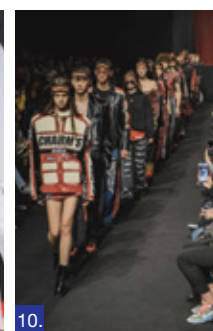
5.



6.



7.



10.



8.



9.



11.

1. Celebrated artist Zitao Huang is brand ambassador for Kappa
2. Trendsetter: an offline store branding activity
3. Kappa x NPC x ANB: officials of the three brands at the launch of the co-branded vulcanised shoes
4. Cross-sector collaboration between Kappa and Watson's Soda Water
- 5, 6. Celebrated artists Junkai Wang and Xin Qiao showcasing Kappa wear

7. World debut of the Kappa History Book in Shibuya, Tokyo
8. PATH TO THE FUTURE Exhibition
9. Offline activities marking the 50th anniversary of Kappa Omini
10. Kappa at the Seoul Fashion Week
11. Kappa at the Paris Fashion Week

**KAPPA KIDS:
SPONSORSHIPS FOR CHINESE FOOTBALL BOYS TOURNAMENT**



Kappa Kids

安居客

58同城

SIHAI 四海

iP体育



The “Chinese Football Boy” campaign remained a hot favourite for its fans, as the Kappa Kids-sponsored “Chinese Football Boy Tournament” was held in Chongqing in late March, followed by the “Chinese Football Boy Carnival” in Nantong in May and the grand finale of the “Chinese Football Boy World Championship Final” in Austria in June. The high-profile grand final attracted broad media coverage and a strong following among the public, as our brand featured prominently as a title sponsor in a series of domestic and international tournaments. The “Kappa Kids Cup” Chinese Football Boy Championship Challenge (U8) in Suzhou and the “Korean Battle” campaign in Korea, both held in July as scheduled.

MANAGEMENT DISCUSSION AND ANALYSIS

In 2019, Kappa continued to work closely with street photography platforms and other new media to increase brand and product exposure and set the fashion trends through entertainment marketing and tournament sponsorships. In April, we sponsored the “China with Flair” (《花樣中國》) entertainment show by providing contestants with spectacular, individualistic outfits under the Color ID, Kappa, LAPS series and others, ensuring glamorous looks at all times in front of the camera. In “More or Less for Health” (《人生加減法》), another entertainment programme sponsored by the brand, guests appeared in comfortable mix-and-match of Kappa wear that provided freshened energy for the summer. Furthermore, Kappa gained exposures in different angles through live and follow-up media reports as a result of its sponsorships for the national fencing squad at numerous rounds of the Fencing World Cup, the Asian Fencing Championships and the World Fencing Championships held between April and September, tournaments and events organised by Chinese Fencing Association, Olympics qualifiers of the national equestrian team and the “Sino-Norwegian Roller Skating Activity”.

On 7 August 2019, we announced the official appointment of celebrated artist Zitao Huang as our brand ambassador and partner of the “Trendsetter” branding project, which was aimed at calling upon more like-minded fashion trendsetters to create and bear witness to the infinite possibility of the future. This joint effort has been a flawless interpretation of Kappa’s brand character of being “true to the self, colourful and sportive”. The ambassador’s image as a trendsetter constantly looking for breakthroughs has been in perfect tandem with the Kappa brand philosophy. Following the appointment of the new brand ambassador, we launched a range of promotional activities, including a limited-edition gift box containing the costume worn by the brand ambassador displayed at selected offline stores and e-outlets since August; the “Trendsetter” theme was also promoted via all online and offline channels. In September, the Kappa LABS series was remodeled into a brand new series featuring prominently the exclusive “ZTAO Purple” style.

During the first half of 2019, our kid’s wear business continued to enhance its competitiveness in the kid’s wear market through complementary branding activities and store promotions. The “Chinese Football Boy” campaign, featuring the “Chinese Football Boy Tournament — Kappa Kids Cup” sponsored by “Kappa Kids” held in Chongqing in

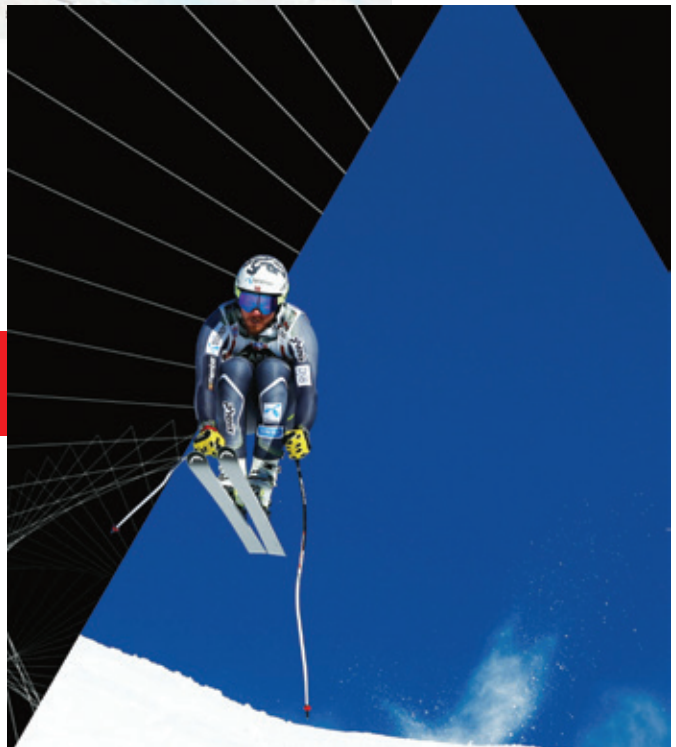
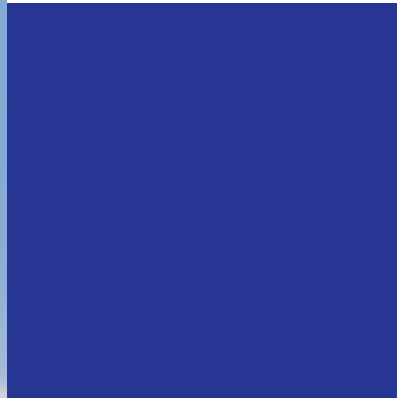
late March, the “Chinese Football Boy Carnival” held in Nantong in May and the grand finale of the “Chinese Football Boy World Championship Final” held in Austria in June, remained a hot favourite for its fans, as the high-profile grand final attracted broad media coverage and a strong following among the public. As a title sponsor, our brand featured prominently in a series of domestic and international tournaments, such as the “Kappa Kids Cup” Chinese Football Boy Championship Challenge (U8) in Suzhou and the “Korean Battle” campaign in Korea, both held in July as scheduled. Moreover, video clips of Kappa Kids x Football Boy IP Tournament has proved an effective tool for propagation, claiming more than 100 million clicks as at the end of September.

Japan — Kappa brand

In 2019, Kappa continued to organise online and offline brand promotions focused on its highly identifiable logo and patterns with its usual marketing acumen, in a bid to enhance brand recognition and the trust of consumers.

In connection with Kappa football, the Group maintained stable sales as it strived to increase the number of retail store visitors by actively organising promotional activities, notwithstanding the decline in the number of athletes playing competitive football in Japan. The “Kappa Thanks Match” events held at the home grounds of JEF United Ichihara Chiba and Hokkaido Consadole Sapporo in June and July, respectively, were met with enthusiastic response from the 20,000-strong spectators in attendance. Moreover, the Group promoted Kappa football products through diverse channels, such as magazines and the Internet, while teaming up with JEF United Ichihara Chiba to launch a limited edition of their team jersey in further consolidation of the market position of Kappa football products. In recent years, consumers have been wearing football jerseys not only during formal training, but also as a comfortable leisure sportswear in ordinary days, as the off-field leisure style has become increasingly popular. The Group succeeded in increasing the sales of selected items as it seized upon this great opportunity to adjust its stock level in active inventory management.

In connection with Kappa Golf, the Japanese golf market is about half of its size 20 years ago, as the number of golf players has decreased to two-thirds of what it was during peak periods, while the phasing-out of inferior brands has become an increasingly evident trend. Meanwhile, the



MANAGEMENT DISCUSSION AND ANALYSIS

community of lady golfers aged 20 to 40 has been gradually coming into shape, while young golfers who spend the bulk of their time on online social media have also started to emerge. Leveraging its brand advantage, the Group has made special efforts to launch promotion on popular social media, with a view to increasing the exposure of its products while broadening its reach to various customer groups. The Group has also sponsored the outfits of a number of lady golfers in tournaments to attract more consumers.

Japan — PHENIX brand

PHENIX SKI has continued to be a leader among its peers in the skiing market of Japan and welcomed by top athletes in the world on the back of its “high quality and functional excellence”. The Group has further enhanced its brand value and consolidated its leading position in the industry by rolling out brand marketing activities targeted mainly at serious ski lovers aged 25 to 45 through a variety of channels, such as Internet websites, various social media platforms, outdoor magazines, exhibitions (such as 2020SS and SKI FORUM) and costume sponsorship for guests appearing in TV shows. Meanwhile, the Group has been making vigorous effort to enhance the reputation of the PHENIX OUTDOOR series, teaming up with Shiretoko Corporation to launch co-branded tees while having weather presenters of major TV channels and well-known mountain guides in Japan put on outfits in the OUTDOOR series in TV programmes to boost consumer confidence.

Product Design and Research and Development

Apparel Series

In 2019, Kappa made further bold attempts with the logo tape style, imparting the vibrancy of avant-garde fashion while preserving the core attributes of the brand through vigorous innovation. Our further cross-sector collaborations with renowned Japanese designer Kazuki Kuraishi and Japanese fashion brand Christian Dada were much talked about and enthusiastically followed in the community of the fashionable. In the meantime, the unique features of individual product lines have provided colourful interpretations of our brand spirit.

BANDA Series

The Kappa BANDA Series has adopted Omini, the ultimate retro design, as the core image of the logo tape, blending the unique brand DNA into streetwear culture to set the trend for another retro movement. In an ongoing integration of styles such as streetwear and functional wear, we have drawn inspirations from the parachute and turn the military element into a day-to-day outfit in tandem with the current trend for functionality. For this season, the BANDA Series features the spectacular silhouette multi-pocket style and the accordion pocket style to address the requirements for a daily wear, while the highly identifiable BANDA logo tape and the bold, colour-clash splices provides a lively interpretation of the aesthetics of streetwear and sportswear fashion. With the weather turning cold, the high season for the sales of short down jackets has begun. The large silhouette bakery wear design is rich in texture and fashionable. The brand has also launched the lamb wool series, a trendy choice for the winter well-loved by the ladies which is sound in thermal qualities and good-looking in appearance. Furthermore, the brand has also launched set in association with the Kappa ambassador the Tao Tao Lan (桃桃藍) limited-edition gift, each with a unique laundry label to further underpin the brand identity of extreme egoism.

LABS Series

The Kappa LABS Series aims to reminisce the good old days of the 90s with an attitude that stresses the ego and the individual. The retro streetwear culture comes alive with the loose cutting adorned by classic large colour patterns, while the rich colours provide a perfect match for the new brand motif of being “true to the self, colourful and sportive”. This season continued to feature the deconstruction, combination and design of vintage colour patterns and logo tapes, while premium breathable fabrics were used to restore freedom and comfort for the body, complemented by a brand new knit tape splice that seamlessly blends the logo tape into the streetwear style. The series has also drawn inspirations from national emblems to produce a knit tapes with retro national emblem designs, bringing into play an unconventional streetwear taste which is exactly what fashion is about.

Modern Sky Series

In another cross-sector collaboration, the KAPPA X Modern Sky Series was launched in partnership with MVM, a visual brand under Modern Sky, and the Strawberry Musical Festival, a well-known commercial music festival, aiming to bringing ourselves closer to trendy youngsters through cross-sector co-branded products. In addition to creating the lovely astronaut images of REZ and YUKO which have added a touch of coolness, cuteness and essence, the series has also captured the flash of music fashion to blend the ideas of fashion and youth of the three partners, presenting versatile and fashionable apparel with an incredible amount of youthful energy that sets alight the retro ethos of passion and rebellion.

The Doraemon Series

Year 2019 marks the 50th anniversary of both Doraemon the comic character and Kappa Omini. In June, the brand launched the co-brand of Kappa × Doraemon that skillfully blended Doraemon and its magical props into the apparel designs, as the Doraemon Bell, Anywhere Door, Bamboo Copter and classic blue avatar of Doraemon were integrated with the vintage Kappa logo, invoking the child in everyone with the delightful surprise of childhood fun and magic.

Shoes Series

Kappa footwear experienced substantial transformation and changes during the first half of 2019, as we sought to drive the sales of Kappa footwear with the development of KOLUMN, a brand new series of vulcanised shoes, a product designed in close tandem with prevailing trends taking into account the characteristics of our existing channels and consumer requirements. The footwear segment reported growth in online and offline orders and sales and more positive buyers' feedback, indicating notable growth compared to the same periods of the previous year. The series was more focused on tailored designs and comfort of the wearing experience based primarily on a strategy of differentiation against similar, competing products in the market, with a special emphasis on marketing and cross-sector co-branding. During the first half of the year, a number of important co-branded projects were launched, including major IP co-branding with Doraemon, trend co-branding with NPC and artist co-branding with "Wu Xing", among others, as we achieved high sold-out ratio, fast sales

turnover, strong exposure and high conversion ratio typical of co-branded products, while securing a sound promotional effect for the sales of ordered products. In addition to the existing channels for footwear, we have also developed independent sales channels such as SHOES BAR and XSNEAKER, among others, which have not only broadened our brand business considerably, but have also attracted new customer groups.

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

Accessories Series

During the first half of 2019, Kappa accessories persisted in the chic style of the younger generation in close tandem with the overall direction of the brand. For example, we launched a number of summer products, such as mini-caps, multi-colour baseball caps and other seasonal products, for our wrap hat product line in response to market trends, capitalising on young buyers' penchant for trying out new products and expressing their individual styles through mix-and-match; in the meantime, our accessories segment increased investment in the development of ladies' products to provide more choices for lady buyers.

Omni-channel retail network

During the period under review, the Group continued to optimise its retail network and enhance store efficiency through the implementation of its brand-oriented business model. As at 30 September 2019, the Group had a total of 1,461 Kappa stores (including 285 Kappa Kid's stores), representing a net decrease of 43 stores as compared to 31 March this year (a net decrease of 33 Kappa stores and a net decrease of 10 Kappa Kid's stores). Our distribution network continued to cover all major provincial capitals and other major large cities and towns in China.

MANAGEMENT DISCUSSION AND ANALYSIS

During the first half of 2019, our e-commerce operations sustained stable development in an increasingly competitive market. Sales through Tmall and JD.com continued to grow attributed to the implementation of the multi-platform strategy. In addition to active participation in promotional campaigns organised by well-known e-commerce platforms at major seasons and festivals, we have also enriched our e-commerce product categories with the development of additional product lines. Meanwhile, we have enhanced the online promotion of new products to facilitate integration between our online and offline business operations.

Increasing the contributions of Group investment projects

Since 2019, under the background of the gradual cooling financial investment market and the increasing uncertainty of the project, the overall valuation of the Group's investment portfolio remains stable. The Group continued to monitor the size and risks of investment funds with a cautious and prudent approach on the back of its vast experience in investment and risk management, subject always to the primary objective of assuring fund safety and achieving reasonable returns. In future, the Group will continue to strengthen cooperation with its investment partners in a prudent manner and cash in on investment projects as and when appropriate, so as to secure stable returns for shareholders while assuring the safety and effectiveness of its investments.

OUTLOOK

Global economic prospects for 2019 remain obscure and the financial market will continue to face not a few challenges and uncertainties. However, with the support of factors such as favourable government policies, the improving structure of consumer spending and the growing health awareness among the public, the sporting industry will continue benefit from sound momentum for growth. On the back of its unique brand ethos, diverse development strategies and sophisticated and prudent investment model, China Dongxiang will maintain a relative high rate of shareholders' return.

Looking to the future, China Dongxiang will uphold the traditional spirit of the Kappa brand and engage in product innovation and upgrade in close tandem with the fashion trends of the market, capitalising on sound opportunities in the sporting industry and resorting to reasonable use of its resources to explore channels for brand promotion and marketing. As a listed company, China Dongxiang will continue to consider the correlation between assets and capital from a global perspective and identify suitable timing and leverage for a more effective integration of capital and sports, such that greater return will be generated for the Group and its shareholders.

FINANCIAL REVIEW

The sales of the Group for the six months ended 30 September 2019 (the "Reporting Period") increased by 14.2% to RMB899 million from RMB787 million for the six months ended 30 September 2018 (the "Previous Period"). Profit attributable to equity holders for the Reporting Period increased by 36.2% to RMB188 million from RMB138 million for the Previous Period.

Sales Analysis

Sales analyzed by geographical segments, business segments and product categories

	For the six months ended 30 September						
	2019			2018			change
	RMB million	% of product/brand mix	% of Group sales	RMB million	% of product/brand mix	% of Group sales	
CHINA SEGMENT							
Kappa Brand							
Apparel	500	75.7%	55.6%	421	76.7%	53.5%	18.8%
Footwear	143	21.6%	15.9%	117	21.3%	14.9%	22.2%
Accessories	18	2.7%	2.0%	11	2.0%	1.4%	63.6%
Kappa Brand total	661	100.0%	73.5%	549	100.0%	69.8%	20.4%
Kids' apparel business	52		5.8%	61		7.7%	-14.8%
International business and others	36		4.0%	28		3.5%	28.6%
CHINA SEGMENT TOTAL	749		83.3%	638		81.0%	17.4%
JAPAN SEGMENT							
Phenix Brand	98	65.3%	10.9%	98	65.8%	12.5%	0.0%
Kappa Brand	52	34.7%	5.8%	51	34.2%	6.5%	2.0%
JAPAN SEGMENT TOTAL	150	100.0%	16.7%	149	100.0%	19.0%	0.7%
THE GROUP TOTAL	899		100.0%	787		100.0%	14.2%

MANAGEMENT DISCUSSION AND ANALYSIS

China Segment

Total sales of the Kappa brand business, the core business of the Group, for the Reporting Period increased by RMB112 million to RMB899 million as compared to RMB787 million for the Previous Period. The sales of kids' apparel business unit for the Reporting Period decreased by RMB9 million as compared to that for the Previous Period to RMB52 million.

In the Reporting Period, the Group continued to make dedicated efforts in consolidating the business models of "brand + product" and "brand + retail" in a bid to, on the one hand, further enhance our brand value and consolidate

our brand influence by continuous refining of our products with a brand-oriented principle, and, on the other hand, continue to optimise and improve the new operation model in control and management, optimise direct operation networking, enhance store efficiency and expand the e-commerce operations so that demands from end customers are better accommodated and satisfied. In addition, the Group has continued to conduct adjustments and optimisation of its directly operated stores, resulting in 1,176 Kappa stores in total. Also, there were 285 Kappa Kid's stores in total in the Reporting Period.

Sales of Kappa brand products in China segment analyzed by sales channels

	For the six months ended 30 September				
	2019		2018		Change
	Sales RMB million	% of sales of Kappa brand	Sales RMB million	% of sales of Kappa brand	
Non directly-operated	236	35.7%	223	40.6%	5.8%
Directly-operated	425	64.3%	326	59.4%	30.4%
Total of Kappa brand	661	100.0%	549	100.0%	20.4%

Note: Excluding Kappa Kids' apparel business.

Sales of Kappa brand products via non directly-operated channel in China segment increased by RMB13 million to RMB236 million for the Reporting Period from RMB223 million for the Previous Period, representing 35.7% of the total sales of Kappa brand in China segment for the Reporting Period as compared to 40.6% for the Previous Period.

As at 30 September 2019, the number of directly-operated retail and distribution stores under Kappa brand operated by our subsidiaries in China reached 377. Sales via directly-operated channel increased by RMB99 million to RMB425 million for the Reporting Period from RMB326 million for the Previous Period, representing 64.3% of the total sales of Kappa brand in China segment for the Reporting Period (the Previous Period: 59.4%).

Japan Segment

Sales from Japan Segment for the Reporting Period was RMB150 million, and that for the Previous Period was RMB149 million.

Cost of Goods Sold and Gross Profit

Cost of goods sold of the Group increased by RMB4 million to RMB338 million for the Reporting Period (the Previous Period: RMB334 million).

For the Reporting Period, our gross profit before reversal of impairment of inventories rose by RMB108 million to RMB561 million (the Previous Period: RMB453 million). Our overall gross profit margin before reversal of impairment of inventories for the Reporting Period increased by 4.8 percentage points to 62.4% from 57.6% for the Previous Period.

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

	For the six months ended		Change
	30 September		
	2019	2018	
	Gross profit margin	Gross profit margin	% pts
CHINA SEGMENT	67.4%	62.1%	5.3
Kappa Brand:			
Apparel	76.0%	68.1%	7.9
Footwear	61.7%	53.7%	8.0
Accessories	79.0%	82.2%	-3.2
Kappa Brand overall	73.0%	65.3%	7.7
Kids' apparel business	49.6%	52.4%	-2.8
JAPAN SEGMENT	37.3%	38.3%	-1.0
GROUP OVERALL	62.4%	57.6%	4.8

* Before reversal of impairment of inventories

Gross profit margin of Kappa Brand in China segment for the Reporting Period increased by 7.7 percentage points to 73.0% from 65.3% for the Previous Period, such increase was principally due to an increase in discount as a result of a transformation from wholesale model to bulk orders model.

Gross profit margin of Japan segment decreased by 1.0 percentage points to 37.3% for the Reporting Period from 38.3% for the Previous Period. Such decrease was mainly due to adjustment of product mix.

Net gain on financial assets and other investments

Net gain on financial assets and other investments for the Reporting Period was RMB224 million (Previous Period: RMB235 million), which includes investment income of RMB166 million contributed by the investment segment as well as financial subsidies and other gains of RMB58 million.

Investment segment

Gain from investment segment of the Group for the Reporting Period was RMB166 million (Previous Period: RMB207 million), of which gains from fair value change of financial assets amounting RMB54 million, income from distribution of funds of RMB54 million and interest income from external borrowings of RMB31 million.

Since 1 January 2018, the Group has adopted IFRS 9: Financial Instruments to measure our financial assets.

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 RMB565 million (Previous Period: RMB495 million), constituting 62.8% of the Group's total sales and

MANAGEMENT DISCUSSION AND ANALYSIS

such percentage was in line with that for the Previous Period. The Group further optimised resources allocation and improved cost structure, in a bid to enhance production efficiency subject to reasonable cost control.

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

In the Reporting Period, advertising and selling expenses increased by RMB52 million to RMB338 million from RMB286 million in the Previous Period, principally due to an increase in sales for the Reporting Period.

In the Reporting Period, logistics and transportation fee was RMB27 million which was in line with that for the Previous Period.

In the Reporting Period, the Group continued to take a more cautious but effective approach in investment in product development, our design and product development expenses decreased by RMB2 million to RMB21 million from RMB23 million in the Previous Period.

Operating Profit

In the Reporting Period, operating profit of the Group was RMB247 million (Previous Period: RMB229 million). The operating profit margin was 27.5% in the Reporting Period (Previous Period: 29.1%). The operating profit after removing gains of investment segment was RMB89 million (Previous Period: RMB37 million).

Finance Income, Net

In the Reporting Period, net finance income of the Group amounted to RMB4 million (Previous Period: finance income, net of RMB9 million), which mainly consisted of interest income from bank deposit of RMB5 million (Previous Period: RMB8 million), interest expenses for loans of RMB4 million (Previous Period: RMB10 million) and net foreign exchange gains of RMB5 million (Previous Period: net foreign exchange gains of RMB13 million) in the Reporting Period.

Taxation

In the Reporting Period, income tax expense of the Group amounted to RMB67 million (Previous Period: RMB102 million). The effective tax rate was 26.5% (Previous Period: 43.0%).

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

Profit attributable to equity holders of the Company in the Reporting Period was RMB188 million (Previous Period: RMB138 million), and net profit margin of the Group was 20.9% (Previous Period: 17.5%).

Earnings Per Share

The basic and diluted earnings per share were both RMB3.21 cents in the Reporting Period, increased by 36.0% against the basic and diluted earnings per share of RMB2.36 cents in the Previous Period.

The basic earnings per share are calculated by dividing the profit for the period attributable to equity holders of the Company by the weighted average number of ordinary shares in issue less shares held for restricted share award scheme during the period. On 27 April 2018, the Company completed the issuance of new shares to seven connected management members and five other management members, involving a total of 211,310,000 new shares. Subsequent to the completion, the total number of shares of the Company increased to 5,886,121,025 shares.

Interim Dividend and Interim Special Dividend

The board of directors of the Company has resolved to declare an interim dividend and interim special dividend of RMB0.96 cents (equivalent to HK1.0681 cents) and RMB0.65 cents (equivalent to HK0.7232 cents) respectively per ordinary share (totaling RMB1.61 cents, equivalent to HK1.7913 cents, per ordinary share) for the six months ended 30 September 2019, amounting to approximately RMB56,507 million and approximately RMB38,260 million (totalling approximately RMB94,767 million) respectively.

The interim dividend and interim special dividend will be paid in HK Dollars based on the rate of HKD1.00 = RMB0.89881 being the official exchange rate of HK Dollars against Renminbi as quoted by the People's Bank of China at 26 November 2019. The dividends will be paid on or around 20 December 2019 to shareholders whose names appear on the register of members of the Company on 13 December 2019.

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

The Register of Members of the Company will be closed from 11 December 2019 to 13 December 2019 (both days inclusive), for the purpose of determining shareholders' entitlements to the 2019/20 interim dividend and interim special dividend. In order to qualify for the 2019/20 interim dividend and 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 10 December 2019.

Issue of New Shares to Management Personnel

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

Under the January Subscription, the Company issued 202,310,000 ordinary shares in total to the management personnel on 27 April 2018 under specific mandate at the subscription price of HK\$1.35 per subscription share. The aggregate nominal value of the 202,310,000 ordinary shares issued was HK\$2,023,100, and the net subscription price (after deduction of relevant expenses) was approximately HK\$1.344 per subscription share. The subscription price of

HK\$1.35 per subscription share represented a discount of approximately 9.40% to the closing price of HK\$1.49 per share as quoted on the Stock Exchange on the date of the subscription agreements. Apart from Ms. Chen Chen who settled the relevant subscription consideration using her own funds, the remaining 10 management personnel settled the relevant subscription consideration using the proceeds of five-year term loans provided by the Group. The net proceeds from Ms. Chen Chen as (after deducting all related expenses) received by the Company at completion was approximately HK\$48 million, which for the six months ended 30 September 2019 had been utilised as general working capital as follows: (i) approximately HK\$12 million interest payments for bank loans; (ii) approximately HK\$11 million for legal consultancy fee; (iii) approximately HK\$2.4 million for Hong Kong office rental expenses; and (iv) approximately HK\$22 million for other administrative expenses. For the six months ended 30 September 2019, approximately HK\$0.6 million has not been utilized. It is expected to be used out on or before 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.

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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

The maximum number of shares in respect of which options may be granted under the Share Option Scheme and any other option schemes of the Company shall not in aggregate exceed 10% of total number of issued shares as of the Adoption Date ("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.

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

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

Details of the Company's Share Option Scheme can be found in the "Other Information — Share Option Scheme" section set out in P.27 to 28 of the Company's interim report for the six months ended 30 September 2019.

FINANCIAL POSITION

Working capital efficiency ratios

China Segment

Average trade receivable turnover days for the Reporting Period and the Previous Period were 34 days and 44 days. Decrease in number of average trade receivable turnover days was mainly due to a decrease in average balance of trade receivable.

Average trade payable turnover days in the Reporting Period and the Previous Period were 111 days and 68 days, respectively.

Average inventory turnover days in the Reporting Period and the Previous Period were 290 days and 229 days respectively, the increase in the average inventory turnover days was mainly due to an increase in average inventory balance.

Japan Segment

Average trade receivable turnover days and average trade payable turnover days were 61 days and 56 days, respectively in the Reporting Period as compared to 83 days and 82 days, respectively in the Previous Period. Average inventory turnover days were 238 days in the Reporting Period as compared to 179 days in the Previous Period.

Liquidity and financial resources

As at 30 September 2019, cash and bank balances (including long-term bank deposits) of the Group amounted to RMB593million, a decrease of RMB564 million as compared to a balance of RMB1,157 million as at 31 March 2019. This decrease was mainly due to:

- 1) Payment of dividend for the Reporting Period for an amount of equivalent to approximately RMB145 million;
- 2) Net cash outflows from operating activities of approximately RMB103 million;
- 3) Cash outflows from repayment of bank borrowings of an amount of RMB571 million and cash inflows from proceeds from bank borrowings secured of RMB212 million;
- 4) Cash outflows from increase in financial assets at fair value through profit or loss and loans receivables of approximately RMB3,093 million, cash inflow from partial disposal of financial assets of approximately RMB3,076 million and cash inflow from interest and income distribution from financial assets acquired of RMB77 million;
- 5) Others of an aggregate outflows amount of RMB17 million.

As at 30 September 2019, net assets attributable to our equity holders was RMB10,502 million (31 March 2019: RMB10,251 million). The Group's current assets exceeded current liabilities by RMB3,612 million (31 March 2019: RMB3,357 million). The Group also had a very strong liquidity position. The current ratio as of 30 September 2019 was 5.9 times (31 March 2019: 4.0 times).

Investments in financial assets

As at 30 September 2019, the Group's current and non-current financial assets at fair value through profit or loss amounted to RMB7,835 million in aggregate, the details of which are as follows:

Shares of listed companies:

Name	Fair value as at 30 September 2019 RMB million	Fair value as at 31 March 2019 RMB million
Alibaba	1,624	1,721
Other listed shares	1,075	920
Total	2,699	2,641

Funds of non-listed companies:

Investment projects	Fair value as at 30 September 2019 RMB million	Fair value as at 31 March 2019 RMB million
Shanghai Rongfu Investment (CITIC Asset Allocation Special Account)	450	419
Tibet Ruixintong — Zhongjiaxin REIT	150	300
Yuanxin Dongchao	277	280
Yunfeng Fund USD II	364	304
Jiashi Investment Preferred Cornerstone — JD Finance	364	365
Yunfeng Fund RMB II (Yunfeng Xinchuang)	150	156
CPE Overseas Special Account (CITIC Asset Allocation Special Account)	213	207
Yunfeng Fund RMB IV (Yunfeng Lintai)	131	132
CITIC Mezzanine Fund I	78	96
Yunfeng Fund RMB III (Yunfeng Xincheng)	116	120
Hongtai Growth Fund (Angel Plus)	107	106
Fuqing Linsheng III — Ant Financial	98	102
Jiashi Investment Preferred Fund II.3 — JD Finance	178	178
Jingyi Fund — Ant Financial	89	90
COHELLA H. FUND, L.P. — Anneng Convertible Bond	112	102
Jiaying Daotong	80	75
Hangzhou Hanyun Xinling (Ali new retail fund)	128	139
Others	1,437	1,303
Total	4,522	4,474

MANAGEMENT DISCUSSION AND ANALYSIS

Others:

	Fair value as at 30 September 2019 RMB million	Fair value as at 31 March 2019 RMB million
Investment projects		
Investment products and others issued by commercial banks	614	337

Since 1 January 2018, the Group has adopted IFRS 9: Financial Instruments to measure our financial assets.

Pledge of assets

As at 30 September 2019, the Group had an equivalent value of approximately RMB200 million of shares held by banks as collateral for bank borrowings (as at 31 March 2019: approximately RMB286 million of cash in banks as guarantee deposit for the issue of letters of credit and loans).

Capital commitments and contingencies

In May 2015, the Group entered into a limited partnership agreement with China Momentum Fund, with a total capital commitment of USD10 million. As at 30 September 2019, the Group paid a capital contribution of USD9 million with remaining balance of USD1 million (equivalent to approximately RMB7 million) as capital commitments.

In June 2017, the Group entered into a limited partnership agreement with Shanghai Xianghe Chongyuan Equity Investment Fund Partnership (Limited Partnership) (上海祥禾涌原股權投資合夥企業 (有限合夥)), with a total capital commitment of RMB20 million. As at 30 September 2019, the Group paid a capital contribution of RMB14 million with remaining balance of RMB6 million as capital commitments.

In August 2017, the Group entered into a limited partnership agreement with Hangzhou Hanyun Xinling Investment LLP. (杭州瀚雲新領股權投資基金合夥企業 (有限合夥)), with a total capital commitment of RMB300 million. As at 30 September 2019, the Group paid a capital contribution of RMB171 million with remaining balance of RMB129 million as capital commitments.

In November 2017, the Group entered into a limited partnership agreement with Sequoia Huisheng Equity Investment Fund Partnership (Limited Partnership) (紅杉慧盛股權投資合夥企業 (有限合夥)), with a total capital commitment of RMB50 million. As at 30 September 2019, the Group paid a capital contribution of RMB46 million with remaining balance of RMB4 million as capital commitments.

In February 2018, the Group entered into a limited partnership agreement with Yunfeng Fund III (雲鋒基金III), with a total capital commitment of US\$20 million. As at 30 September 2019, the Group paid a capital contribution of US\$12 million with remaining balance of US\$8 million (equivalent to approximately RMB57 million) as capital commitments.

In June 2018, the Group entered into a limited partnership agreement with Shanghai Yunfeng Qitai Investment Centre LLP. (上海雲鋒麒泰投資中心 (有限合夥)), with a total capital commitment of RMB200 million. As at 30 September 2019, the Group paid a capital contribution of RMB132 million with remaining balance of RMB68 million as capital commitments.

Foreign Exchange Risk

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

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

Significant investments and acquisitions

The Group has made no significant investment or any material acquisition or disposal of subsidiaries for the six months ended 30 September 2019.

OTHER INFORMATION

1. RESTRICTED SHARE AWARD SCHEME

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

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

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

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

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

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

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

For the six months ended 30 September 2019, none of the Restricted Shares were granted to any eligible participant pursuant to the Restricted Share Award Scheme. As at 30 September 2019, 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 2019, the number of restricted shares are 23,050,071 shares. As at 30 September 2019, the number of restricted shares are 23,050,071 shares.

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

2 SHARE OPTION SCHEME

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

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

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

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

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

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

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

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

OTHER INFORMATION

The table below sets out the details of the movements in the share options granted to the Grantees under the Share Option Scheme during the six months ended 30 September 2019:

Date of grant	Number of share options				Outstanding as at 30/09/2019	Exercise period	Exercise price per share (HK\$)
	Outstanding as at 01/04/2019	Grant during the period	Exercised during the period	Lapsed during the period			
16/09/2019	—	18,300,000	—	—	18,300,000	16/09/2019– 15/09/2029	0.854
Total	—	18,300,000	—	—	18,300,000		

* Further details of the share options are set out in note 22 (c) of the condensed consolidated financial information on pages 67 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. The vesting period for the options granted on 16 September 2019 is from 16 September 2019 to 15 September 2022.

3. The closing price immediately before the date on which the options were granted on 16 September 2019, i.e. 13 September 2019, was HK\$0.85.

4. During the six months ended 30 September 2019, no share option was cancelled.

3. DISCLOSURE OF INTEREST

(a) Directors' Interests in securities

As at 30 September 2019, the interests and short positions of the directors and chief executives of the Company in the shares, underlying shares and debentures of the Company and its associated corporations, within the meaning of Part XV of the Securities and Futures Ordinance ("SFO"), which have been notified to the Company and The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") pursuant to Divisions 7 & 8 Part XV of the SFO, including interests and short positions which the directors and chief executive of the Company are taken and

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

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

Name of Directors	Nature of interest	Number and class of securities		Approximate percentage of total issued Shares
		Long position	Short position	
Mr. Chen Yihong	Interest of a controlled corporation ⁽¹⁾	2,277,084,000 shares	—	38.69%
	Interest of a controlled corporation ⁽³⁾	322,090,025 shares	—	5.47%
Mr. Zhang Zhiyong	Beneficial owner ⁽³⁾	166,120,025 shares	—	2.82%
Ms. Chen Chen	Interest of a controlled corporation ⁽²⁾	158,287,730 shares	—	2.69%
	Beneficial owner	40,000,000 shares	—	0.68%

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) 322,090,025 shares (out of which 166,090,025 shares are held by Mr. Zhang Zhiyong) have been charged to Bright Pacific Enterprises Limited ("Bright Pacific"). Each of Mr. Chen Yihong, Harvest Luck, Poseidon

and the Company is deemed to be interested in the shares interested in by Bright Pacific by virtue of Bright Pacific 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 2019, 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 2019, 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	2,277,084,000	—	38.69%
	Interest in a controlled corporation ⁽²⁾	322,090,025	—	5.47%
Harvest Luck Development Limited ⁽¹⁾	Interest in a controlled corporation	2,277,084,000	—	38.69%
	Interest in a controlled corporation ⁽²⁾	322,090,025	—	5.47%

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) 322,090,025 shares (out of which 166,090,025 shares are held by Mr. Zhang Zhiyong) have been charged to Bright Pacific Enterprises Limited ("Bright Pacific"). Each of Mr. Chen Yihong, Harvest Luck, Poseidon and the Company is deemed to be interested in the shares interested in by Bright Pacific by virtue of Bright Pacific 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 2019, the directors are not aware of any other person or corporation having an interest or short position in Shares and underlying Shares of the Company representing 5% or more of the issued share capital of the Company.

4. COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE (THE “CG CODE”)

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

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

Provision E.1.2 of the CG Code provides that the chairman of the board should attend the annual general meeting. Provision A.6.7 of the CG Code provides that independent non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. Mr. Chen Yihong (chairman and executive director), Dr. Chen Guogang and Mr. Gao Yu (both independent non-executive directors) could not attend the annual general meeting (“AGM”) and extraordinary general meetings of the Company (“EGM”) held on 8 August 2019, due to important business appointments. However, the other executive director and the other independent non-executive director of the Company had attended the aforesaid AGM and EGM and had effective communication with the shareholders of the Company.

Details of the Company’s corporate governance practices can be found in the Corporate Governance Report set out in the Company’s annual report for the fifteen months ended 31 March 2019.

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 2019.

The unaudited interim condensed consolidated financial information for the six months ended 30 September 2019 of the Group has also been reviewed by PricewaterhouseCoopers, the auditor of the Company, in accordance with International Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”.

7. PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 30 September 2019, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities.

8. CHANGE IN DIRECTORSHIP

Mr. Gao Yu (“Mr. Gao”), independent non-executive Director of the Company, has been appointed as non-executive director of China Feihe Limited (中國飛鶴有限公司) (a company listed on the Hong Kong Stock Exchange on 13 November 2019, stock code: 6186). Mr. Gao has also been appointed as non-executive Director of Home Control International Limited (a company listed on the Hong Kong Stock Exchange on 14 November 2019, stock code 1747). Besides, Mr. Gao has been appointed as an independent director of AMTD International Inc. (a company listed on the New York Stock Exchange on 5 August 2019, NYSE: HKIB).

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2019

	Note	Unaudited Six months ended 30 September	
		2019 RMB'000	2018 RMB'000
Revenue	6	899,318	787,122
Cost of sales	8	(337,933)	(333,761)
Reversal of impairment of inventories — net	8	26,468	33,959
Gross profit		587,853	487,320
Distribution expenses	8	(485,474)	(410,535)
Administrative expenses	8	(79,094)	(84,480)
(Provision for)/reversal of impairment of financial assets — net		(161)	2,468
Other gains — net	7	223,802	234,549
Operating profit		246,926	229,322
Finance income	9	10,219	21,120
Finance expenses	9	(6,022)	(12,372)
Finance income — net	9	4,197	8,748
Share of post-tax profit/(loss) of joint ventures and associates accounted for using the equity method		2,301	(958)
Profit before income tax		253,424	237,112
Income tax expense	10	(66,990)	(101,904)
Profit for the period		186,434	135,208
Profit attributable to:			
— Owners of the Company		188,107	137,736
— Non-controlling interests		(1,673)	(2,528)
		186,434	135,208

		Unaudited	
		Six months ended 30 September	
		2019	2018
		RMB'000	RMB'000
Note			
	Other comprehensive income:		
	<i>Items that may be reclassified to profit or loss</i>		
	— Currency translation differences	207,062	137,714
	Other comprehensive income, net of tax	207,062	137,714
	Total comprehensive income for the period	393,496	272,922
	Total comprehensive income/(loss) for the period attributable to:		
	— Owners of the Company	395,169	275,450
	— Non-controlling interests	(1,673)	(2,528)
		393,496	272,922
	Earnings per share attributable to owners of the Company		
	(expressed in RMB cents per share)		
	— Basic	3.21	2.36
	— Diluted	3.21	2.36

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

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 September 2019

	Note	Unaudited 30 September 2019 RMB'000	Audited 31 March 2019 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	13	101,558	111,068
Right-of-use assets	3	119,745	—
Lease prepayments	14	—	10,509
Intangible assets	15	210,236	213,884
Investments accounted for using the equity method		149,469	151,680
Financial assets at fair value through profit or loss	5	5,962,455	5,890,726
Deferred income tax assets		214,720	252,686
Other financial assets at amortised cost	18	430,106	499,226
Other assets		58,193	45,752
Total non-current assets		7,246,482	7,175,531
Current assets			
Inventories		561,359	455,364
Trade receivables	16	204,017	174,462
Other current assets		164,416	151,709
Financial assets at fair value through profit or loss	5	1,872,498	1,561,146
Other financial assets at amortised cost	18	943,247	974,874
Restricted cash		—	285,581
Term deposits with initial terms over three months and within one year		36,860	104,904
Cash and cash equivalents		556,436	766,722
Assets classified as held for sale	19	7,971	—
Total current assets		4,346,804	4,474,762
Total assets		11,593,286	11,650,293

	Note	Unaudited 30 September 2019 RMB'000	Audited 31 March 2019 RMB'000
EQUITY			
Equity attributable to owners of the Company			
Share capital and share premium	20	1,090,005	1,090,005
Shares held for employee share scheme	21	(196)	(196)
Reserves		9,411,739	9,161,152
Capital and reserves attributable to owners of the Company		10,501,548	10,250,961
Non-controlling interests		9,117	10,790
Total equity		10,510,665	10,261,751
LIABILITIES			
Non-current liabilities			
Accruals and other payables		2,328	5,739
Lease liabilities		61,183	—
Deferred income tax liabilities		284,244	265,151
Total non-current liabilities		347,755	270,890
Current liabilities			
Derivative	5	25,957	41,591
Contract liabilities		17,007	29,595
Lease liabilities		50,085	—
Borrowings	23	180,383	527,636
Trade payables	17	203,360	149,406
Accruals and other payables		220,293	234,626
Provisions		6,239	6,221
Current income tax liabilities		31,542	128,577
Total current liabilities		734,866	1,117,652
Total liabilities		1,082,621	1,388,542
Total equity and liabilities		11,593,286	11,650,293

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2019

	Unaudited								
	Attributable to equity holders 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
Balance at 31 March 2018		54,768	806,397	(196)	155,640	9,015,225	10,031,834	16,920	10,048,754
Comprehensive income									
Profit for the period		—	—	—	—	137,736	137,736	(2,528)	135,208
Currency translation difference		—	—	—	137,714	—	137,714	—	137,714
Total comprehensive income		—	—	—	137,714	137,736	275,450	(2,528)	272,922
Transaction with owners									
Issuance of new ordinary shares	20	1,698	227,142	—	—	—	228,840	—	228,840
Dividends relating to 2018 interim	12	—	—	—	—	(287,002)	(287,002)	—	(287,002)
Total contribution by and distribution to owners, recognised directly in equity		1,698	227,142	—	—	(287,002)	(58,162)	—	(58,162)
Balance at 30 September 2018		56,466	1,033,539	(196)	293,354	8,865,959	10,249,122	14,392	10,263,514

		Unaudited							
		Attributable to equity holders of the Company							
		Share capital	Share premium account	Shares held for employee share scheme	Other Reserves	Retained earnings	Total	Non- controlling interests	Total equity
	Note	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 31 March 2019		56,466	1,033,539	(196)	83,585	9,077,567	10,250,961	10,790	10,261,751
Comprehensive income									
Profit for the period		—	—	—	—	188,107	188,107	(1,673)	186,434
Currency translation difference		—	—	—	207,062	—	207,062	—	207,062
Total comprehensive income		—	—	—	207,062	188,107	395,169	(1,673)	393,496
Transaction with owners									
Issuance of new ordinary shares	20	—	—	—	—	—	—	—	—
Dividends relating to 2018 final	12	—	—	—	—	(144,693)	(144,693)	—	(144,693)
Share option scheme	22(c)	—	—	—	111	—	111	—	111
Total transactions with owners, recognized directly in equity		—	—	—	111	(144,693)	(144,582)	—	(144,582)
Balance at 30 September 2019		56,466	1,033,539	(196)	290,758	9,120,981	10,501,548	9,117	10,510,665

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2019

	Note	Unaudited Six months ended 30 September	
		2019 RMB'000	2018 RMB'000
Cash flows from operating activities			
Cash (used in)/generated from operations		(1,262)	1,631
Interest received		4,781	7,686
Income tax paid		(106,966)	(117,601)
Net cash used in operating activities		(103,447)	(108,284)
Cash flows from investing activities			
Purchase of property, plant and equipment		(1,836)	(17,471)
Purchase of intangible assets		(396)	—
Decrease in term deposits with initial terms over three months		68,044	—
Proceeds from disposal of property, plant and equipment and intangible assets		892	347
Increase in financial assets at fair value through profit or loss		(2,999,569)	(1,761,426)
Proceeds from disposal of other financial assets		153,343	490,248
Proceeds from disposal of financial assets at fair value through profit or loss		2,923,030	906,276
Proceeds from disposal of derivatives		92	3,519
Increase in loans receivables		(93,746)	(553,720)
Interest received from other financial assets at amortised cost		22,428	55,537
Dividend and investment income from financial assets at fair value through profit or loss		54,186	44,307
Payment for acquisition of associate		—	(5,000)
Proceeds from disposal of joint venture		799	—
Net cash generated from/(used in) investing activities		127,267	(837,383)
Cash flows from financing activities			
Dividends paid	12	(144,693)	(287,002)
Proceeds from bank borrowings		211,530	657,761
Repayment of bank borrowings		(571,433)	(232,308)
Interest paid		(3,768)	(12,427)
Proceeds from issuance of ordinary shares		—	40,145
Payment for lease liabilities		(16,424)	—
Decrease in restricted cash		285,581	101,192
Net cash (used in)/generated from financing activities		(239,207)	267,361
Net decrease in cash and cash equivalents			
Cash and cash equivalents at the beginning of the period		766,722	1,038,555
Exchange gains on cash and cash equivalents		5,101	6,396
Cash and cash equivalents at end of the period		556,436	366,645

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 September 2019

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

This condensed consolidated interim financial information has not been audited.

2 BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 September 2019 has been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting (“IAS 34”).

The interim report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual financial statements for the fifteen-month ended 31 March 2019, which have been prepared in accordance with International Financial Reporting Standards (“IFRS”).

The accounting policies adopted are consistent with those of the annual financial statements for the fifteen months ended 31 March 2019, as described in the annual financial statements, except for the adoption of new and amended standards as set out below.

(a) New and amended standards adopted by the Group

A number of new or amended standards became applicable for the current reporting period and the Group had to change its accounting policies and make retrospective adjustments, as a result of adopting IFRS 16 “Leases”.

The impact of the adoption of these standards and the new accounting policies are disclosed in note 3 below. The other standards did not have any impact on the Group’s accounting policies and did not require retrospective adjustments.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 September 2019

3 CHANGES IN ACCOUNTING POLICIES

This note explains the impact of the adoption of IFRS 16 “Leases” on the Group’s financial information and discloses the new accounting policies that have been applied from 1 April 2019 in note 3(b) below.

The Group has adopted IFRS 16 retrospectively from 1 April 2019, but has not restated comparatives for the fifteen months ended 31 March 2019, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 April 2019.

(a) Adjustments recognised on adoption of IFRS 16

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases, which had previously been classified as ‘operating leases’ under the principles of IAS 17 “Leases”. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee’s applicable incremental borrowing rates as of 1 April 2019. The weighted average lessee’s incremental borrowing rates (applicable to borrowings with similar repayment periods) as applied to the lease liabilities on 1 April 2019 is 4.02%–4.75%.

	RMB'000
Operating lease commitments disclosed as at 31 March 2019	164,965
Discounted using the lessee’s incremental borrowing rates of at the date of initial application	145,767
Less: short-term leases recognised on a straight-line basis as expense	(70,000)
Lease liabilities recognised as at 1 April 2019	75,767
Of which are:	
Current lease liabilities	30,288
Non-current lease liabilities	45,479

The right-of-use assets were measured on a modified retrospective basis while adoption IFRS 16. The right-of-use assets were measured at the amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 31 March 2019. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

3 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(a) Adjustments recognised on adoption of IFRS 16 (Continued)

Land use right and restoration costs previously presented as lease prepayment and property, plant and equipment on the consolidated balance sheet are grouped as part of right-of-use assets with effect from 1 April 2019.

The recognised right-of-use assets relate to the following types of assets:

	30 September 2019 RMB'000	1 April 2019 RMB'000
Land use right	10,366	10,509
Restoration costs	2,770	3,729
Properties and warehouses	106,609	72,756
Total right-of-use assets	119,745	86,994

The change in accounting policy affected the following items in the balance sheet on 1 April 2019:

- right-of-use assets — increase by RMB86,994,000
- Lease prepayment — decrease by RMB10,509,000
- Other current assets — decrease by RMB718,000
- Lease liabilities — increase by RMB75,767,000
- Property, plant and equipment — decrease by RMB3,729,000
- Accruals and other payables — decrease by RMB3,729,000

The net impact on the retained earnings as of 30 September 2019 is immaterial for warranting any adjustment.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 September 2019

3 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(a) Adjustments recognised on adoption of IFRS 16 (Continued)

(i) *Practical expedients applied*

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- reliance on previous assessments on whether leases are onerous;
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 April 2019 as short-term leases;
- the exclusion of initial direct costs for the measurement of the right-of-use assets at the date of initial application; and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying IAS 17 and IFRIC 4 "Determining whether an Arrangement contains a Lease".

(b) The Group's leasing activities and how these are accounted for

The group leases various offices, warehouses, retail stores, and has lease prepayment under long-term lease agreements. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Until the fifteen months ended 31 March 2019, leases of property, plant and equipment were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 April 2019, leases (including lease prepayment) are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

3 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(b) The Group's leasing activities and how these are accounted for (CONTINUED)

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Payments associated with short-term leases are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

Extension and termination options

Extension and termination options are included in some property leases across the Group. These terms are used to maximise operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 September 2019

4 ESTIMATES

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

In preparing the interim condensed consolidated financial information, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for fifteen months ended 31 March 2019.

5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

5.1 Financial risk factors

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

The interim condensed consolidated financial information do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for fifteen months ended 31 March 2019.

There have been no changes in the risk management policies since 31 March 2019.

5.2 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 report.

(a) Fair value hierarchy

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

5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONTINUED)

5.2 Fair value estimation (Continued)

(a) Fair value hierarchy (Continued)

The following table presents the Group's financial assets and financial liabilities measured and recognised at fair value at 30 September 2019 and 31 March 2019 on a recurring basis:

As at 30 September 2019	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial assets				
Financial assets at fair value through profit or loss (FVPL)				
— Unlisted equity securities	—	—	4,522,000	4,522,000
— Listed equity securities	2,196,024	—	—	2,196,024
— Preference shares	69,200	—	—	69,200
— Perpetual bonds	433,780	—	—	433,780
— Wealth management product	—	—	613,949	613,949
Total financial assets	2,699,004	—	5,135,949	7,834,953
Financial liabilities				
Derivatives	—	—	(25,957)	(25,957)
As at 31 March 2019	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial assets				
Financial assets at fair value through profit or loss (FVPL)				
— Unlisted equity securities	—	—	4,474,003	4,474,003
— Listed equity securities	2,173,186	—	—	2,173,186
— Preference shares	66,746	—	—	66,746
— Perpetual bonds	401,146	—	—	401,146
— Wealth management product	—	—	336,791	336,791
Total financial assets	2,641,078	—	4,810,794	7,451,872
Financial liabilities				
Derivatives	—	—	(41,591)	(41,591)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 September 2019

5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONTINUED)

5.2 Fair value estimation (Continued)

(a) Fair value hierarchy (Continued)

There were no transfers between levels 1 and 2 for recurring fair value measurements during the period. For transfers in and out of level 3 measurements see (c) 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 (such as publicly traded derivatives, and trading and available-for-sale securities) 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. Instruments included in level 1 mainly include investments in common shares of a US listed company and HK listed companies, and preferred shares and perpetual bonds of a HK listed company.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximize 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 unlisted equity securities.

(b) Valuation techniques used to determine fair values

Specific valuation techniques used to value financial instruments include:

- the use of quoted market prices or dealer quotes for similar instruments;
- the fair value of the remaining financial instruments is determined using discounted cash flow analysis, price of recent investment method and NAV report method.

5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONTINUED)

5.2 Fair value estimation (Continued)

(c) 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 2019.

	Equity securities RMB'000	Derivatives RMB'000	Others RMB'000	Total RMB'000
Opening balance at 31 March 2019	4,474,003	(41,591)	336,791	4,769,203
Acquisitions (i) (ii)	841,457	14,146	1,833,738	2,689,341
Disposals (ii)	(873,688)	(14,146)	(1,556,580)	(2,444,414)
Other gain-net*	27,736	17,304	—	45,040
Currency translation difference	52,492	(1,670)	—	50,822
Closing balance at 30 September 2019	4,522,000	(25,957)	613,949	5,109,992
* includes unrealised gains recognised in profit or loss attributable to balances held at the end of the reporting period	27,736	17,304	—	45,040

The fair value assessment methods and related key assumptions and judgements adopted by the Group's management ("Management") is as follow:

- Cost approach (specifically, net assets method): NAV of the private equity funds, of which the underlining assets and liabilities are fair valued by utilizing the techniques either alone or in combination of these 3 approaches;
 - Market approach: Uses the prices and other relevant information generated by the market transactions, including the price of the recent transactions and changes subsequent to the relevant transaction date;
 - Income approach (specifically, discounted cash flow method): Uses valuation techniques to convert future amounts (for examples, cash flows or earnings) to a single present amount (discounted).
- (i) In 22 August 2019, the Group entered into subscription agreements, pursuant to which the Group subscribed for limited partnership interests in a private equity investment fund partnership. The Group paid a total capital consideration of RMB225 million, and the shares of the Group are held by two third-party companies.
- (ii) In 26 June 2019, the Group paid a total capital consideration of RMB500 million in an investment fund, which primarily invests in bonds, funds, and derivatives. The Group disposed it in 27 September 2019.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 September 2019

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 and Japan 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, and sportswear business were assessed from a geographic perspective, including China (Mainland of the PRC) and Japan segments as follows:

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

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

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

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

6 SEGMENT INFORMATION (CONTINUED)

The segment results and other items included in the interim condensed consolidated statement of comprehensive income provided to the chief operating decision maker for the reportable segments for the six months period ended 30 September 2019 and 2018, respectively are as follows:

	Unaudited			Total RMB'000
	China — Apparel RMB'000	Japan — Apparel RMB'000	Investment RMB'000	
Six month ended 30 September 2019				
Total revenue before inter-segment elimination	777,186	156,495	—	933,681
Inter-segment revenue	(27,883)	(6,480)	—	(34,363)
Revenue from external customers	749,303	150,015	—	899,318
Cost of sales	(243,906)	(94,027)	—	(337,933)
Reversal of impairment of inventories — net	23,085	3,383	—	26,468
Segment gross profit	528,482	59,371	—	587,853
Other gains — net	57,213	662	165,927	223,802
Segment operating profit/(loss)	110,299	(21,762)	158,389	246,926
Finance income	6,128	2,580	1,511	10,219
Finance expenses	(1,460)	(773)	(3,789)	(6,022)
Share of post-tax profit/(loss) of joint venturers and associates accounted for using the equity method	7,034	(348)	(4,385)	2,301
Profit/(loss) before income tax	122,001	(20,303)	151,726	253,424
Income tax expense	(49,143)	(649)	(17,198)	(66,990)
Profit/(loss) for the period	72,858	(20,952)	134,528	186,434
Material items of income and expense				
Depreciation and amortisation	8,040	2,523	—	10,563
Depreciation of right-of-use assets	14,167	9,365	—	23,532
Provision for/(reversal of) impairment of financial assets — net	184	(23)	—	161
Reversal of impairment of inventories	(23,084)	(3,384)	—	(26,468)
Advertising and selling expenses	316,816	21,173	—	337,989

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 September 2019

6 SEGMENT INFORMATION (CONTINUED)

	Unaudited			Total RMB'000
	China — Apparel RMB'000	Japan — Apparel RMB'000	Investment RMB'000	
Six month ended 30 September 2018				
Total revenue before inter-segment elimination	672,541	153,915	—	826,456
Inter-segment revenue	(34,877)	(4,457)	—	(39,334)
Revenue from external customers	637,664	149,458	—	787,122
Cost of sales	(242,124)	(91,637)	—	(333,761)
Reversal of impairment of inventories — net	32,796	1,163	—	33,959
Segment gross profit	428,336	58,984	—	487,320
Other gains — net	26,402	1,417	206,730	234,549
Segment operating profit/(loss)	53,299	(16,658)	192,681	229,322
Finance income	14,318	(66)	6,868	21,120
Finance expenses	(2,895)	(859)	(8,618)	(12,372)
Share of post-tax profit/(loss) of joint ventures and associates accounted for using the equity method	943	(554)	(1,347)	(958)
Profit/(loss) before income tax	65,665	(18,137)	189,584	237,112
Income tax expense	(23,216)	(487)	(78,201)	(101,904)
Profit/(loss) for the period	42,449	(18,624)	111,383	135,208
Material items of income and expense				
Depreciation and amortisation	8,225	2,666	—	10,891
Reversal of impairment of financial assets — net	(366)	(2,102)	—	(2,468)
Reversal of impairment of inventories	(32,796)	(1,163)	—	(33,959)
Advertising and selling expenses	265,541	20,477	—	286,018

6 SEGMENT INFORMATION (CONTINUED)

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

	Unaudited			Total RMB'000
	China	Japan	Investment	
	— Apparel RMB'000	— Apparel RMB'000		
As at 30 September 2019				
Investments accounted for using the equity method	49,549	—	99,920	149,469
Financial assets at fair value through profit or loss	—	—	7,834,953	7,834,953
Deferred income tax assets	201,027	—	13,693	214,720
Right-of-use assets	76,534	43,211	—	119,745
Other assets	2,183,692	289,214	1,200,010	3,672,916
Total assets before inter-segment elimination	2,510,802	332,425	9,148,576	11,991,803
Inter-segment elimination	(410,696)	12,179	—	(398,517)
Segment assets	2,100,106	344,604	9,148,576	11,593,286
Deferred income tax liabilities	170,702	3,476	110,066	284,244
Current income tax liabilities	30,754	788	—	31,542
Lease liabilities	67,316	43,952	—	111,268
Other liabilities	441,576	468,874	156,764	1,067,214
Total liabilities before inter-segment elimination	710,348	517,090	266,830	1,494,268
Inter-segment elimination	(950)	(410,697)	—	(411,647)
Segment liabilities	709,398	106,393	266,830	1,082,621

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 September 2019

6 SEGMENT INFORMATION (CONTINUED)

	Audited			Total RMB'000
	China — Apparel RMB'000	Japan — Apparel RMB'000	Investment RMB'000	
As at 31 March 2019				
Investments accounted for using the equity method	81,280	9,185	61,215	151,680
Financial assets at fair value through profit or loss	—	—	7,451,872	7,451,872
Deferred income tax assets	251,936	—	750	252,686
Other assets	1,793,221	253,772	1,922,569	3,969,562
Total assets before inter-segment elimination	2,126,437	262,957	9,436,406	11,825,800
Inter-segment elimination	(164,818)	(10,689)	—	(175,507)
Segment assets	1,961,619	252,268	9,436,406	11,650,293
Deferred income tax liabilities	2,724	3,438	258,989	265,151
Current income tax liabilities	128,259	318	—	128,577
Other liabilities	407,245	196,632	509,906	1,113,783
Total liabilities before inter-segment elimination	538,228	200,388	768,895	1,507,511
Inter-segment elimination	(10,712)	(108,257)	—	(118,969)
Segment liabilities	527,516	92,131	768,895	1,388,542

7 OTHER GAINS — NET

	Unaudited	
	Six months ended 30 September	
	2019	2018
	RMB'000	RMB'000
Gain on disposal of financial assets at fair value through profit or loss	26,615	19,085
Investment income from financial assets at fair value through profit or loss	54,089	42,494
Interest income from loans receivables	31,085	57,992
Change in fair value of financial instruments at fair value through profit or loss	54,146	86,238
Government subsidy income	49,636	21,066
Royalty income	652	1,485
Others-net	7,579	6,189
	223,802	234,549

8 EXPENSE BY NATURE

The expenses included in cost of sales, reversal of impairment of inventories, distribution expenses, administrative expenses are analysed as follows:

	Unaudited	
	Six months ended 30 September	
	2019	2018
	RMB'000	RMB'000
Cost of inventories recognised as cost of sales	337,260	333,283
Advertising and selling expenses	337,989	286,018
Employee salary and benefit expenses	91,759	84,532
Logistic and transportation fees	27,478	27,390
Reversal of impairment of inventories	(26,468)	(33,959)
Depreciation of right-of-use assets	23,532	—
Operating lease expense	22,429	29,211
Product design and development expenses	20,783	23,323
Depreciation of property, plant and equipment and amortisation of intangible assets	10,563	10,891
Travelling expenses	8,846	7,477
Auditors' remuneration	1,800	1,800
Legal and consulting expenses	1,697	4,638
Others	18,365	20,213
	876,033	794,817

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 September 2019

9 FINANCE INCOME — NET

	Unaudited	
	Six months ended 30 September	
	2019	2018
	RMB'000	RMB'000
Finance income:		
— Foreign exchange gain, net	5,438	13,434
— Interest income	4,781	7,686
	10,219	21,120
Finance expenses:		
— Interest expenses	(3,768)	(10,478)
— Interest of lease liabilities	(2,017)	—
— Others	(237)	(1,894)
	(6,022)	(12,372)
Finance income — net	4,197	8,748

10 INCOME TAX EXPENSE

	Unaudited	
	Six months ended 30 September	
	2019	2018
	RMB'000	RMB'000
Current income tax		
— PRC corporate income tax ("CIT")	9,282	69,722
— Taxation in Japan	649	487
Deferred income tax	57,059	31,695
	66,990	101,904

10 INCOME TAX EXPENSE (CONTINUED)

(a) Cayman Islands income tax

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

(b) Hong Kong and Singapore income tax

Hong Kong and Singapore profits tax have not been provided as there are no estimated assessable profits arising in or derived from Hong Kong and Singapore during the six months period ended 30 September 2019 (2018: nil).

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

Provision for the PRC corporate income tax is calculated based on the statutory tax rate of 25% (Year ended 31 March 2019: 25%) on the assessable income of the group companies, except for Group's subsidiaries incorporated in Tibet Autonomous Region which is subject to preferential tax rate of 15% (Year ended 31 March 2019: 15%).

(d) PRC withholding tax ("WHT")

According to the PRC New Corporate Income Tax Law ("New CIT Law"), distribution of profits earned by PRC companies since 1 January 2008 to foreign investors is subject to withholding tax of 5% or 10%, depending on the country of incorporation of the foreign investor, upon the distribution of profits to overseas-incorporated immediate holding companies. As at 30 September 2019, the Group had provided a deferred tax liability amounting to RMB171,333,000 (Year ended 31 March 2019: RMB148,378,000) in relation to the profit of the Group's PRC subsidiaries that will be distributed in the future.

(e) Japan income tax

The subsidiary incorporated in Japan is subject to income tax and local inhabitant tax. The corporate income tax rate for the six months period ended 30 September 2019 applicable to this subsidiary was 15% for the taxable income part less than JPY10,000,000 and 23.2% for the taxable income part over JPY10,000,000 (2018: 15% and 23.2%) of the assessable profit. The inhabitant tax is determined based on the taxpayer's share capital, operating locations and number of employees and rates on the taxpayer's income tax payable, subject to a certain minimum payment. As there was no assessable profit derived during the six months period ended 30 September 2019 (2018: nil), the subsidiary was subject to the minimum inhabitant tax payments.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 September 2019

11 EARNINGS PER SHARE

(a) Basic

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

	Unaudited	
	Six months ended 30 September	
	2019	2018
Profit attributable to owners of the Company (RMB'000)	188,107	137,736
Weighted average number of ordinary shares in issue less shares held for Restricted Share Award Scheme (thousands)	5,863,071	5,832,064
Basic earnings per share (RMB cents per share)	3.21	2.36

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The share options granted and assumed exercised are the only dilutive potential ordinary shares as at 30 September 2019.

	Unaudited	
	Six months ended 30 September	
	2019	2018
Profit attributable to owners of the Company (RMB'000)	188,107	137,736
Weighted average number of ordinary shares in issue for calculating basic earnings per share (thousands)	5,863,071	5,832,064
Adjustments for:		
— Share options granted and assumed exercised (thousands)	176	—
Weighted average number of ordinary shares and potential ordinary shares for calculating diluted earnings per share (thousands)	5,863,247	5,832,064
Diluted earnings per share (RMB cents)	3.21	2.36

12 DIVIDENDS

	Unaudited	
	Six months ended 30 September	
	2019	2018
	RMB'000	RMB'000
First interim dividend paid of RMB0 cent (2018:2.45 cent) per share for the six months ended 30 June	—	144,210
First interim special dividend paid of RMB0 cent (2018:2.45 cent) per share for the six months ended 30 June	—	144,210
Final dividend paid of RMB1.96 cent (2018: nil) per share	115,368	—
Final special dividend paid of RMB0.49 cent (2018: nil) per share	28,842	—
Interim dividend of RMB0.96 cent (2018: nil) per share for the six months ended 30 September	56,507	—
Interim special dividend of RMB0.65 cent (2018: nil) per share for the six months ended 30 September	38,260	—
	238,977	288,420

The total dividends announced and paid for the six months ended 30 September 2019 amounted to RMB144,210,000 or RMB2.45 cents per share (first interim dividend paid for the six months ended 30 June 2018: RMB288,420,000 or RMB4.90 cents per share), comprising the fifteen months period ended 31 March 2019 final and final special dividends.

Pursuant to a resolution passed on 27 November 2019, the board of directors of the Company declared an interim dividend and interim special dividend of RMB0.96 cents and RMB0.65 cents per ordinary share of the Company, amounting to RMB56,507,000 and RMB38,260,000 for the six months ended 30 September 2019 from the Company's retained earnings account, respectively. They will be recognised in shareholders' equity in the year ending 31 March 2020.

The aggregate amounts of the dividends paid for the six months ended 30 September 2019 and six months ended 30 September 2018 have been disclosed in the consolidated statement of changes in equity in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 September 2019

13 PROPERTY, PLANT AND EQUIPMENT

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

14 LEASE PREPAYMENT

	Unaudited RMB'000
<hr/>	
At 31 March 2019	
Cost	14,262
Accumulated amortisation	(3,753)
<hr/>	
Net book amount	10,509
<hr/>	
For the six months ended 30 September 2019	
Opening net book amount as at 1 April 2019	10,509
Changes in accounting policies (Note 3)	(10,509)
<hr/>	
Closing net book amount as at 30 September 2019	—
<hr/>	
At 30 September 2019	
Cost	—
Accumulated amortisation	—
<hr/>	
Net book amount	—
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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 September 2019

15 INTANGIBLE ASSETS

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

16 TRADE RECEIVABLE

	Unaudited 30 September 2019 RMB'000	Audited 31 March 2019 RMB'000
Trade receivables		
— Third parties	205,442	170,702
— Related parties (note 25)	26,625	31,850
	232,067	202,552
Less: provision for impairment	(28,050)	(28,090)
Trade receivables, net	204,017	174,462

The Group's sales are mainly made on credit limits and the Group would deny credit sales to customers if the trade receivables of these customers exceeded their credit limits. Customers are normally granted credit terms within 30–45 days. The aging analysis of trade receivables based on goods delivery date as at 30 September 2019 and 31 March 2019 was as follows:

	Unaudited 30 September 2019 RMB'000	Audited 31 March 2019 RMB'000
Within 30 days	139,342	110,146
31 to 180 days	71,817	74,214
Over 180 days	20,908	18,192
	232,067	202,552

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

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 September 2019

16 TRADE RECEIVABLE (CONTINUED)

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

	Unaudited 30 September 2019 RMB'000	Unaudited 30 September 2018 RMB'000
At 1 April	28,090	68,790
Reversal of impairment losses of receivables	(40)	(2,448)
Written off impairment losses of receivables	—	(593)
At 30 September	28,050	65,749

17 TRADE PAYABLES

At 30 September 2019, the aging analysis of the trade payables based on goods receipt date were as follows:

	Unaudited 30 September 2019 RMB'000	Audited 31 March 2019 RMB'000
Within 30 days	98,030	85,844
31 to 180 days	82,621	38,229
Over 180 days	22,709	25,333
	203,360	149,406

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

18 OTHER FINANCIAL ASSETS AT AMORTISED COST

	Unaudited 30 September 2019 RMB'000	Audited 31 March 2019 RMB'000
Current Portion:		
Loans receivables (a)	883,385	897,284
Loans to related parties (b) (note 25)	21,635	20,325
Others	47,964	66,553
Less: provision for impairment	(9,737)	(9,288)
Total	943,247	974,874
Non-current Portion:		
Loans receivables (a)	94,228	173,057
Loans to management personnel and employees (c)	335,878	326,169
Total	430,106	499,226

- (a) As at 30 September 2019, loans receivables due from third parties summed up to RMB977,613,000 with the interest rate in the range of 6.5% to 15% per annum. The amount of each loan receivables varies from RMB41,761,000 to RMB211,740,000.

The maturity period of each loan receivables varies with the range from 6 to 24 months. Majority of these loans receivables were secured by the respective pledge.

- (b) For the loans to Joint Ventures as mentioned in note 25(b), which bear interest at 9% per annum and have a maturity within one year. There is no pledge for the loans.
- (c) The balance represented loans to certain management personnel and employees, which bear interest at one month HIBOR+1% per annum and have a maturity of 5 years. All the shares subscribed by the borrowers were pledged as the collateral of these loans.

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For the six months ended 30 September 2019

19 ASSETS CLASSIFIED AS HELD FOR SALE

	Unaudited 30 September 2019 RMB'000	Audited 31 March 2019 RMB'000
Non-current assets held for sale		
Investment in a joint venture	7,971	—

By September 2019, the directors of the Group decided to dispose 38% equity interest of Shanghai Phenix Apparel Co., Ltd. (Shanghai Phenix), a joint venture of the Group to a third-party buyer. Meanwhile, the transaction was approved by the buyer's board of directors as well. The agreement between the buyer and the Group has been signed on 14 October 2019 and the transaction is expected to be completed within 1 year. As a result, the Group classified this investment in joint venture to the assets held for sale.

The above mentioned held for sale assets were measured at the lower of its carrying amount and fair value less costs to sell at the time of the reclassification. There was no expenses recognized in the interim condensed consolidated statement of comprehensive income.

20 SHARE CAPITAL AND SHARE PREMIUM ACCOUNT

	Unaudited				
	Number of ordinary shares of par value HK\$0.01	Nominal value of issued ordinary shares HK\$'000	Equivalent nominal value of ordinary shares RMB'000	Share premium account RMB'000	Total RMB'000
As at 1 April 2019 and 30 September 2019	5,886,121,025	58,862	56,466	1,033,539	1,090,005
As at 1 April 2018	5,674,811,025	56,749	54,768	806,397	861,165
Issuance of ordinary shares (a)	211,310,000	2,113	1,698	227,142	228,840
As at 30 September 2018	5,886,121,025	58,862	56,466	1,033,539	1,090,005

- (a) Pursuant to the subscription agreement on 19 January 2018 and 11 April 2018, the Company allotted and issued 211,310,000 new ordinary shares with nominal value of HKD0.01 each at a price of HKD1.35 per share (for 202,310,000 shares) and HKD1.29 per share (for the remaining 9,000,000 shares) to directors and management personnel of the Company, on 27 April 2018.

The total gross proceeds from the issue were approximately HKD284,729,000 (equivalent to approximately RMB228,840,000), of which HKD2,113,000 (equivalent to approximately RMB1,698,000) was credited to share capital, HKD282,615,000 (equivalent to approximately RMB227,142,000) was credited to share premium.

Ms. Chen Chen has paid all of her consideration and other subscribers' consideration was settled through a loan from Bright Pacific, a wholly-owned subsidiary of the Company, to the subscribers with the interest rate of one month HIBOR plus 1% per annum. All the shares subscribed and acquired was pledged as the collateral of these loans. They need to comply with the lock-up request of the subscription agreement.

The directors of the Company are of the view that no share based payment expense should be recognised in the interim condensed consolidated statement of comprehensive income as the consideration for the shares issued were higher than fair value.

Certain of the above subscribers are related parties of the Group, therefore the share issuance and the loans provided to them are related party transactions.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 September 2019

21 SHARES HELD FOR EMPLOYEE SHARE SCHEME

	As at 30 September 2019 Number of shares	As at 31 March 2019 Number of shares	As at 30 September 2019 RMB'000	As at 31 March 2019 RMB'000
Shares held for employee share scheme	23,050,071	23,050,071	196	196

These shares are held by the Group's Trust for the purpose of issuing shares under the Group's employee share scheme (see Note 22 for further information). Shares issued to employees are recognised on a first-in-first-out basis.

Details	Number of shares	RMB'000
Opening balance 31 March 2019	23,050,071	196
Employee share scheme issue	—	—
Balance 30 September 2019	23,050,071	196

22 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 comprehensive income of the Group.

During the six months ended 30 September 2019, no shares out of the 30,000,000 shares purchased from the open market in 2010 as described above, were granted to senior management under the Restricted Share Award Scheme (fifteen months ended 31 March 2019: Nil).

22 SHARE BASED COMPENSATION SCHEMES (CONTINUED)

(b) Shares issued to directors and management personnel of the Company

As mentioned in Note 20, on 27 April 2018, the Company allotted and issued 211,310,000 new ordinary shares to directors and management personnel of the Company, no share based payment expense was recognised in the consolidated statement of the comprehensive income during the current period.

(c) Share Option Scheme

Pursuant to the a shareholders' resolution passed on 8 August 2019, the Group adopted a share option scheme (the "2019 Share Option Scheme"). On 16 September 2019, the Group granted 18,300,000 share options to management and employees. The 2019 Share Option Scheme will remain in force for a period of 10 years commencing from 16 September 2019. The vesting period for the options granted on 16 September 2019 is from 16 September 2019 to 15 September 2022. An option may be exercised in accordance with whether a service or a non-market performance condition is met.

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

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

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

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

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

Grant date	Unaudited Fair value RMB'000
16 September 2019	4,425

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For the six months ended 30 September 2019

22 SHARE BASED COMPENSATION SCHEMES (CONTINUED)

(c) Share Option Scheme (Continued)

The fair value of options granted during the six months ended 30 September 2019 determined using the Binomial model was HK\$0.292 per option for management personnel and HK\$0.211 per option for employees. The subjectivity and uncertainty of the values of options are subject to a number of assumptions and the limitation of the model. The significant inputs into the model were spot price of HK\$0.820 at the grant date, exercise price of HK\$0.854, volatility of 39%, expected dividend yield of 2.45%, a contractual option life of ten years, and an annual risk-free interest rate of 1.36%.

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 recognized in the interim condensed consolidated statement of comprehensive income, with a corresponding adjustment to the share option reserve.

For the six months ended 30 September 2019, value of employee services provided under the 2019 Share Option Scheme recognised in the interim condensed consolidated statement of comprehensive income was RMB111,000.

Movements in the number of share options outstanding during the six months ended 30 September 2019 under this scheme and their weighted average exercise prices are as follows:

	Weighted average exercise price (per share) HK\$	Number of share options (thousands)
As at 1 April 2019	—	—
Granted	0.854	18,300
Exercised	—	—
Lapsed	—	—
As at 30 September 2019	0.854	18,300
Exercisable as at 30 September 2019	—	—

23 BORROWINGS

	Unaudited 30 September 2019 RMB'000	Audited 31 March 2019 RMB'000
Bank loans		
— Pledged (a)	130,807	480,439
Loans from a company (b)		
— Unsecured and interest free	49,576	47,197
	180,383	527,636

(a) As at 30 September 2019, the outstanding loans due to Morgan Stanley Asia International Limited at the prevailing interest rate were USD958,933 (equivalent to approximately RMB6,782,000), JPY850,349,925 (equivalent to approximately RMB55,772,000) and HKD75,685,630 (equivalent to approximately RMB68,253,000).

(b) The balance represented the loans due to a third party, Forchn International Co., Ltd., which is unsecured and interest free.

As at 30 September 2019, the Group's borrowings were repayable as follows:

	Bank loans		Other loans	
	As at 30 September 2019	As at 31 March 2019	As at 30 September 2019	As at 31 March 2019
Within 1 year	130,807	480,439	49,576	47,197

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 September 2019

24 COMMITMENTS

The Group had the following commitments as at 30 September 2019:

Non-cancellable operating leases

The Group leases certain properties for retail stores, office premises, and equipment under non-cancellable operating lease agreements. The future minimum lease payables under non-cancellable operating leases contracted for at balance sheet dates but not recognised as liabilities, are as follows:

	Unaudited 30 September 2019 RMB'000	Audited 31 March 2019 RMB'000
Within 1 year	49,264	74,714
Between 1 year and 5 years	—	90,251
	49,264	164,965

From 1 April 2019, the Group has recognised right-of-use assets and lease liabilities for non-cancellable operating leases, except for short-term leases (see Note 3 for further information). The operating leases commitments as of 30 September 2019 as disclosed above are all related to short-term leases which are exempted from recognising the related right-of-use assets and lease liabilities under IFRS 16.

25 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.

25 RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Transactions with related parties

During the six months ended and as at 30 September 2019 and 30 September 2018, in addition to those disclosed elsewhere in the financial information, the Group had the following transactions and balances with related parties:

	Unaudited	
	Six months ended 30 September	
	2019	2018
	RMB'000	RMB'000
Sales of goods to joint venture:		
— Joint Ventures of the Group	57,392	104,006
Interest income from loans to		
— Joint Ventures of the Group	142	847
— Management personnel	3,299	2,583
Disposal of land to		
— A Company held by Mr. Chen Yihong	6,536	—

(b) Balances with related parties

Trade receivables (Note 16)

	Unaudited	
	30 September	
	2019	Audited
	RMB'000	31 March
		2019
		RMB'000
— Joint Ventures of the Group	26,625	31,850

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For the six months ended 30 September 2019

25 RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Balances with related parties (Continued)

Other financial assets at amortised cost (Note 18)

	Unaudited 30 September 2019 RMB'000	Audited 31 March 2019 RMB'000
Current portion		
— Joint Ventures of the Group	15,099	20,325
— A Company held by Mr. Chen Yihong	6,536	—
— Provision	(4,606)	(4,167)
Non-current portion		
— Management personnel	215,870	209,723
	232,899	225,881

Accruals and other payables

	Unaudited 30 September 2019 RMB'000	Audited 31 March 2019 RMB'000
— Joint Ventures of the Group	27,604	27,164

Notes:

- (i) The transactions with related companies are conducted based on mutual agreements.
- (ii) The above balances with related parties except loans to management personnel and loans to Joint Ventures as mentioned in note 18(b) were unsecured, non-interest bearing and collectable per demand.

(c) Key management compensation

	Unaudited Six months ended 30 September 2019 RMB'000	2018 RMB'000
Salaries, bonus and other welfares	4,878	4,044
Pension — defined contribution plans	81	67
	4,959	4,111

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