

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



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2023/2024 INTERIM REPORT



 **Kappa** *phenix*

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Contents

Corporate Information	2
Information for Investors	4
Results Highlights	5
Chairman’s Statement	6
Management Discussion and Analysis	8
Other Information	25
Interim Condensed Consolidated Financial Information	34
Notes to the Interim Condensed Consolidated Financial Information	40

CORPORATE INFORMATION

Executive Directors

Mr. Chen Yihong (Chairman)
Ms. Chen Chen (Chief Executive Officer,
President and Co-Chairman)
Mr. Lyu Guanghong (Chief Financial Officer)

Independent Non-Executive Directors

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

Auditor

PricewaterhouseCoopers
Certified Public Accountants and Registered Public
Interest Entity Auditor

Legal Advisers

Norton Rose Fulbright Hong Kong
Conyers Dill & Pearman (Cayman) Limited
Zhong Lun (Shanghai) Law Firm, Beijing

Authorised Representatives

Mr. Gao Yu
Ms. Wai Pui Man

Company Secretary

Ms. Wai Pui Man

Principal Share Registrar and Transfer Office

Suntera (Cayman) Limited
Suite 3204, Unit 2A, Block 3,
Building D, P.O. Box 1586, Gardenia Court,
Camana Bay, Grand Cayman,
KY1-1100, Cayman Islands

**Hong Kong Branch Share Registrar
and Transfer Office**

Computershare Hong Kong Investor Services Limited
Shops 1712-1716,
17/F Hopewell Centre,
183 Queen's Road East,
Wanchai,
Hong Kong

Registered Office

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Cayman Islands

Principal Place of Business in Hong Kong

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Tower One, Lippo Centre,
No. 89 Queensway,
Hong Kong

Head Office in People's Republic of China

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

Principal Bankers

Morgan Stanley Asia International Limited
Industrial and Commercial Bank of China

Website

www.dxsport.com



INFORMATION FOR INVESTORS

OTHER IMPORTANT INFORMATION

1. Share information

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

Stock code: 03818

Number of ordinary shares issued as at
30 September 2023: 5,887,561,025 shares

2. Important dates

Announcement of 2023/2024 interim results:
22 November 2023

Book closure date:
7 December 2023 to 11 December 2023
(both days inclusive)

3. 2023/2024 interim special dividend

Interim special dividend: RMB0.71 cents per share
Payment date: on or around 22 December 2023

4. Investor Relations Department

Building 21, No. 2 Jingyuanbei Street,
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Telephone: (8610) 6783 6585
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5. Website

www.dxsport.com

RESULTS HIGHLIGHTS**RESULTS HIGHLIGHTS**

For the six months ended 30 September

	2023 Unaudited (RMB million)	2022 Unaudited <i>(RMB million)</i>	Change
Revenue	776	776	—
Gross profit	536	484	+10.7%
Gross profit (before changes of provision for inventories)	515	461	+11.7%
Gross profit margin	69.1%	62.4%	6.7 pts
Gross profit margin (before changes of provision for inventories)	66.4%	59.4%	7.0 pts
Operating loss	(471)	(367)	28.3%
Operating profit/(loss) excluding investment segment	75	(24)	Negative for the same period of last year
Loss attributable to owners of the Company	(410)	(346)	18.5%
	(RMB cents)	<i>(RMB cents)</i>	
Basic/Diluted losses per share	(6.99)	(5.90)	18.5%
Interim special dividend per share	0.71	1.17	-39.3%

CHAIRMAN'S STATEMENT

Dear Shareholders,

I would like to present on behalf of the Board our interim results for the six months ended 30 September 2023 (the "Reporting Period").

During the Reporting Period, the world economy was showing strong resilience in the wake of the unprecedented impact, as major economies battled hard against the threat of recession, thanks to the effort of their respective financial authorities. Nevertheless, there was an undeniable disparity in the growth prospects for different regions in the world, posing a challenge for the nations which sought to restore the production growth trends prevailing prior to the pandemic. China remained the largest growth engine of the global economy with a significantly higher GDP growth rate compared to the world average. According to the nation's official forecast, China will register economic growth of approximately 5% for 2023, accounting for 1/3 of the world's total GDP growth for 2023. As China's economic growth was stabilising, its consumer spending on the service sector continued to recover. In line with the strategic policy of the central government, normal operation of the society and the economy was fully restored and the economy as a whole was trending positively, underpinned by general improvements to major indicators.

For the first three quarters of 2023, there was a notable rebound in the consumer market as the domestic economy resumed normal operation, aided by the effective implementation of a range of government policies designed to expand domestic demand and encourage consumer spending. A trend of recovery was basically established in China's consumer sports market, with the sports sector showing strong sustainability and resilience, as the supply chain, logistics and offline apparel retail environment trending in tandem with the overall economic recovery. Excessive inventory stocked during the pandemic was gradually taken up and enterprises were hopeful of clearing up all overstock by next year. Moreover, with the resumption of social and outdoor activities in the post-pandemic era, consumers' demand for product functions became more specific and considerable growth was noted in relevant sub-segments as a result. High-market sporting segments such as skiing, golf and tennis, among others, were gaining popularity and the development of these sectors was underpinned by specialisation and more pinpointed categorisation. In addition, smart applications also represented a new highlight in the development of the sporting industry, as enterprises sought to enhance operating efficiency, product quality and value by upgrading their supply chains, whilst improving their innovative ability to facilitate qualitative development.

The changing consumer-end, consumer spending patterns and detailed requirements in consumer preferences will provide support for the future development of the sporting industry, whilst compelling manufacturers of sporting goods to enhance their quality and efficiency as they embrace the new consumer trend of fashionable sports. As a leading brand in fashionable sportswear in China, China Dongxiang has always positioned itself at the forefront of the industry with a strong focus on fashionable sport. Kappa has adopted a strategy with quality and brand DNA at its core, as it creates products with unique designs and brand character in response to market trends and the demand from a wide spectrum of consumer groups. As the

sporting industry embraces a new cycle of rapid development with the support of national policies, China Dongxiang will persist in enhancing the effectiveness of its supply chain, emphasising the trendiness, novelty, functionality and sustainability of its products, adding more quality to its retail stores catered to higher-market consumer groups, with a view to striving for greater development and growth.

The Group registered revenue of RMB776 million for the Reporting Period, stable compared to the same period last year. While year-on-year reversal from loss to profit was reported for the apparel business with operating profit of RMB75 million, loss attributable to equity holders of the Group amounting to RMB410 million was recorded owing to volatility in the capital market resulting in loss of the investment business during the Reporting Period. To reward the shareholders for their longstanding support of the Group, the Board of Directors has proposed to declare an interim special dividend of RMB0.71 cents per share of the Company for the six months ended 30 September 2023.

COMPLEMENTARY ONLINE AND OFFLINE OMNI-CHANNELS FACILITATING COMPREHENSIVE BUSINESS DEVELOPMENT

The Group continued to implement omni-channel as its core strategic objective. Thanks to the complementary operation of online and offline omni-channels in accordance with the core strategic principle of "efficiency enhancement, strong preparations and vigorous operation", satisfactory results have been achieved. During the Reporting Period, the Group reported notable improvements in same-store efficiency and business performance of key stores and further growth in overall turnover through optimised distribution of offline channels and stronger synergy among business segments. In future, the Group will further enhance the effectiveness and efficiency of channel management while seeking operating cost reductions to enhance its competitiveness.

As at 30 September 2023, the Group had a total of 1,002 Kappa stores (excluding Kappa Kid's stores), representing a net decrease of 21 stores as compared to that as at 31 March 2023.

UPHOLDING BRAND PHILOSOPHY WHILST CLOSELY TRACKING THE DEMANDS OF CONSUMERS

True to its passionate, sexy and vanguard character, the Group's Kappa brand continued to foster a culture for youngsters. During the Reporting Period, Kappa expanded the community of young consumers and followers of the brand through sponsorship activities, numerous offline events and co-branding initiatives in collaboration with fashion gurus, with the aim of expressing solidarity with young people here and now and showcasing the youthful essence of the brand. Meanwhile, Kappa also hosted a series of offline events for sporting experience to gain further brand exposure, riding on the popularity of sporting activities driven by the World University Games and the Asian Games. Kappa has always been closely associated with sports fashion, seeking to draw near with consumers from a wide spectrum. In future, the Group will continue to ensure that the brand grows and develops alongside the consumers, as it extends its market presence by offering more interactive consumer experience in a collective attempt to uphold its vanguard brand philosophy.

STRENGTHENING OUR BRAND DNA WITH THE LAUNCH OF FASHIONABLE RETRO SPORTSWEAR

Inspired by the century-old history of the Kappa brand, the Kappa 1916 Series renewed during the Reporting Period has blended elements from Turin, Italy and various historical brands in the remaking of iconic football jerseys, heralding a new fashion trend of Blokecore retro sportswear mix-and-match. Elsewhere, the Kappa Player Series has presented a brand new interpretation integrating fashionable sports culture with the historic DNA of the brand in its creation of mix-and-matches for popular street sports that highlight the individuality of young consumers as well as the outgoing character of the Kappa brand, with a view to enhancing its appeal to young consumer groups. The Group has also optimised the Kappa Gara Series through a combination of state-of-the-art techno-materials and integrated technologies to offer sporting products with a strong sense of substance and fashion to consumers.

As a well-recognised name for high-end professional ski products, the Group's PHENIX brand has been much sought after by avid skiers. During the Reporting Period, PHENIX sponsored the Tsinghua University Ski Team and tailor-made the team's official skiing outfit in a bid to promote skiing in universities and colleges. PHENIX was also engaged in active dialogue with the youthful community, as a number of Xiaohongshu artists were invited to share their thoughts on skiing from the perspective of trendy young people and unlock the charm and attraction of the sport with the benefit of a diverse range of views.

GLOBAL ECONOMIC VOLATILITY CALLING FOR PRUDENT INVESTMENT STRATEGIES

During the first half of FY2023/24, the Group's investment business was inevitably affected by the substantial volatility of the global economy and stock markets under the impact of multiple factors. The Group's investments include mainly equity investment, stock investment, fixed income and cash management. The diversity in investment distribution affords stronger resilience against risks and ensures the safety and effectiveness of investment. As at 30 September 2023, the Group reported a net asset value of RMB8,565 million for its investment segment, representing a slight decrease of 2.0% from 31 March 2023.

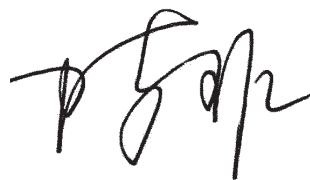
HIGH-STANDARD MANAGEMENT REGIMES FACILITATING SUSTAINABLE DEVELOPMENT

The Group has always been engaged in vigorous efforts to fulfill its corporate citizenship, as it promotes green development and strives to incorporate environmental, social and governance (ESG) strategies for sustainable corporate development into the Group's day-to-day operations and business development and deliver sustainable value for the Group whilst rewarding the society. The Group is committed to the development of an ESG management regime with high standards, underpinned by ongoing optimisation of its ESG strategies and ESG governance structure to enhance its ESG management standards. Meanwhile, the Group also places a strong emphasis on green innovation in connection with its products, as it actively employs frontier eco-friendly materials to ensure that the Group's products can be effectively recycled. Whilst making contributions to the cause of environmental protection, we are also actively conveying to consumers the message of how we should

build a green Earth. In future, the Group will continue to deepen and broaden its ESG practices to achieve sustainability and drive sustainable, health development of the industry for the benefit of the society.

APPRECIATION

Finally, the Group wishes to take this opportunity to express sincere gratitude to the Directors and staff members for their hard work and dedication. We must also thank all our partners and shareholders for their longstanding trust and support for China Dongxiang. Looking to the future, notwithstanding various forms of pressure and uncertainties, we will continue to capitalise on opportunities in China's consumer sector with an open-minded and sharing mentality in adherence to the Kappa brand spirit, focusing on the development of the sports fashion sector and committed to generating sound and stable return for shareholders.



Chen Yihong
Chairman

22 November 2023



MANAGEMENT DISCUSSION AND ANALYSIS



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2.



3.



4.



5.



6.

1. Star Tan Jianci donned in the PHENIX SP27 Series
2. Kappa x Smurfs Series
3. PHENIX Retro Series
4. Kappa x Dali Women Footballers
5. Kappa and fashion mastermind Green Xia jointly launched the limited edition TIFO shoes
6. Kappa sponsored the Chinese Fencing Team at the Hangzhou Asian Games
7. Kappa Store, Wanda Plaza, Wukesong, Beijing
8. Kappa Store, Grand Shopping Center (Nangang), Harbin



7.



8.

MACRO-ECONOMIC REVIEW

The first three quarters of 2023 saw increasingly austere conditions in the global macro-economic landscape. According to a report published by the BOC Research Institute, global economic growth for the first three quarters of 2023 continued to slow down with increasing disparity among different regions. The global economy remained subject to downside pressure, while economic development in Asia continued to be the major driving force for economic activities worldwide.

Despite enormous pressure from the external environment, the Chinese economy was stabilising in continuous recovery, underpinned by ongoing improvements in the service and consumer sectors. Government policies implemented to encourage consumer spending showed ongoing effect, as the economy fully returned to normal operation with an overall trend towards positive growth, as evidenced by general improvements in major indicators. According to data released by the National Bureau of Statistics, China registered year-on-year GDP growth of 5.2% for the first three quarters of 2023, underpinned by a 4.9% year-on-year growth for the third quarter which beat market expectations. The consistent optimisation and improvement in market supply capacity coupled with the increasing prevalence of ideas such as quality living and green living resulted in ongoing consumer demands derived from the need to upgrade. Total retail sales of consumer goods for the first three quarters of 2023 grew by 6.8%, year-on-year. Sales of commodities in the upgrade category grew by 12.2%, while sales of sporting and entertainment goods grew by 8.3%.

As the engine for global economic growth, China has set the economic growth target for 2023 at around 5%, with a view to implementing the policy of stabilising growth, employment and prices. The International Monetary Fund (IMF) projected a 5.2% economic growth for China for 2023 in its October report. Whilst the positive foundation for economic rebound requires further bolstering given increasingly complex and austere external conditions and apparent under-demand in the domestic market, improved employment figures, rising personal income and increasingly momentum of domestic demand have been noted in the wake of the implementation of relevant government policies, suggesting that positive fundamentals

for the long-term have not changed and the domestic economy will be steering towards positive development in a stable manner, which will favour growth in overall domestic demand and consumer spending.

INDUSTRY REVIEW

During the first three quarters of 2023, the Chinese economy fully returned to normal operation with a notable rebound in domestic consumer spending, thanks to a range of government policies implemented to increase domestic demand and encourage consumer spending. Riding on the sporting trend driven by the World University Games and the Asian Games, the sports brand sector in China embraced in year of harvest in 2023. According to data released by the National Bureau of Statistics, retail sales of sporting goods (including apparel, footwear, headwear and knitwear products) in China for July 2023 amounted to RMB96.1 billion, increasing by 2.3%, year-on-year, in the sixth consecutive month of growth. For the first seven months of the year, total sales of sporting products amounted to RMB777.6 billion, increasing by 11.4%, year-on-year.

In the “Notice on the Organisation of Activities Conducive to Sports-related Spending to Take Advantage of Major Sporting Events” published in September 2023, the General Administration of Sports proposed and encouraged the establishment of a standing mechanism for encouraging sports-related spending and the provision of customised public benefits, such as sports-related purchase coupons, by local administrations. It also encouraged the formulation of sports-related consumer spending e-maps and online transaction platforms for sports-related purchases by the industry to offer intelligent support for sports-related consumer spending. Moreover, the General Administration of Sports has also published the “Notice on the Working Plan for Reviving and Expanding Sports-related Spending”, setting out 16 measures for stimulating and reviving spending on sports, such as increasing the supply of premium sporting products and services, enriching scenarios for sports-related spending and reinforcing the foundation for sports-related spending, among others. Given favourable government policies and the growing health awareness amongst the Chinese people, burgeoning

MANAGEMENT DISCUSSION AND ANALYSIS

demands associated with exercises for all and mass sports will boost the development of the sporting goods industry and facilitate the ongoing expansion of this market.

Given the trend of sports for all, more people will be participating in sporting activities giving rise to further sub-segments in consumers' demand for sporting goods, more diverse sporting scenarios and more refined requirements for gear and equipment. In particular, niche sports such as skiing, surfing, equestrian and ice hockey, among others, have been gaining popularity in recent years, especially in the context of the resumption of popular in-person sporting activities in post-pandemic times, where people have been embracing outdoor activities anew and market demands for sports shoes and professional gear have substantially increased. Moreover, the sporting goods industry and market in China have embarked on a trend of high-end development underpinned by the ongoing introduction of high-market products with premium quality.

Looking to the future, sustainability will represent another important aspect in the development of the market for sporting goods. According to the Global Sporting Goods Industry Report 2023 jointly published by McKinsey and World Federation of the Sporting Goods Industry (WFSGI), more than 80% of the enterprises interviewed have announced or are planning to announce targets for the reduction of carbon emissions. Leading sports brands in China have put in place specific targets and planning for carbon emission, carbon reduction policy and sustainability goals to formulate a road map for zero carbon. Sustainability planning is expected to become a crucial segment guiding the future growth of enterprises.

BUSINESS REVIEW

During the first half of FY2023/24, demand in the domestic consumer market improved in a steady manner amidst the ongoing recovery of the Chinese economy, thanks to a range of government policies implemented to encourage consumer spending. The leisure sportswear sector reported ongoing growth in end retail sales, riding on the sporting trend among the people driven by the World University Games and the Asian Games. Given the trend of sports for all, further sub-segments in consumers' demand for sporting goods were identified with more diverse sporting scenarios and more discerning requirements for gear and equipment. The Group vigorously seized such market opportunities by optimising its offline channel distribution and enhancing the synergy of business systems to improve efficiency and business performance. The Group continued to devote strong efforts to product R&D with ongoing launch of brand new products for a number of its brand series on the back of revamped product designs, materials and functions to further strengthen its market competitiveness.

In terms of brand promotion, the Group's Kappa brand continued to express the brand philosophy of being "passionate, sexy and vanguard", as we embarked on co-branding collaboration with fashion icons during the Reporting Period through a variety of offline outdoor exposure activities. Moreover, talking points were created through the brand's sponsorship for the China Fencing Team at the Hangzhou Asian Games, where the athletes' energy and passion for sports garnered more followers of the brand among consumers, as the brand continued to be committed to and encourage a daring attitude among young customers in ongoing enhancement of its brand image and market popularity.

Brand-Building and Promotion

PRC — Kappa brand

True to its passionate, sexy and vanguard character, Kappa brand launched co-branded marketing initiatives in collaboration with fashion gurus, acted as sponsors for the China Fencing Team, as well as organised a range of outdoor sporting activities to ride on the sporting trend during the Reporting Period, with a view to securing continuous following of the brand among the young generation. In August 2023, Kappa TIFO launched a Green Xia Special Edition in the Kappa German Army Trainer Series in collaboration with Green Xia, fashion guru and co-founder of SOLESTAGE, a specialist in the sourcing of limited edition sports shoes in North America, drawing on the “Rebuild” concept in its design blueprinted on classic soccer trainers found in the brand history archives. Brand popularity has been significantly enhanced as fashion followers raced to add the product to their collections.

On top of co-branding initiatives, Kappa also offered strong support to members of the China Fencing Team at the Hangzhou Asian Games to support athletes’ endeavours to challenge and exceed their limits. In September 2023, Kappa sponsored the national women fencing team at the Hangzhou Asian Games with the supply of exclusive “low-carbon training suits” made with SORONA eco-friendly fabric to afford greater comfort for the athletes in daily training. Donned in the specialised fencing apparel and footwear created by Kappa exclusively for the national team, our fencing athletes put on a brilliant performance against their counterparts from Asia, winning the bronze medal in women’s team contest. Moreover, Kappa also worked with Sun Yiwen, member of the Women’s Fencing Team of China at the Hangzhou Asian Games and gold medalist for women’s individual epee at the 2020 Tokyo Olympics, to promote an initiative for sustainable fashion known as “Back to Back with Mother Earth”, encouraging consumers to assume responsibility in the protection of the environment whilst fulfilling their passion for sports in an ongoing fight for the natural environment and the fashion industry.

Elsewhere, in April 2023, Kappa hosted in Shanghai an Urbancore event promoted by Xiaohongshu, encouraging fans to take on outdoor sportswear mix-and-match in the Urbancore style and explore the “Dare to Play Project” in the sporting marketplace for a taste of the immense joy that sports can bring. In September, Kappa hosted a “Beyond Football Festival” also in Shanghai during which iconic Kappa jerseys of numerous football clubs from late 20th Century were showcased to relive the glamour of football in yesteryears and introduce the DNA of real heritage to fans. The brand enjoyed extensive coverage on social media as Kappa was identified as a brand of sports fashions.

Kappa continued to dig deep to identify brand themes striking a chord with the sentiments of young consumer groups, such as “Don’t Shy Away from Fashion”, under which a classic retro series known as Kappa 1916 was launched to convey the vanguard spirit of the brand to customers and remould the retro fashion style. Meanwhile, through innovative breakthroughs in product design, as well as more interactive consumer experience and a continuously expanding market presence, we continued to maintain an open mind for broadening boundaries and a vanguard spirit ready to break conventions.

PRC — PHENIX brand

Founded in 1952 in Japan, PHENIX has been exclusively focused on the skiing sport since day one, committed to the supply of functional outfit for avid skiers with ongoing improvements in comfort.

In terms of product, we remained focused on professional, tournament-grade double-boards in the China market with offerings such as the Norwegian Alpine Ski Series, the miss phenix high-end ladies’ fashion series and the young and fashionable SP27 and X-niX Series. In addition, the brand has also developed alk phenix and +phenix, two principal product lines for outdoor activities and daily scenarios, respectively, with a rich array of choices in an eloquent expression of PHENIX’s exquisite understanding of urban and outdoor functions.

MANAGEMENT DISCUSSION AND ANALYSIS

During the Reporting Period, PHENIX sponsored the Tsinghua University Ski Team and tailor-made the team's official skiing outfit in a bid to promote skiing in universities and colleges. PHENIX was also engaged in active dialogue with the youthful community, as a number of Xiaohongshu artists were invited to share their thoughts on skiing from the perspective of trendy young people and unlock the charm and attraction of the sport with the benefit of a diverse range of views.

During the 23-24 ski season, PHENIX will establish its presence at Wanlong Ski Resort, a well-established skiing ground in Chongli District, with the building of a 600-square metre mega membership service centre to provide more comfortable and delightful skiing experience to a greater number of avid skiers. In addition, PHENIX also entered into a long-term programme for in-depth cooperation with the ski resort, whereby PHENIX brand elements will be extensively shown at the prop park and ski facilities in a bid to foster a brand new, fashionable skiing ambience. A joint brand marketing event will also be launched this year to create a popular talking point for the winter season.

Today, PHENIX continues to conduct in-depth research on ergonomics, engineering and biology to explore specialised technologies for the development of sportswear products, consistently amassing, refining and putting to extensive application technologies compatible with globally advanced standards, whilst making improvements to the sporting functions of such products. The brand continues to display uniqueness in design and fashion that embodies the latest trends and hallmarks of the era.

Kappa Apparel Series

During the Reporting Period, Kappa was engaged in in-depth consumer research with a view to optimising the positioning of its product series. Full upgrades were introduced to the product lines as the Kappa 1916 Series inheriting brand classics and retro sporting elements, the Kappa Player Series targeted at new-generation trendy consumers, and the Kappa Gara Series integrating technical functions into fashionable sportswear were launched. The brand was also engaged in active cross-sector collaboration with The Smurfs, an internationally reputed intellectual property company, to launch spectacular, innovative co-branded styles. Meanwhile, the standalone combat pant series, an all-time best-seller, was relaunched with full upgrades, including a mixed patch-up of 22 cut-out pieces highlighting Kappa's attention to quality details.

Kappa 1916 Series

Looking to the century-old history of the Kappa brand for design inspirations, The Kappa 1916 Series incorporates a range of brand elements such as Turin in Italy, the brand's city of origin, and the historic socks maker in its design. The retro classic football jersey relives the glories of Kappa's football club sponsorships while heralding a new fashion trend of Blokecore retro sportswear mix-and-match.

Kappa Player Series

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

Kappa Gara Series

During the Reporting Period, the Kappa Gara Series continued to foster its core competitiveness through a combination of functional technology with fashionable designs. K-TECH, the new technology platform launched by the brand, has continued to incorporate integrated technologies into Kappa Gara products. The application of K-UV CUT, K-ICE KOOL and K-FLASH DRY technologies in combination has brought sporting products with a strong sense of substance and fashion to consumers, such that fashion comes with extra comfort in testimony to Kappa's premium quality.

Shoes Series

During the Reporting Period, the iconic signature products of our footwear segment — the Sneaker Family and the King's Family — delivered spectacular business performance during the second and the third quarters, culminating in a full sold-out of the footwear category. Moreover, the innovative Millennium Skate Shoes and the TIFO football sneaker, the brand's next-in-line new product, both commanded strong sales and exceptional appeal to buyers, bringing in a large number of new members in an effective move to connect with new-generation consumers and renovate our brand image. The TIFO football sneaker is expected to become a key product family on which our efforts will be focused in the next 2–3 years. Through the integration of the Company's upstream and downstream resources, employment of overseas as well as domestic fashion advertising channels to drive customer traffic, and the all-out display of products on Internet platforms as well as in physical stores, we were focused on the creation of new products with a strong brand DNA which would be conducive to the building of a brand new image for the brand during the period of transition. In the meantime, our first round of cross-sector marketing initiatives for the TIFO X Green Xia co-branded products were met with enthusiastic response in the market and contributed to rapid business growth.

Accessories Series

During the Reporting Period, stable growth in the sales of Kappa accessories was reported, as the Kappa accessory department carried out product R&D and channel management in close tandem with the Company's general direction of development. In connection with products, we continued to look to the brand's sporting DNA as we created accessories with brand characteristics matching the overall style of our apparel products to enhance market competitiveness. Based on market survey and consumer feedback and in response to consumers' demand for personalised design and variety, more trendy styles were introduced on top of our existing product lines, in order to consistently enhance the trendiness of our accessories and maintain our competitive edge in the market. In addition, inventory management was emphasised on the back of meticulous market forecasts and sales data analysis, while we ensured reasonable planning for product supply to avoid overstocking or out-of-stock situations, thereby enhancing sales efficiency. Meanwhile, the joint operation of online accessories business also reported rapid development, as a specialised e-commerce platform for accessories was established to enhance online marketing. Our online sales increased with the successful development of consumer groups and launch of a range of bestselling products. Through the combination of online and offline modes, we offered consumers with the experience of swifter and more convenient shopping, while achieving growth for the accessories business.

Omni-Channel Retail Network

During the Reporting Period, the Group continued to focus on the omni-channel model and optimisation of single-store efficiency to speed up the efficient turnover of merchandise through omni-channels. As at 30 September 2023, the Group had a total of 1,002 Kappa stores, a net decrease by 21 stores (excluding Kappa Kid's stores) compared to that as at 31 March 2023.

MANAGEMENT DISCUSSION AND ANALYSIS

With the dawn of the age of digitalisation, the Group continued to implement digitalisation and omni-channel among its core strategic objectives during the Reporting Period. By converting and improving the data systems of various business regimes, resource integration and omni-channel management of commodities were facilitated on a one-stop basis, enhancing effective cross-regional and cross-boundary connection of online and offline operations in significant improvement of the Group's operational efficiency.

PRUDENT INVESTMENT STRATEGY

During the first half of FY2023/24, the Group's investment business was inevitably affected by the substantial volatility of the global economy and stock markets under the impact of multiple factors. The Group's investments include mainly equity investment, stock investment, fixed income and cash management. The diversity in investment distribution allows stronger resilience against risks and ensures the safety and effectiveness of investment. As at 30 September 2023, the Group reported a net asset value of RMB8,565 million for its investment segment, representing a slight decrease of 2.0% from 31 March 2023. The Group will continue to optimise its investment asset portfolio, strengthen close cooperation with its investment project managers, advance new project investment and facilitate timely and reasonable divestments of invested projects in a prudent manner to generate long-term and stable return for shareholders.

OUTLOOK

Looking to the future, the overall economic landscape will be underpinned by stable recovery given the stabilising of the domestic economy and the effectiveness of a range of government policies implemented to increase domestic demand and encourage consumer spending. The establishment of a standing mechanism for promoting sports-related spending and the provision of customised public benefits, such as sports-related purchase coupons, by local administrations, as advocated by the "Notice on the Organisation of Activities Conducive to Sports-related Spending to Take Advantage of Major Sporting Events" published by the government, will drive the rapid development of industries relating to sports and outdoor

activities. As such, the penetration rate of sectors such as leisure sportswear and sporting goods is expected to further increase. The Group holds an optimistic view on the prospect of China's leisure sportswear industry as a whole with the conviction that China's sports market holds out considerable potential for development. In future, the Group will seize market opportunities and bring about more quality experience for customers on the back of products with innovative designs and functions, in a bid to enhance brand competitiveness. In the meantime, the Group will continue to stand in solidarity with the young community and make Kappa the first name that comes to mind in any discussion of fashionable sportswear in China with the vanguard spirit of an open mind constantly striving to broaden boundaries and ready to break conventions.

In connection with the sports business and marketing, the Group will continue to engage closely with young consumer groups and step up with brand interaction with young customers by hosting a variety of innovative brand promotion activities, launching co-branded product series and cross-sector collaborations, in a bid to drive sales of its brand series and procuring a louder brand voice whilst enhancing its core competitiveness. Given the trend of sports for all, more people will be participating in sporting activities, especially in the context of the resumption of popular in-person sporting activities in post-pandemic times, ushering in a new trend of outdoor activities, where market demands for sports shoes and professional gear will substantially increase. The Group will continue to instill new driving force for brand development through product innovation and the application of novel technologies, and will also continue to optimise omni-channel management and promote coordinated development of online and offline operations to seize opportunities arising from the post-pandemic new pattern of consumer spending and enhance its business competence and sales performance.

In connection with investment, the Group will continue to optimise its investment asset portfolio, strengthen close cooperation with its investment project managers, advance new project investment and facilitate timely and reasonable divestments of invested projects in a prudent manner to generate long-term and stable return for shareholders.

FINANCIAL REVIEW

The Group reported sales of RMB776 million for the six months ended 30 September 2023 (the “Reporting Period”), which was stable compared to that for the six months ended 30 September 2022 (the “Comparative Period”). For the Reporting Period, while year-on-year reversal from loss to operating profit of RMB75 million was reported for the apparel business, loss was incurred for the investment business owing to volatility in the capital market. Loss attributable to owners of the Company for the Reporting Period amounted to RMB410 million (Comparative Period: loss attributable to owners of the Company of RMB346 million).

Sales Analysis

During the financial period, the Group’s overall sales was stable versus the Comparative Period with Kappa sales registering an 8.0% year-on-year growth, as the Group revised its strategy in a timely manner following the full relaxation of COVID-19 epidemic control measures in China to adjust the proportion between out-season and in-season commodities.

Sales analysed by business and product categories

	For the six months ended 30 September						Change
	2023			2022			
	RMB million	% of product/brand mix	% of Group sales	RMB million	% of product/brand mix	% of Group sales	
Kappa Brand							
Apparel	543	73.5%	70.0%	498	72.8%	64.1%	9.0%
Footwear	147	19.9%	18.9%	159	23.2%	20.5%	-7.5%
Accessories	49	6.6%	6.3%	27	4.0%	3.5%	81.5%
Kappa Brand Total	739	100.0%	95.2%	684	100.0%	88.1%	8.0%
Others	37		4.8%	92		11.9%	-59.8%
Total	776		100.0%	776		100.0%	—

MANAGEMENT DISCUSSION AND ANALYSIS

Total sales of the Kappa brand business, the core business of the Group, for the Reporting Period increased by RMB55 million to RMB739 million as compared to RMB684 million for the Comparative Period.

During the Reporting Period, the Group continued to consolidate the business models of “brand + product” and “brand + direct operation”. We further enhanced our brand value by blending our brand culture in our continuously refined and upgraded products to foster solid brand

influence. Meanwhile, ongoing efforts were made to optimise and improve the new operation model in control and management, optimise the networking of direct operations, enhance store efficiency and improve the e-commerce operations, so that demands from consumers were better accommodated and satisfied. Meanwhile, the Group also continued to conduct adjustments and optimisation of its directly operated stores, resulting in the operation of 1,002 Kappa stores in total.

Sales of Kappa brand analysed by sales channels

	For the six months ended 30 September				
	2023		2022		Change
	Sales RMB million	% of Kappa brand sales	Sales RMB million	% of Kappa brand sales	
Non directly-operated	288	39.0%	268	39.2%	7.5%
Directly-operated	451	61.0%	416	60.8%	8.4%
Kappa Brand Total	739	100.0%	684	100.0%	8.0%

Note: Excluding Kappa Kids' apparel business.

Sales of Kappa brand via non directly-operated channel increased by RMB20 million to RMB288 million for the Reporting Period from RMB268 million for the Comparative Period, representing 39.0% of the total sales of the Group's Kappa brand business (Comparative Period: 39.2%).

As at 30 September 2023, the number of directly-operated retail and distribution stores under Kappa brand operated by our subsidiaries reached 554. Sales via directly operated channel increased by RMB35 million to RMB451 million for the Reporting Period from RMB416 million for the Comparing Period, representing 61.0% of the total sales of Group's Kappa brand business (Comparative Period: 60.8%).

Cost of Sales and Gross Profit

Cost of sales of the Group decreased by RMB52 million to RMB240 million for the Reporting Period (Comparative Period: RMB292 million).

The gross profit of the Group increased by RMB52 million to RMB536 million (Comparative Period: RMB484 million). The Group's overall gross profit margin for the Reporting Period increased by 6.7 percentage points to 69.1% from 62.4% for the Comparative Period. The increase in gross profit margin was mainly attributable to the higher proportion of new products with higher margins and lower end-sales discount rates.

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

	For the six months ended		
	30 September		
	2023	2022	
	Gross profit margin	Gross profit margin	Change % pts
Kappa Brand			
Apparel	73.7%	67.3%	6.4
Footwear	58.3%	57.3%	1.0
Accessories	71.8%	67.7%	4.1
Kappa Brand Total	70.5%	65.0%	5.5
Others	40.4%	42.9%	-2.5
Overall	69.1%	62.4%	6.7

Gross profit margin of Kappa brand business for the Reporting Period increased by 5.5 percentage points to 70.5% from 65.0% for the Comparative Period. Such increase in gross profit margin was principally due to the higher proportion of new products with higher margins and lower end-sales discount rates.

Other income and gains/(losses) — net

The net loss amount of other income and gains/(losses) for the Reporting Period was RMB461 million (Comparative Period: net loss amount of other income and gains/(losses): of RMB316 million), which included the net amount of investment loss of RMB497 million contributed by the investment segment, government subsidy income of RMB11 million and franchise fee income of RMB22 million.

Investment segment

Investment loss from investment segment of the Group for the Reporting Period was RMB497 million (Comparative Period: investment loss of RMB330 million), comprising mainly loss from fair value change of financial assets of RMB541 million, dividend income from investment of RMB4 million, and interest income from loan receivables of RMB22 million.

MANAGEMENT DISCUSSION AND ANALYSIS

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

Investments	For the six months ended 30 September	
	2023 (Losses)/gains from investment segment RMB million	2022 (Losses)/gains from investment segment RMB million
Equity	(188)	(257)
Private-equity funds	(151)	(87)
Equity funds	(61)	(51)
Single equity investments	(137)	(36)
Debts, bonds, debt funds	19	34
Others	21	67
Total	(497)	(330)

Distribution Expenses and Administrative Expenses

Distribution expenses and administrative expenses mainly comprised employee salary and benefit expenses, selling and advertising expenses, logistic and warehouse operation fees and product design and development expenses. Total distribution expenses and administrative expenses for the Reporting Period was RMB519 million (Comparative Period: RMB541 million), constituting 66.9% of the Group's total revenue and 2.8 percentage points lower than that for the Comparative Period. The Group continued to further optimise various resource allocations and improve its cost structure, in a bid to enhance production efficiency subject to reasonable cost control. The Group has strictly controlled various expenditures through effective management measures.

During the Reporting Period, the Group optimised and adjusted the internal organisational structure to further enhance the motivation of all staff members. Employee salary and benefit expenses increased by RMB3 million, year-on-year, to RMB62 million for the Reporting Period (Comparative Period: RMB59 million).

Selling and advertising expenses of the Group decreased by RMB46 million to RMB324 million for the Reporting Period from RMB370 million for the Comparative Period, which was principally due to the transfer of store equipment rack costs to depreciation and amortization and the adjustment for investment in marketing activities during the period.

Logistic and warehouse operation fees for the Reporting Period amounted to RMB16 million (Comparative Period: RMB21 million), a decrease by RMB5 million versus the Comparative Period, which was due to the optimization of the storage structure and the improvement of storage operation efficiency during the period.

For the Reporting Period, the Group continued to adopt a more cautious but effective approach in investment in product R&D, as our design and product development expenses amounted to RMB17 million (Comparative Period: RMB17 million), which was stable versus the Comparative Period.

Operating Loss

For the Reporting Period, operating loss of the Group was RMB471 million (Comparative Period: operating loss of RMB367 million). The operating loss margin was 60.7% for the Reporting Period (Comparative Period: operating loss margin of 47.3%). Operating profit excluding that of investment segment was RMB75 million (Comparative Period: operating loss of RMB24 million).

Finance Income — Net

For the Reporting Period, net finance income of the Group amounted to RMB30 million (Comparative Period: net finance income of RMB36 million), which mainly consisted of interest income from bank deposit of RMB30 million (Comparative Period: RMB6 million); interest expense of lease liabilities of RMB1 million (Comparative Period: RMB2 million) during the Reporting Period. Exchange gain of RMB2 million (Comparative Period: exchange gain of RMB37 million) was also generated during the Reporting Period.

Taxation

For the Reporting Period, the Group incurred operating loss before income tax amounting to RMB441 million, resulting in income tax credit amounting to RMB32 million (Comparative Period: income tax expense of RMB9 million), which was mainly due to the reduction in the distributable profits of subsidiaries which will be subject to withholding tax upon their distribution. The effective tax rate was 7.2% (Comparative Period: 2.6%).

Loss and Net Loss Margin Attributable to Owners of the Company

Loss attributable to owners of the Company for the Reporting Period was RMB410 million (Comparative Period: loss attributable to owners of the Company of RMB346 million), and the net loss margin was 52.8% (Comparative Period: net loss margin of 44.6%).

Losses Per Share

The basic and diluted losses per share for loss attributable to owners of the Company were both RMB6.99 cents for the Reporting Period. The basic and diluted losses per share was RMB5.90 cents for the Comparative Period.

The basic losses per share are calculated by dividing the loss for the period attributable to owners of the Company by the weighted average number of ordinary shares of the Company in issue less shares held under restricted share award scheme of the Company during the period. As at 30 September 2023, the total number of ordinary shares of the Company was 5,887,561,025 shares.

Interim Special Dividend

The board of directors of the Company has resolved to declare an interim special dividend of RMB0.71 cents (equivalent to HK0.77 cents) per ordinary share for the six months ended 30 September 2023, amounting to approximately RMB41,802,000.

The interim special dividend will be paid in HK Dollars based on the rate of HKD1.00 = RMB0.91629 being the official exchange rate of HK Dollars against Renminbi as quoted by the People's Bank of China at 21 November 2023. The dividends will be paid on or around 22 December 2023 to shareholders whose names appear on the register of members of the Company on 11 December 2023.

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

The Register of Members of the Company will be closed from 7 December 2023 to 11 December 2023 (both days inclusive), for the purpose of determining shareholders' entitlements to the 2023/2024 interim special dividend. In order to qualify for the 2023/2024 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 6 December 2023.

Issue of New Shares to Management Personnel

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

Under the January Subscription, the Company issued 202,310,000 ordinary shares in total to the management personnel on 27 April 2018 under specific mandate at the subscription price of HK\$1.35 per subscription share. The aggregate nominal value of the 202,310,000 ordinary shares issued was HK\$2,023,100, and the net subscription price (after deduction of relevant expenses) was approximately HK\$1.344 per subscription share. The subscription price of HK\$1.35 per subscription share represented a discount of approximately 9.40% to the closing price of HK\$1.49 per share as quoted on the Stock Exchange on the date of the subscription agreements. Apart from Ms. Chen Chen who settled the relevant subscription consideration using her own funds, the remaining 10 management personnel settled the relevant subscription consideration using the proceeds of five-year term loans provided by the Group. The net proceeds from Ms. Chen Chen as (after deducting all related expenses) received by the Company at completion of approximately HK\$48 million was utilised in full during the financial year ended 31 March 2020.

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

Under the January Subscription and April Subscription, connected subscription loan agreements and management subscription loan agreements were entered into between Bright Pacific Enterprises Limited a wholly-owned subsidiaries of the Company and each of the subscribers and management. On 29 June 2020, these loan agreements were assigned to Gaea Sports Limited (“GSL”), a wholly-owned subsidiary of the Company. Please refer to the section headed “Other financial assets at amortised cost” in Note 19 to the interim condensed consolidated financial information for details of the subscription loans.

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

and; (v) all dividends to be received in respect of the shares owned by the relevant borrower that are charged as security to the relevant subscription loan will be used to settle the interest payments and/or to partially repay the principal amount of the relevant subscription loan.

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

Restricted Share Award Scheme

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

Details of the Company's restricted share award scheme can be found in the "Other Information — Restricted share award scheme" section set out on pages 25 to 27 of the Company's interim report for the six months ended 30 September 2023.

Share Option Scheme

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

Details of the Company's Share Option Scheme can be found in the "Other Information — Share Option Scheme" section set out on pages 27 to 30 of the Company's interim report for the six months ended 30 September, 2023.

FINANCIAL POSITION

Working capital efficiency ratios

Average trade receivable turnover days for the Reporting Period and the Comparative Period were 35 days and 36 days, respectively. Average trade payable turnover days for the Reporting Period and the Comparative Period were 143 days and 165 days, respectively. The average inventory turnover days for the Reporting Period and the Comparative Period were both 265 days.

Liquidity and financial resources

As at 30 September 2023, cash and bank balances of the Group amounted to RMB2,759 million, an increase of RMB201 million as compared to a balance of RMB2,558 million as at 31 March 2023, which was mainly due to the net effect of the followings:

- 1) Net cash inflow from operating activities of approximately RMB152 million;
- 2) Payment of dividends during the Reporting Period for an amount of equivalent to approximately RMB29 million;
- 3) Cash outflows for investment in financial assets of approximately RMB1,225 million, cash inflow from partial disposal of financial assets and dividend income of approximately RMB1,229 million, and cash inflow from interest income from loans to external parties of RMB29 million;
- 4) Other aggregate cash inflows amount of RMB45 million.

As at 30 September 2023, net asset value attributable to owners of the Company was RMB9,391 million (as at 31 March 2023: RMB9,665 million). The Group's current assets exceeded current liabilities by RMB4,253 million (as at 31 March 2023: RMB4,201 million). The Group also had a very strong liquidity position. The current ratio as of 30 September 2023 was 8.6 times (as at 31 March 2023: 8.4 times).

MANAGEMENT DISCUSSION AND ANALYSIS

Investments in financial assets

As at 30 September 2023, the Group's current and non-current proportion of financial assets at fair value through profit or loss amounted to RMB5,458 million in aggregate, which included the following:

Listed securities:

Name	Fair value as at 30 September 2023 RMB million	Fair value as at 31 March 2023 RMB million
Alibaba	474	564
Other listed securities	331	400
Total	805	964

Other unlisted investments:

Investments	Fair value as at 30 September 2023 RMB million	Fair value as at 31 March 2023 RMB million
CPE Yuanfeng Fund RMB III	458	509
Jiashi Investment Preferred Cornerstone	355	355
Guotiao Hongtai Fund	224	226
Yunfeng Fund RMB IV	181	198
Jiashi Investment Preferred II	177	176
CPE Global Opportunities Fund, L.P.	158	166
CPE Yuanfeng RMB New Fund	154	155
Boyu USD Fund	123	132
CPE Greater China Enterprises Growth Fund	112	135
Yunfeng Fund USD III	112	126
CPE Global Opportunities Fund II, L.P.	96	100
Panfeng Value Private Securities Investment Fund C	94	111
Hongtai Growth Fund	93	92
Yunfeng Fund RMB III	88	107
Others	2,228	2,317
Total	4,653	4,905

Loan Receivables

In respect of the loan receivables due from the Borrowers, the Company granted loans (the “Lending Arrangement”) to independent third parties (being parties which are not connected with the Company or its connected persons) and related parties (together, the “Borrowers” and each, a “Borrower”) and to certain management personnel and employees (together, the “Management Borrowers”) as a means to utilise idle cash which is not required for the Company’s business operations and expansion. The Company does not require any licences or approvals under applicable laws and regulations to carry out the Lending Arrangement. The Borrowers which are independent third parties are typically companies which became acquainted with the Company through the Company’s investment segment.

As at 30 September 2023, the Company had loan receivables of an aggregated carrying amount of RMB921 million (as at 31 March 2023: RMB936 million), including loans of an aggregated carrying amount of RMB744 million (as at 31 March 2023: RMB711 million) to the Borrowers and loan receivables of an aggregated carrying amount of RMB177 million (as at 31 March 2023: RMB225 million) to the Management Borrowers.

As at 30 September 2023, there were a total of twelve Borrowers under the Lending Arrangement. The aggregated carrying amount of loan receivables due from the largest Borrower was RMB313 million, whereas the aggregated carrying amount of loan receivables due from the five largest Borrowers was RMB616 million, representing approximately 34.0% and 66.9% of the aggregated carrying amount of loan receivables of the Company as at 30 September 2023, respectively.

The amount of provision for impairment in respect of the loan receivables of the Company as at 30 September 2023 was approximately RMB52 million, as compared to approximately RMB26 million as at 31 March 2023. Such increase was mainly due to the decrease in fair value of some collaterals during the current period. As appraised by an independent valuer, the value of the existing collaterals was insufficient to fully cover the total outstanding amount of relevant loans. Therefore, the impairment provision for the relevant loans as at 30 September 2023 was increased. The Company will actively communicate with the borrowers and continuously monitor the fluctuations in collateral value and credit status of the borrowers.

In order to ensure the recoverability of the loans granted and the adequacy of collaterals under the Lending Arrangement, the Group has adopted and followed a series of strict credit assessment policies and procedures to regulate the operation of the Lending Arrangement. Internal manuals which set out, among others, (i) documents and information required for each loan application; (ii) the general framework of the Company’s credit assessment process including but not limited to the factors to be considered such as a potential borrower’s background, financial and repayment abilities, credit worthiness and intended use of the loan; and (iii) the approval process for each type of loan application, have been distributed to and reviewed by relevant personnel. On the basis that the operation of the Group’s principal business would not be affected and that sufficient idle cash has been set aside, loans applications would be reviewed and approved, on a case-by-case basis, by the majority of the investment committee of the Group (the “Committee”), the members of which comprise three Directors. The applicable percentage ratios in respect of each loan application would be computed to ensure compliance with the Listing Rules. The Committee would conduct a thorough assessment of a potential borrower’s eligibility by conducting background searches to obtain information regarding a potential borrower’s background, financial and repayment abilities (including but not limited to reviewing financial statements of companies and income proof of individuals), credit worthiness, asset proof (if securities or collaterals are involved) and the intended use of the loan. Upon the entering into of a loan agreement under the Lending Arrangement, the Group would regularly collect and review information regarding the Borrowers’ financial positions through conducting background searches and engaging an independent valuer to review the value of any collateral to evaluate whether there are any risks of default. In the event that risks of default are identified, the Company would consider exercising its rights in accordance with the terms of the relevant loan agreements, including but not limited to demanding for the repayment of the principal amount and interest accrued, realising of security interests, and demanding for additional collaterals (where applicable).

The Company will continue to monitor the Borrowers’ ability for repayment and the value of the Collaterals in accordance with its internal control policy and procedures to ensure recovery of the relevant loans.

MANAGEMENT DISCUSSION AND ANALYSIS

Further details of the loan receivables are set out in Note 19 of the interim condensed consolidated financial information.

Pledge of assets

As at 30 September 2023, the Group had no pledged assets (as at 31 March 2023: nil).

Capital commitments

In September 2020, the Group entered into a limited partnership agreement with Xiamen Yuanfeng Investment LLP., with a total committed investment amount of RMB200 million. As at 30 September 2023, the Group had paid a capital contribution of RMB130 million with a remaining balance of RMB70 million as capital commitments.

In January 2021, the Group entered into a limited partnership agreement with CPE Global Opportunities Fund II, with a total committed investment amount of US\$30 million. As at 30 September 2023, the Group had paid a capital contribution of US\$15 million with a remaining balance of US\$15 million (equivalent to approximately RMB111 million) as capital commitments.

In February 2021, the Group entered into a limited partnership agreement with Yunfeng Fund IV (雲鋒基金IV), with a total committed investment amount of US\$20 million. As at 30 September 2023, the Group paid a capital contribution of US\$9 million with a remaining balance of US\$11 million (equivalent to approximately RMB79 million) as capital commitments.

In July 2023, the Group entered into a limited partnership agreement with EnvisionX Partners Fund, L.P., with a total committed investment amount of USD6 million. As at 30 September 2023, the Group had paid a capital contribution of USD2 million with a remaining balance of USD4 million (equivalent to approximately RMB29 million) as capital commitments.

In August 2023, the Group entered into a limited partnership agreement with TH Capital China Growth Fund I, L.P., with a total committed investment amount of USD10 million. As at 30 September 2023, the Group had paid a

capital contribution of USD5 million with a remaining balance of USD 5 million (equivalent to approximately RMB36 million) as capital commitments.

Foreign Exchange Risk

The Group mainly operates in the PRC with most of the transactions denominated and settled in RMB. However, the Group has cash and bank deposits as well as other financial assets denominated in Hong Kong dollars ("HKD") and United States dollars ("USD") in the Company and its subsidiaries of which the functional currency are different from HKD and USD. The Group will closely monitor such exposure and will take specific measures when necessary to make sure the foreign exchange risk is manageable and within control.

Significant Investments and Acquisitions

No significant investments were held by the Group as at 30 September 2023 and no material acquisitions or disposals of the Group's subsidiaries, associates and joint ventures took place during the six months ended 30 September 2023.

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. Participant(s) refers to any individual being a director (including executive and non-executive director), employee, officer, agent or consultant of the Company or any of its subsidiaries.

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. Pursuant to the Share Award Scheme, there is no amount payable on application, grant or acceptance of an award and no purchase price of Restricted Shares awarded. Accordingly, the basis of determining the purchase price of Restrictive Shares awarded is not applicable.

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, being 56,664,010 Shares.

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

A selected participant will be qualified to receive the Restricted Shares which are referable to him after all the qualifying conditions having been fulfilled in accordance with the vesting schedule pursuant to the Scheme Rules.

OTHER INFORMATION

Any Share held by the Trustee on behalf of a selected participant pursuant to the provisions hereof shall vest in such selected participant in accordance with the vesting schedule below or on such other date as shall be jointly determined by the Chairman of the Board and the Chief Executive Officer of the Company (or any person designated by them), at their sole discretion and stated in the relevant notification of the grant sent to the selected participant.

Vesting Date	Amount of Restricted Shares to vest
First anniversary of grant date or in case such date is not a business day, the business day immediately after.	20% (round down to the nearest integral number of Shares).
Second anniversary of grant date or in case such date is not a business day, the business day immediately after.	23% (round down to the nearest integral number of Shares).
Third anniversary of grant date or in case such date is not a business day, the business day immediately after.	27% (round down to the nearest integral number of Shares).
Fourth anniversary of grant date or in case such date is not a business day, the business day immediately after.	Balance (round down to the nearest integral number of Shares).

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. In the event that the Restricted Shares do not vest, the grant shall automatically lapse and all the Restricted Shares shall not vest on the relevant vesting date in accordance with the vesting schedule pursuant to the Scheme Rules but shall become unvested Shares.

With a view to allow the Board to have more flexibility in the administration of the scheme, the Share Award Scheme has 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 2023, none of the Restricted Shares were granted to any eligible participant pursuant to the Restricted Share Award Scheme. None of the Restricted Shares were vested, cancelled or lapsed during the period. As at 1 April 2023 and 30 September 2023, there was no unvested Restricted Shares. As at 30 September 2023, the number of Restricted Shares granted under the Scheme amounted to 7,081,000 Shares since the adoption of the Share Award Scheme, 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 2023 and 30 September 2023, 23,050,071 Restricted Shares were available for grant under the Share Award Scheme. As at the date of this interim report, 23,050,071 Restricted Shares were available for grant under the Share Award Scheme, representing 0.39% of the issued shares of the Company as at the date of this interim report. The remaining life of the Share Award Scheme is approximately over seven years.

Further details of the Share Award Scheme are set out in Note 24 of the interim condensed consolidated financial information. Save as disclosed above, there is no any other information in relation to the Restricted Share Award Scheme required to be disclosed pursuant to Rule 17.07 of Listing Rules.

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. The remaining life of the Share Option Scheme is approximately over five years.

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.

OTHER INFORMATION

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 approximately 10% of the issued share capital of the Company as at the date of this interim report.

During the six months ended 30 September 2023, 76,860,000 share options were granted and no share options were exercised or cancelled under the Share Option Scheme. As at 1 April 2023 and 30 September 2023 the share options available for granted under the scheme mandate is 446,612,102 and 383,152,102 respectively.

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

As regarded the performance targets, the vesting of the Share Options granted shall be subject to certain performance targets (being a Grantee's performance on an individual level (in respect of which, among others, each Grantee's contribution to the Group's targeted revenue, profit, sales and overall financial performance in the preceding financial year shall be taken into account) and the Group's performance in the preceding financial year on a Group level (including in particular, its revenue, profit and sales volume)) as set out in the offer letters to the Grantees, the satisfaction of which shall be determined by a committee duly authorised by the Board in such committee's absolute discretion.

To the extent an option is vested and/or exercisable pursuant to the terms and conditions of the offer of the grant of the option and subject to the terms of the Share Option Scheme of the Company, the period within which shares must be taken up by a grantee under a share option (being the exercise period as specified in an offer letter) is a period to be determined by the board of directors of the Company (the "Directors"), which shall not exceed 10 years from the date of the offer of the grant of options (the "Offer Date"). Further, HK\$1.00 is to be paid as consideration on the acceptance of the grant of options within five business days from the Offer Date.

As at the date of this interim report, 383,472,102 share options are available for issue under the Share Option Scheme which represents approximately 6.51% of the issued shares as at the date of the annual report. Further details of the share option scheme are set out in Note 24 of the interim condensed consolidated financial information.

The table below sets out the details of the movements in the share options granted to the Grantees under the Share Option Scheme for the six months ended 30 September, 2023:

Category	Date of grant	Number of share options					Outstanding as at 30 September 2023	Exercise period	Exercise price per share (HK\$)	Closing price immediately before the date of grant (HK\$)	Fair value of the options at the date of grant during the six months ended 30 September 2023 and the accounting policy adopted (HK\$) ⁽¹²⁾	Weighted average closing price of the options exercised immediately before the date of such options were exercised during the six months ended 30 September 2023 (HK\$) ⁽¹⁰⁾	Exercise price of the options cancelled during the six months ended 30 September 2023 (HK\$) ⁽¹⁰⁾	Vesting period
		Outstanding as at 1 April 2023	Granted during the six months ended 30 September 2023 ⁽⁹⁾⁽¹²⁾	Exercised during the six months ended 30 September 2023 ⁽¹⁰⁾	Lapsed during the six months ended 30 September 2023	Cancelled during the six months ended 30 September 2023 ⁽¹⁰⁾								
Directors														
Ms. Chen Chen	15/04/2021 ⁽⁵⁾	23,000,000	—	—	—	—	23,000,000	15/04/2021–14/04/2031	0.94	0.92	—	—	—	On or after 14/04/2024 ⁽¹⁾
Mr. Zhang Zhiyong (resigned on 29/09/2023)	15/04/2021 ⁽⁵⁾	36,000,000	—	—	—	—	36,000,000	15/04/2021–14/04/2031	0.94	0.92	—	—	—	On or after 14/04/2024 ⁽¹⁾
Mr. Lyu Guanghong	15/04/2021 ⁽⁵⁾	6,000,000	—	—	—	—	6,000,000	15/04/2021–14/04/2031	0.94	0.92	—	—	—	On or after 14/04/2024 ⁽¹⁾
	18/04/2023 ⁽⁸⁾	—	3,900,000	—	—	—	3,900,000	18/04/2023–17/04/2033	0.33	0.33	343,000	—	—	18/04/2023–17/04/2026 ⁽¹⁾
Associates of Directors														
Mr. Men Xiaochen (spouse of Ms. Chen Chen, and thus an associate of Ms. Chen Chen)	18/04/2023 ⁽⁸⁾	—	3,900,000	—	—	—	3,900,000	18/04/2023–17/04/2033	0.33	0.33	343,000	—	—	18/04/2023–17/04/2026 ⁽¹⁾
Employees														
—	16/09/2019 ⁽¹⁾	6,440,000	—	—	320,000	—	6,120,000	16/09/2019–15/09/2029	0.854	0.82	—	—	—	16/09/2019–15/09/2022 ⁽¹⁾
—	07/01/2020 ⁽²⁾	720,000	—	—	—	—	720,000	07/01/2020–06/01/2030	0.86	0.82	—	—	—	07/01/2020–06/01/2023 ⁽¹⁾
—	01/04/2020 ⁽³⁾	—	—	—	—	—	—	01/04/2020–31/03/2030	0.67	0.64	—	—	—	01/04/2020–31/03/2023 ⁽¹⁾
—	01/09/2020 ⁽⁴⁾	—	—	—	—	—	—	01/09/2020–31/08/2030	1.09	0.99	—	—	—	01/09/2020–31/08/2023 ⁽¹⁾
—	15/04/2021 ⁽⁵⁾	66,300,000	—	—	10,500,000	—	55,800,000	15/04/2021–14/04/2031	0.94	0.92	—	—	—	On or after 14/04/2024 ⁽¹⁾
—	02/07/2021 ⁽⁶⁾	—	—	—	—	—	—	02/07/2021–01/07/2031	1.36	1.34	—	—	—	On or after 01/07/2024 ⁽¹⁾
—	28/01/2022 ⁽⁷⁾	1,500,000	—	—	1,500,000	—	—	28/01/2022–27/01/2032	0.676	0.67	—	—	—	On or after 27/01/2025 ⁽¹⁾
—	17/03/2022 ⁽⁸⁾	600,000	—	—	—	—	600,000	17/03/2022–16/03/2032	0.459	0.435	—	—	—	On or after 16/03/2025 ⁽¹⁾
—	18/04/2023 ⁽⁸⁾	—	69,060,000	—	1,080,000	—	67,980,000	18/04/2023–17/04/2033	0.33	0.33	6,017,000	—	—	18/04/2023–17/04/2026 ⁽¹⁾
Total		140,560,000	76,860,000	—	13,400,000	—	204,020,000							

* Further details of the share options are set out in note 24 to the interim condensed consolidated financial information on pages 66 to 69 of this interim report.

⁽¹⁾ All share options may be vested only on or after the third (3rd) anniversary of the grant date.

⁽¹⁰⁾ Vesting period of share options as below:

Vesting schedule

First (1st) anniversary of the grant date
Second (2nd) anniversary of the grant date
Third (3rd) anniversary of the grant date

Vesting portion

1/3 of the share options
an additional 1/3 of the share options (i.e. up to 2/3 of the share options in total)
an additional 1/3 of the share options (i.e. up to 100% of the share options in total)

OTHER INFORMATION

Notes:

1. On 16 September 2019, the Company granted an aggregate of 18,300,000 options to certain management staff and employees of the Company to subscribe for a total of 18,300,000 ordinary shares of HK\$0.01 each in the share capital of the Company, representing approximately 0.31% of the issued share capital of the Company as at the date of grant, pursuant to the Share Option Scheme. Please refer to the announcement of the Company dated 16 September 2019 for details.
2. On 7 January 2020, the Company granted an aggregate of 1,560,000 options to certain management staff and employees of the Company to subscribe for a total of 1,560,000 ordinary shares of HK\$0.01 each in the share capital of the Company, representing approximately 0.03% of the issued share capital of the Company as at the date of grant, pursuant to the Share Option Scheme. Please refer to the announcement of the Company dated 7 January 2020 for details.
3. On 1 April 2020, the Company granted an aggregate of 2,400,000 options to certain management staff of the Company to subscribe for a total of 2,400,000 ordinary shares of HK\$0.01 each in the share capital of the Company, representing approximately 0.04% of the issued share capital of the Company as at the date of grant, pursuant to the Share Option Scheme. Please refer to the announcement of the Company dated 1 April 2020 for details.
4. On 1 September 2020, the Company granted an aggregate of 1,200,000 options to certain management staff of the Company to subscribe for a total of 1,200,000 ordinary shares of HK\$0.01 each in the share capital of the Company, representing approximately 0.02% of the issued share capital of the Company as at the date of grant, pursuant to the Share Option Scheme. Please refer to the announcement of the Company dated 1 September 2020 for details.
5. On 15 April 2021, the Company granted an aggregate of 189,400,000 options to certain management staff and employees of the Company, including three executive directors of the Company (namely Mr. Zhang Zhiyong, Ms. Chen Chen and Mr. Lyu Guanghong), to subscribe for a total of 189,400,000 ordinary shares of HK\$0.01 each in the share capital of the Company, representing approximately 3.22% of the issued share capital of the Company as at the date of grant, pursuant to the Share Option Scheme. Please refer to the announcement of the Company dated 15 April 2021 for details.
6. On 2 July 2021, the Company granted an aggregate of 3,500,000 options to certain management staff and employees of the Company to subscribe for a total of 3,500,000 ordinary shares of HK\$0.01 each in the share capital of the Company, representing approximately 0.06% of the issued share capital of the Company as at the date of grant, pursuant to the Share Option Scheme. Please refer to the announcement of the Company dated 2 July 2021 for details.
7. On 28 January 2022, the Company granted an aggregate of 1,500,000 options to certain management staff and employees of the Company to subscribe for a total of 1,500,000 ordinary shares of HK\$0.01 each in the share capital of the Company, representing approximately 0.025% of the issued share capital of the Company as at the date of grant, pursuant to the Share Option Scheme. Please refer to the announcement of the Company dated 28 January 2022 for details.
8. On 17 March 2022, the Company granted an aggregate of 600,000 options to certain management staff and employees of the Company to subscribe for a total of 600,000 ordinary shares of HK\$0.01 each in the share capital of the Company, representing approximately 0.01% of the issued share capital of the Company as at the date of grant, pursuant to the Share Option Scheme. Please refer to the announcement of the Company dated 17 March 2022 for details.
9. On 18 April 2023, the Company granted an aggregate of 76,860,000 share options to certain management staff and employees of the Company, including Mr. Lyu Guangdong, being an executive director of the Company (3,900,000 share options granted) and Mr. Men Xiaochen, being an associate (3,900,000 share options granted) of Ms. Chen Chen, an executive director of the Company, to subscribe for a total of 76,860,000 ordinary shares of HK\$0.01 each in the share capital of the Company, representing approximately 1.31% 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 18 April 2023 for details.
10. For the six months ended 30 September 2023, no share options were exercised or cancelled. The weighted average closing price for exercised share options and the exercise price of the cancelled share options are not applicable. 13,400,000 share options have lapsed during the six months ended 30 September 2023.
11. There are no participants with options granted in excess of the individual limit and no grants to suppliers of goods and services. There were no share options granted to any related entity participants, service providers of the Company. Save as disclosed, there was no share options granted to any other Directors, chief executive, substantial shareholders of the Company or their respective associates.
12. On 18 April 2023, the Company granted an aggregate of 76,860,000 share options to subscribe for an aggregate of 76,860,000 Shares under the 2023 Share Option Scheme. Binomial model has been used to determine the fair value of the share options at the date of grant, taking into account the terms and conditions upon which the options were granted, as well as the factors such as spot price at the grant date, exercise price, expected volatility, expected dividend yield, contractual option life as well as risk-free interest rate. The fair value of options is subject to a number of assumptions and limitations that may be subjective and uncertain. As regard performance targets, the vesting of the Share Options granted shall be subject to certain performance targets (being a Grantee's performance on an individual level (in respect of which, among others, each Grantee's contribution to the Group's targeted revenue, profit, sales and overall financial performance in the preceding financial year shall be taken into account) and the Group's performance in the preceding financial year on a Group level (including in particular, its revenue, profit and sales volume)) as set out in the offer letters to the Grantees, the satisfaction of which shall be determined by a committee duly authorised by the Board in such committee's absolute discretion.
13. Save as disclosed above, no other share options were granted, exercised, lapsed or canceled for the six months ended 30 September 2023.
14. Save as disclosed above, there is no any other information required to be disclosed pursuant to Rule 17.07 of the Listing Rules.

The number of Shares that may be issued in respect of options and awards granted under all schemes of the Company during the Reporting Period (i.e. 76,860,000 Shares) divided by the weighted average number of shares of the relevant class in issue for the Reporting Period (i.e. 5,887,561,025) were approximately 1.3%.

3 DISCLOSURE OF INTEREST

(a) Directors' Interests in Securities

As at 30 September 2023, the interests and short positions of the directors and chief executives of the Company in the Shares, underlying Shares and debentures of the Company and its associated corporations, within the meaning of Part XV of the Securities and Futures Ordinance ("SFO"), which have been notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 &

8 Part XV of the SFO, including interests and short positions which the directors and chief executive of the Company are taken and deemed to have under such provisions of the SFO, or which are required to be and are recorded in the register required to be kept pursuant to section 352 of the SFO or as otherwise required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Model Code contained in the Listing Rules are as follows:

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

Name of Directors	Nature of interest	Number and class of securities		Approximate percentage of total issued Shares
		Long position	Short position	
Mr. Chen Yihong	Interest of a controlled corporation ⁽¹⁾	2,359,936,000 shares	—	40.08%
	Interest of a controlled corporation ⁽³⁾	312,090,025 shares	—	5.3%
Ms. Chen Chen	Interest of a controlled corporation ⁽²⁾	177,998,730 shares	—	3.02%
	Beneficial owner	44,500,000 shares ⁽⁵⁾	—	0.76%
	Interest of spouse ⁽⁵⁾	4,220,000 shares	—	0.07%
Mr. Zhang Zhiyong (resigned on 29 September 2023)	Beneficial owner ⁽³⁾	202,120,025 shares ⁽⁴⁾	—	3.43%
Mr. Lyu Guanghong	Beneficial owner ⁽³⁾	19,900,000 shares ⁽⁶⁾	—	0.34%

Notes:

- (1) The entire issued share capital of Poseidon Sports Limited ("Poseidon") is held by Harvest Luck Development Limited ("Harvest Luck"), which is in turn wholly-owned and controlled by Mr. Chen Yihong. Mr. Chen Yihong and Harvest Luck are therefore deemed to be interested in the shares held by Poseidon.
- (2) Bountiful Talent Ltd is wholly-owned and controlled by Ms. Chen Chen and Ms. Chen Chen is therefore deemed to be interested in the shares held by Bountiful Talent Ltd.

- (3) 312,090,025 shares (out of which 166,090,025 shares are held by Mr. Zhang Zhiyong and 10,000,000 shares are held by Mr. Lyu Guanghong) have been charged to Gaea Sports Limited ("GAEA"). Each of Mr. Chen Yihong, Harvest Luck, Poseidon and the Company is deemed to be interested in such shares by virtue of GAEA, being a wholly owned subsidiary of the Company and Poseidon being entitled to exercise or control the exercise of one-third or more of the voting power at general meetings of the Company.

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

OTHER INFORMATION

- (5) It included Ms. Chen Chen's interests in 21,500,000 shares and share options to subscribe for 23,000,000 shares pursuant to the share options granted by the Company on 15 April 2021 under the share option scheme adopted by the Company on 8 August 2019 at an exercise price of HK\$0.94 each. It included Mr. Men Xiaochen's interest in share options to subscribe for 320,000 shares pursuant to the share options granted by the Company on 16 September 2019 under the share option scheme adopted by the Company on 8 August 2019 at an exercise price of HK\$0.854 each. It also included Mr. Men Xiaochen's interest in share options to subscribe for 3,900,000 shares pursuant to the share options granted by the Company on 18 April 2023 under the share option scheme adopted by the Company on 8 August 2019 at an exercise price of HK\$0.33 each. Mr. Men Xiaochen is the spouse of Ms. Chen Chen (an executive director of the Company), and thus an associate of Ms. Chen Chen.
- (6) It included Mr. Lyu Guanghong's interests in 10,000,000 shares and share options to subscribe for 6,000,000 shares pursuant to the share options granted by the Company on 15 April 2021 under the share option scheme adopted by the Company on 8 August 2019 at an exercise price of HK\$0.94 each. It also included Mr. Lyu Guanghong's interest in share options to subscribe for 3,900,000 shares pursuant to the share options granted by the Company on 18 April 2023 under the share option scheme adopted by the Company on 8 August 2019 at an exercise price of HK\$0.33 each.
- (7) The calculations are based on the total number of Shares in issue as at 30 September 2023 of 5,887,561,025 Shares.

Save as disclosed above, as at 30 September 2023, none of the directors and chief executives of the Company had or was deemed to have any interests or short position in the Shares, underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which had been recorded in the register maintained by the Company pursuant to section 352 of the SFO or which had been notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

(b) Interests and Short Positions of Substantial Shareholders

As at 30 September 2023, other than the interests and short positions as disclosed above, the following persons have interests or short positions in the Shares, underlying Shares and debentures of the Company which fall to be disclosed to the Company under Divisions 2 & 3 of Part XV of the SFO as recorded in the register required to be kept by the Company under Part XV (s.336) of the SFO, or otherwise known to the directors:

Name of Shareholders	Nature of interest	Number of Shares		Approximate percentage of shareholding
		Long position	Short position	
Poseidon Sports Limited	Corporate interest	2,359,936,000	—	40.08%
	Interest in a controlled corporation ⁽²⁾	312,090,025	—	5.3%
Harvest Luck Development Limited ⁽¹⁾	Interest in a controlled corporation	2,359,936,000	—	40.08%
	Interest in a controlled corporation ⁽²⁾	312,090,025	—	5.3%

Notes:

- (1) The entire issued share capital of Poseidon Sports Limited ("Poseidon") is held by Harvest Luck Development Limited ("Harvest Luck"), which is in turn wholly-owned and controlled by Mr. Chen Yihong. Mr. Chen Yihong and Harvest Luck are therefore deemed to be interested in the shares held by Poseidon.
- (2) 312,090,025 shares (out of which 166,090,025 shares are held by Mr. Zhang Zhiyong and 10,000,000 shares are held by Mr. Lyu Guanghong) have been charged to Gaea Sports Limited ("GAEA"). Each of Mr. Chen Yihong, Harvest Luck, Poseidon and the Company is deemed to be interested in such shares by virtue of GAEA, being a wholly owned subsidiary of the Company and Poseidon being entitled to exercise or control the exercise of one-third or more of the voting power at general meetings of the Company.

Save as disclosed above, as at 30 September 2023, the Directors are not aware of any other person or corporation (who were not Directors or chief executive of the Company) having an interest or short position in Shares and underlying Shares of the Company representing 5% or more of the issued share capital of the Company.

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

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

During the period under review, the Company has complied with 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 C.1.6 of the CG Code provides that independent non-executive directors, should attend general meetings to gain a balanced understanding of the views of shareholders. Mr. Gao Yu (independent non-executive directors) and Mr. Zhang Zhiyong (resigned as executive director on 29 September 2023) could not attend the annual general meeting (“AGM”) and extraordinary general meetings of the Company (“EGM”) held on 16 August 2023, due to personal reasons. 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.

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 2023.

The interim condensed consolidated financial information for the six months ended 30 September 2023 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”, and PricewaterhouseCoopers has expressed an unmodified review opinion on the interim condensed consolidated financial information.

7 PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 30 September 2023, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities.

8 CHANGES IN DIRECTORS’ INFORMATION

Mr. Zhang Zhiyong has resigned as the chief executive officer, the president, an executive director and a member of the executive committee of the Company with effect from 29 September 2023. Mr. Zhang has been appointed as the Special Assistant to the Chairman of the Company with effect from 29 September 2023. Ms. Chen Chen has been appointed as the chief executive officer and the president of the Company in Mr. Zhang Zhiyong’s stead with effect from 29 September 2023.

9 CONSTITUTIONAL DOCUMENTS

The Company has adopted the Second Amended and Restated Memorandum and Articles of Association at the 2023 annual general meeting of the Company held on 16 August 2023. An up-to-date version of the Company’s Second Amended and Restated Memorandum and Articles of Association has been posted on both the websites of the Company and the Stock Exchange.

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

	Note	Unaudited Six months ended 30 September	
		2023 RMB'000	2022 RMB'000
Revenue	6	775,993	776,339
Cost of sales	8	(239,554)	(292,018)
Gross profit		536,439	484,321
Distribution expenses	8	(458,421)	(490,740)
Administrative expenses	8	(60,828)	(49,991)
(Provision)/reversal of impairment of financial assets — net		(27,174)	4,882
Other income and gains/(losses) — net	7	(461,497)	(315,825)
Operating loss		(471,481)	(367,353)
Finance income	9	31,939	42,530
Finance expenses	9	(2,248)	(6,117)
Finance income — net		29,691	36,413
Share of post-tax profits/(losses) of joint ventures and associates accounted for using the equity method	17	350	(6,417)
Loss before income tax		(441,440)	(337,357)
Income tax credit/(expense)	10	31,727	(8,643)
Loss for the period		(409,713)	(346,000)
Loss attributable to:			
— Owners of the Company		(409,713)	(346,000)
— Non-controlling interests		—	—
		(409,713)	(346,000)

	Note	Unaudited Six months ended 30 September	
		2023 RMB'000	2022 RMB'000
Other comprehensive income:			
Items that may be reclassified to profit or loss			
— Currency translation differences on foreign operations		162,303	363,415
Items that will not be reclassified to profit or loss			
		—	—
Other comprehensive income, net of tax		162,303	363,415
Total comprehensive (loss)/income for the period		(247,410)	17,415
Total comprehensive (loss)/income for the period attributable to:			
— Owners of the Company		(247,410)	17,415
— Non-controlling interests		—	—
		(247,410)	17,415
Losses per share for loss attributable to owners of the Company for the period (expressed in RMB cents per share)			
— Basic losses per share	11	(6.99)	(5.90)
— Diluted losses per share	11	(6.99)	(5.90)

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

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

	Note	Unaudited As at 30 September 2023 RMB'000	Audited As at 31 March 2023 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	13	155,909	165,718
Intangible assets	14	163,349	167,137
Right-of-use assets	15	70,347	73,616
Investment properties	16	38,212	—
Investments accounted for using the equity method	17	21,080	20,730
Financial assets at fair value through profit or loss	5	4,244,349	4,484,376
Deferred income tax assets		131,416	145,542
Other financial assets at amortised cost	19	604,055	643,347
Other assets		197	106,974
Total non-current assets		5,428,914	5,807,440
Current assets			
Inventories		358,485	335,970
Trade receivables	18	144,043	149,129
Other current assets		22,919	22,545
Financial assets at fair value through profit or loss	5	1,213,608	1,384,154
Other financial assets at amortised cost	19	318,575	319,495
Restricted cash		69	68
Term deposits with initial term over three months and within one year		797,570	—
Cash and cash equivalents		1,960,862	2,558,024
Total current assets		4,816,131	4,769,385
Total assets		10,245,045	10,576,825
EQUITY			
Equity attributable to owners of the Company			
Share capital and share premium		1,062,486	1,091,344
Shares held for employee share scheme	23	(196)	(196)
Reserves		8,328,557	8,574,301
Capital and reserves attributable to owners of the Company		9,390,847	9,665,449
Non-controlling interests		—	—
Total equity		9,390,847	9,665,449

	Note	Unaudited As at 30 September 2023 RMB'000	Audited As at 31 March 2023 RMB'000
LIABILITIES			
Non-current liabilities			
Lease liabilities	15	20,486	17,579
Deferred income tax liabilities		270,829	325,964
Total non-current liabilities		291,315	343,543
Current liabilities			
Derivatives	5	26,249	64,664
Contract liabilities		17,345	11,859
Lease liabilities	15	32,864	39,981
Trade payables	20	216,097	157,538
Accruals and other payables	21	254,629	286,798
Current income tax liabilities		15,699	6,993
Total current liabilities		562,883	567,833
Total liabilities		854,198	911,376
Total equity and liabilities		10,245,045	10,576,825

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

The interim condensed consolidated financial information on pages 34 to 72 was approved and authorised for issue by the Board of Directors of the Company on 22 November 2023 and was signed on its behalf by:

CHEN YIHONG

Executive Director & Chairman

CHEN CHEN

*Executive Director & Chief Executive Officer,
President and Co-Chairman*

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Unaudited							
	Attributable to owners of the Company							
	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 1 April 2023	56,478	1,034,866	(196)	687,785	7,886,516	9,665,449	—	9,665,449
Loss for the period	—	—	—	—	(409,713)	(409,713)	—	(409,713)
Other comprehensive income								
— Currency translation differences	—	—	—	162,303	—	162,303	—	162,303
Total comprehensive income/(losses)	—	—	—	162,303	(409,713)	(247,410)	—	(247,410)
Transactions with owners in their capacity as owners								
Dividends declared and paid	—	(28,858)	—	—	—	(28,858)	—	(28,858)
Share-based compensations (Note 24)	—	—	—	1,666	—	1,666	—	1,666
	—	(28,858)	—	1,666	—	(27,192)	—	(27,192)
Balance at 30 September 2023	56,478	1,006,008	(196)	851,754	7,476,803	9,390,847	—	9,390,847
Balance at 1 April 2022	56,478	1,034,866	(196)	419,339	7,840,403	9,350,890	—	9,350,890
Loss for the period	—	—	—	—	(346,000)	(346,000)	—	(346,000)
Other comprehensive income								
— Currency translation differences	—	—	—	363,415	—	363,415	—	363,415
Total comprehensive income/(losses)	—	—	—	363,415	(346,000)	17,415	—	17,415
Transactions with owners in their capacity as owners								
Share-based compensations (Note 24)	—	—	—	(14,174)	—	(14,174)	—	(14,174)
Balance at 30 September 2022	56,478	1,034,866	(196)	768,580	7,494,403	9,354,131	—	9,354,131

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Unaudited Six months ended 30 September	
		2023 RMB'000	2022 RMB'000
Cash flows from operating activities			
Cash generated from operations		122,613	31,919
Interest received		29,937	6,029
Income tax paid		(576)	(15,661)
Net cash generated from operating activities		151,974	22,287
Cash flows from investing activities			
Purchase of property, plant and equipment		(22,684)	(41,234)
Purchase of intangible assets		(186)	—
Increase in term deposits with initial term over three months		(797,570)	—
Proceeds from disposal of property, plant and equipment		5,375	—
Investments in financial assets at fair value through profit or loss		(1,224,741)	(850,782)
Proceeds from disposal of financial assets at fair value through profit or loss (including investment income)		1,229,296	1,952,706
Increase in loan receivables		(73,910)	(74,498)
Repayment of loan receivables		93,751	88,847
Interest received from loan receivables		29,101	32,588
Proceeds from disposal of investments in associates and joint ventures		—	36,155
Capital contribution to an associate		(1,000)	—
Net cash (used in)/generated from investing activities		(762,568)	1,143,782
Cash flows from financing activities			
Dividends paid	12	(28,858)	—
Proceeds from borrowings		—	64,231
Repayment of borrowings		—	(197,427)
Interest paid		—	(3,623)
Payment for lease liabilities		(23,781)	(29,778)
Net cash used in financing activities		(52,639)	(166,597)
Net (decrease)/increase in cash and cash equivalents		(663,233)	999,472
Cash and cash equivalents at beginning of the period		2,558,024	1,523,938
Effects of exchange rate changes on cash and cash equivalents		66,071	79,580
Cash and cash equivalents at end of the period		1,960,862	2,602,990

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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 the People’s Republic of China (the “PRC”) and overseas.

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 (the “Hong Kong Stock Exchange”) since 10 October 2007.

This interim condensed consolidated financial information is presented in Renminbi (“RMB”), unless otherwise stated. This interim condensed consolidated financial information was approved for issue by the Board of Directors of the Company (the “Board”) on 22 November 2023.

This interim condensed consolidated financial information for the six months ended 30 September 2023 has been reviewed, not audited.

2 BASIS OF PREPARATION

This interim condensed consolidated financial information for the six months ended 30 September 2023 has been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting” (“IAS 34”).

The interim condensed consolidated financial information does not include all the notes of the type normally included in annual financial statements. Accordingly, this interim condensed consolidated financial information is to be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 March 2023, which have been prepared in accordance with International Financial Reporting Standards (“IFRS”).

3 ACCOUNTING POLICIES

The accounting policies applied to the preparation of this interim condensed consolidated financial information are consistent with those applied in the Group’s annual consolidated financial statements for the year ended 31 March 2023, except for the estimation of income tax using the tax rate that would be applicable to expected total annual earnings.

New and amended standards adopted by the Group

A number of new and amended standards became applicable for the current reporting period. The Group did not change its accounting policies or make retrospective adjustments as a result of adopting these new and amended standards.

Impact of new and amended standards issued but not yet early adopted by the Group

Certain amended standards have been published but are not mandatory for reporting period commencing 1 April 2023 and have not been early adopted by the Group. These amended standards are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

3 ACCOUNTING POLICIES (CONTINUED)

Impact on comparative figures in respect of the change in the function currency of the Company

As detailed in the Group's annual consolidated financial statements for the year ended 31 March 2023, the Company has voluntarily changed its functional currency from United States dollars ("USD") to RMB in 31 March 2023 and the change has been applied for retrospectively. As a result of this change, certain comparative figures for the six months ended 30 September 2022 as set out in this interim condensed consolidated financial information have been restated accordingly.

The following tables summarise the impact on the consolidated statement of profit or loss and other comprehensive income for the period ended 30 September 2022 as a result of this change:

	For the period ended 30 September 2022 RMB'000
Effect on consolidated statement of profit or loss and other comprehensive income	
Increase in finance income — net	15,862
Increase in other income and gains/(losses) — net	24,365
Decrease in other comprehensive income	(40,227)
Decrease in basic losses per share (RMB cent)	(0.69)
Decrease in diluted losses per share (RMB cent)	(0.69)

4 ESTIMATES AND JUDGEMENTS

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

In preparing the interim condensed consolidated financial information, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the Group's annual consolidated financial statements for the year ended 31 March 2023.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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 foreign exchange currency risk and price risk), credit risk and liquidity risk.

The interim condensed consolidated financial information does not include all financial risk management information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 March 2023.

There have been no changes in the risk management policies since 31 March 2023.

5.2 Credit risk

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

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

5.3 Liquidity risk

There was no significant change in the contractual undiscounted cash out flows for financial liabilities since 31 March 2023.

5.4 Fair value estimation

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

5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONTINUED)

5.4 Fair value estimation (Continued)

(a) Fair value hierarchy

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

At 30 September 2023 (Unaudited)	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial assets				
Financial assets at fair value through profit or loss (FVPL)				
— Private equity fund investments	—	108,921	4,160,353	4,269,274
— Listed equity securities	804,785	—	—	804,785
— Other unlisted equity investments	—	—	319,916	319,916
— Knock out notes	—	—	27,132	27,132
— Listed REITs investment	—	—	36,850	36,850
Total financial assets	804,785	108,921	4,544,251	5,457,957
Financial liabilities				
Derivatives	—	—	(26,249)	(26,249)
At 31 March 2023 (Audited)	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial assets				
Financial assets at fair value through profit or loss (FVPL)				
— Private equity fund investments	—	105,000	4,440,099	4,545,099
— Listed equity securities	963,876	—	—	963,876
— Other unlisted equity investments	—	—	333,609	333,609
— Knock out notes	—	—	25,946	25,946
Total financial assets	963,876	105,000	4,799,654	5,868,530
Financial liabilities				
Derivatives	—	—	(64,664)	(64,664)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONTINUED)

5.4 Fair value estimation (Continued)

(a) Fair value hierarchy (Continued)

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

- Level 1: The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in Level 1.
- Level 2: The fair value of financial instruments that are not traded in an active market is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2.
- Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3. This is the case for private equity fund investments, other unlisted equity investments, unlisted fixed coupon notes, knock out notes, listed REITs investment and other derivative products.

There were no transfers between Level 1 and Level 2 for recurring fair value measurements during the period. Since 30 August 2023, one of the Group's Real Estate Investment Trust ("REITs") investments has been temporary suspended from trading in the Singapore Exchange Limited ("SGX") and the fair value of that REITs investment as at 30 September 2023 is determined based on valuation technique (instead of quoted market price). Accordingly, that investment with carrying amount of RMB36,850,000 has been transferred from Level 1 to the Level 3 fair value category.

Further details of the Group's financial assets and financial liabilities that are measured at fair value using Level 3 inputs are given in Notes 5.4(b) and 5.4(c) below.

5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONTINUED)

5.4 Fair value estimation (Continued)

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

The following table presents the changes in Level 3 instruments for the six months ended 30 September 2023 and 2022.

	Unaudited						
	Private equity fund investments RMB'000	Other unlisted equity investments RMB'000	Unlisted fixed coupon notes RMB'000	Knock out notes RMB'000	Listed REITs investment RMB'000	Derivatives RMB'000	Total RMB'000
Opening balance at 1 April 2023	4,440,099	333,609	—	25,946	—	(64,664)	4,734,990
Additions	127,797	—	—	—	—	—	127,797
Disposals	(118,640)	(5,242)	—	—	—	—	(123,882)
Transfer from Level 1 to Level 3 (Note 5.4(a))	—	—	—	—	36,850	—	36,850
Fair value changes*	(335,262)	(20,671)	—	(72)	—	40,429	(315,576)
Currency translation difference	46,359	12,220	—	1,258	—	(2,014)	57,823
Closing balance at 30 September 2023	4,160,353	319,916	—	27,132	36,850	(26,249)	4,518,002
* includes unrealised (losses)/gains recognised in profit or loss attributable to balances held at the end of the reporting period	(331,007)	(20,671)	—	(72)	—	40,429	(311,321)

	Unaudited						
	Private equity fund investments RMB'000	Other unlisted equity investments RMB'000	Unlisted fixed coupon notes RMB'000	Knock out notes RMB'000	Derivatives RMB'000	Total RMB'000	
Opening balance at 1 April 2022		5,313,629	307,511	31,813	—	(64,835)	5,588,118
Additions		11,662	—	—	—	—	11,662
Disposals		(1,189,516)	—	(36,919)	—	—	(1,226,435)
Fair value changes*		(157,535)	(13,581)	1,268	—	53,991	(115,857)
Currency translation difference		222,287	29,330	3,838	—	(4,659)	250,796
Closing balance at 30 September 2022		4,200,527	323,260	—	—	(15,503)	4,508,284
* includes unrealised (losses)/gains recognised in profit or loss attributable to balances held at the end of the reporting period		(102,559)	(13,581)	(152)	—	53,991	(62,301)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONTINUED)

5.4 Fair value estimation (Continued)

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

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

Description	Fair value at		Valuation technique	Significant unobservable inputs	Range of inputs		Relationship of unobservable inputs to fair value
	30 September 2023 RMB'000	31 March 2023 RMB'000			As at 30 September 2023	As at 31 March 2023	
Financial assets							
Private equity fund investments (Note 1)	4,160,353	4,440,099	Net asset value	N/A	N/A	N/A	The higher the net asset value, the higher the fair value.
Other unlisted equity investments (Note 2)	319,916	333,609	Market comparable companies	Price to sales multiples ("PS"), earnings before interest and tax multiples ("EV/EBIT"), Discount for lack of marketability ("DLOM")	PS: 3.53 EV/EBIT: 21.03 DLOM: 17%/20%	PS: 3.30 EV/EBIT: 25.19 DLOM: 20%	Increased or decreased PS or EV/EBIT by 1 would increase or decrease fair value by approximately RMB30,709,000 (31 March 2023: RMB26,587,000). Increased or decreased DLOM by 5% would decrease or increase fair value by approximately RMB19,846,000 (31 March 2023: RMB20,851,000).
Knock out notes (Note 3)	27,132	25,946	Option pricing model	Expected volatility	N/A	N/A	The higher the expected volatility, the higher the fair value.
Listed REITs investment (Note 4)	36,850	—	Market comparable companies	Price to book value multiples ("PB"), Discount for lack of marketability ("DLOM")	PB: 0.50 DLOM: 20.5%	N/A	Increased or decreased PB by 0.1 would increase or decrease fair value by approximately RMB7,370,000 (31 March 2023: N/A). Increased or decreased DLOM by 5% would decrease or increase fair value by approximately RMB2,318,000 (31 March 2023: N/A).
Total financial assets	4,544,251	4,799,654					
Financial liabilities							
Derivatives (Note 5)	(26,249)	(64,664)	Option pricing model	Expected volatility	N/A	N/A	The higher the expected volatility, the higher the fair value.

5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONTINUED)

5.4 Fair value estimation (Continued)

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

Notes:

- (1) The Group determines the fair value of its private equity fund investments as at the reporting date based on the net asset values of the private equity funds (with underlying assets and liabilities measured at fair value) as reported by the general partners of the funds and adjusted by other relevant factors as considered by management.
- (2) For other unlisted equity investments, the fair values are determined by using the market comparable companies approach and the significant unobservable inputs include the valuation multiples (such as PS or EV/EBIT ratio) and DLOM. Management determines the valuation multiples with reference to the multiples of respective comparable companies, as adjusted by the lack of marketability that market participants would consider when estimating the fair value of these investments.
- (3) The amount represents the Group's short-term investments in knock out notes which in substance are equity-index notes with the maturity less than 12 months, which are issued by reputable multinational financial institutions (such as Citigroup Global Markets Funding). Management determined the fair value of these notes based on the statements provided by the issuing financial institutions. The related valuation technique is option pricing model and valuation inputs were developed by the issuing financial institutions which were not made available to the Group.
- (4) The amount represents the Group's listed REITs investment which has been temporary suspended from trading in the SGX since 30 August 2023. The fair values are determined by using the market comparable companies approach and the significant unobservable inputs include the valuation multiples (such as PB ratio) and DLOM. Management determines the valuation multiples with reference to the multiples of respective comparable companies, as adjusted by the lack of marketability that market participants would consider when estimating the fair value of these investments.
- (5) The amount recognised is to reflect the derivative agreements entered into between the Group and certain reputable multinational financial institutions (such as Morgan Stanley and Bank Julius Baer) with contract terms less than 12 months. According to the derivative agreements, certain quantities of the underlying securities listed on the New York Stock Exchange and The Stock Exchange of Hong Kong Limited are agreed to be gross settled between the Group and the issuing financial institutions at an agreed price when certain agreed events occurred. Management determines the fair value of these derivatives based on the statements provided by the respective issuing financial institutions. The related valuation technique is option pricing model and valuation inputs were developed by the issuing financial institutions which were not disclosed to the Group.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONTINUED)

5.4 Fair value estimation (Continued)

(d) Valuation processes

The Group has a team of personnel that manages the valuation on these Level 3 instruments for financial reporting purposes. The team manages the valuation exercise of these level 3 instruments based on available information obtained from the relevant counter parties (including the general partners of the private equity funds, the management of unlisted investees, the issuing financial institutions of the knock out notes and other derivative products as well as the financial institutions sponsoring and managing the wealth management products, etc.), at least twice every financial year, which coincides with the Group's semi-annually reporting dates. External valuation experts may also be involved and consulted when it is necessary. The valuation process is under the management's supervision and the valuation results are finally reviewed by the Group's CFO.

6 SEGMENT INFORMATION

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

The Board 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 sportswear business ("China Apparel") and investment activities separately:

China Apparel: distribution and retail of sport apparel under Kappa brand and Phenix brand.

Investment: investments in different kinds of financial assets or treasury products.

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

6 SEGMENT INFORMATION (CONTINUED)

The segment results and other items included in the interim condensed consolidated statement of profit or loss and other comprehensive income provided to the chief operating decision maker for the reportable segments for the six months ended 30 September 2023 and 2022, respectively are as follows:

	Unaudited		
	China Apparel RMB'000	Investment RMB'000	Total RMB'000
Six months ended 30 September 2023			
Revenue from external customers	775,993	—	775,993
Cost of sales	(239,554)	—	(239,554)
Segment gross profit	536,439	—	536,439
Other income and gains/(losses) — net	35,808	(497,305)	(461,497)
Segment operating profit/(loss)	75,106	(546,587)	(471,481)
Finance income — net	4,475	25,216	29,691
Share of post-tax profits of joint venturers and associates accounted for using the equity method	350	—	350
Profit/(loss) before income tax	79,931	(521,371)	(441,440)
Income tax (expense)/credit	(17,621)	49,348	31,727
Profit/(loss) for the period	62,310	(472,023)	(409,713)
Material items of income/expenses and gains/losses			
Depreciation and amortisation	29,110	1,693	30,803
Depreciation of right-of-use assets	22,436	239	22,675
Selling and advertising expenses	323,670	—	323,670
Fair value losses on financial assets at fair value through profit or loss — net	—	541,178	541,178
(Reversal)/provision of impairment of financial assets — net	(8,109)	35,283	27,174

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

6 SEGMENT INFORMATION (CONTINUED)

	China Apparel RMB'000	Unaudited Investment RMB'000	Total RMB'000
Six months ended 30 September 2022			
Revenue from external customers	776,339	—	776,339
Cost of sales	(292,018)	—	(292,018)
Segment gross profit	484,321	—	484,321
Other income and gains/(losses) — net	14,344	(330,169)	(315,825)
Segment operating loss	(24,250)	(343,103)	(367,353)
Finance income — net	1,128	35,285	36,413
Share of post-tax losses of joint venturers and associates accounted for using the equity method	(4,360)	(2,057)	(6,417)
Loss before income tax	(27,482)	(309,875)	(337,357)
Income tax (expense)/credit	(12,205)	3,562	(8,643)
Loss for the period	(39,687)	(306,313)	(346,000)
Material items of income/expenses and gains/losses			
Depreciation and amortisation	9,480	1,023	10,503
Depreciation of right-of-use assets	26,840	239	27,079
Selling and advertising expenses	370,199	—	370,199
Fair value losses on financial assets at fair value through profit or loss — net	—	437,714	437,714
Reversal of impairment of financial assets — net	(4,882)	—	(4,882)

6 SEGMENT INFORMATION (CONTINUED)

The Group's total assets and total liabilities analysed by segments are as follows:

	China Apparel RMB'000	Investment RMB'000	Total RMB'000
As at 30 September 2023 (Unaudited)			
Cash and cash equivalents	335,728	1,625,134	1,960,862
Restricted cash	—	69	69
Term deposits with initial term over three months and within one year	—	797,570	797,570
Investments accounted for using the equity method	16,180	4,900	21,080
Financial assets at fair value through profit or loss	—	5,457,957	5,457,957
Deferred income tax assets	97,890	33,526	131,416
Right-of-use assets	58,758	11,589	70,347
Other assets	816,518	989,226	1,805,744
Segment assets	1,325,074	8,919,971	10,245,045
Deferred income tax liabilities	4,824	266,005	270,829
Current income tax liabilities	15,699	—	15,699
Lease liabilities	52,399	951	53,350
Other liabilities	426,467	87,853	514,320
Segment liabilities	499,389	354,809	854,198
As at 31 March 2023 (Audited)			
Cash and cash equivalents	360,841	2,197,183	2,558,024
Restricted cash	—	68	68
Investments accounted for using the equity method	15,830	4,900	20,730
Financial assets at fair value through profit or loss	—	5,868,530	5,868,530
Deferred income tax assets	111,743	33,799	145,542
Right-of-use assets	61,788	11,828	73,616
Other assets	840,299	1,070,016	1,910,315
Segment assets	1,390,501	9,186,324	10,576,825
Deferred income tax liabilities	5,142	320,822	325,964
Current income tax liabilities	6,993	—	6,993
Lease liabilities	56,518	1,042	57,560
Other liabilities	397,706	123,153	520,859
Segment liabilities	466,359	445,017	911,376

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

7 OTHER INCOME AND GAINS/(LOSSES) — NET

	Unaudited	
	Six months ended 30 September	
	2023	2022
	RMB'000	RMB'000
Changes in fair value of financial instruments at fair value through profit or loss	(541,178)	(437,714)
Investment income from loan receivables	22,318	32,071
Franchise fee income	21,876	8,195
Net foreign exchange gains	17,535	60,723
Government subsidy income	11,322	3,622
Dividend income from financial assets at fair value through profit or loss	4,351	14,133
Others	2,279	3,145
	(461,497)	(315,825)

8 EXPENSES BY NATURE

The expenses included in cost of sales, distribution expenses and administrative expenses are analysed as follows:

	Unaudited	
	Six months ended 30 September	
	2023	2022
	RMB'000	RMB'000
Selling and advertising expenses	323,670	370,199
Cost of inventories included in cost of sales	261,211	314,820
Changes of provision for inventories	(21,657)	(22,802)
Employee salary and benefit expenses	62,385	59,191
Depreciation of property, plant and equipment (Note 13)	26,829	6,182
Depreciation of right-of-use assets (Note 15)	22,675	27,079
Product design and development expenses	16,597	16,628
Logistic and warehouse operation fees	15,861	20,572
Expenses relating to short-term and variable leases (Note 15)	14,021	15,447
Travelling expenses	6,921	2,725
Legal and consulting expenses	4,199	4,304
Amortisation of intangible assets (Note 14)	3,974	4,321
Auditors' remuneration	1,200	1,200
Others	20,917	12,883
Total cost of sales, distribution expenses and administrative expenses	758,803	832,749

9 FINANCE INCOME — NET

	Unaudited	
	Six months ended 30 September	
	2023	2022
	RMB'000	RMB'000
Finance income		
— Net foreign exchange gains	2,002	36,501
— Interest income	29,937	6,029
	31,939	42,530
Finance expenses		
— Interest expenses	—	(3,623)
— Interest of lease liabilities (Note 15)	(1,376)	(1,588)
— Others	(872)	(906)
	(2,248)	(6,117)
Finance income — net	29,691	36,413

10 INCOME TAX (CREDIT)/EXPENSE

	Unaudited	
	Six months ended 30 September	
	2023	2022
	RMB'000	RMB'000
Current income tax		
— PRC corporate income tax ("CIT")	6,087	5,539
— Withholding and remit tax recognised	3,195	3,922
Deferred income tax	(41,009)	(818)
	(31,727)	8,643

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

10 INCOME TAX (CREDIT)/EXPENSE (CONTINUED)

(a) Cayman Islands income tax

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

(b) Hong Kong and Singapore income tax

Hong Kong and Singapore profits tax have not been provided as there are no estimated assessable profits arising in or derived from Hong Kong and Singapore during the six months ended 30 September 2023 (2022: Nil).

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

Except for the Group's subsidiaries incorporated in Tibet Autonomous Region which are entitled to the preferential tax rate of 15%, provision for the PRC corporate income tax is calculated based on the statutory tax rate of 25% on the assessable profit of the remaining group companies for the six months ended 30 September 2023 and 2022.

(d) PRC withholding tax ("WHT")

According to the applicable PRC tax regulations, distribution of profits earned by PRC companies since 1 January 2008 to foreign investors is subject to withholding tax of 10%, depending on the country of incorporation of the foreign investor, upon the distribution of profits to overseas-incorporated immediate holding companies. As at 30 September 2023, the Group had provided a deferred tax liability of approximately RMB179,726,000 (as at 31 March 2023: RMB197,431,000) in relation to the profits of the Group's PRC subsidiaries that may be distributed in the future.

11 LOSSES PER SHARE

(a) Basic

Basic losses per share is calculated by dividing the loss attributable to owners of the Company by the weighted average number of ordinary shares of the Company in issue less shares held for the restricted share award scheme of the Company ("Restricted Share Award Scheme") during the period.

	Unaudited	
	Six months ended 30 September	
	2023	2022
Loss attributable to owners of the Company (RMB'000)	(409,713)	(346,000)
Weighted average number of ordinary shares in issue less shares held for Restricted Share Award Scheme (thousands)	5,864,511	5,864,511
Basic losses per share (RMB cents per share)	(6.99)	(5.90)

(b) Diluted

Diluted losses per share is calculated by adjusting the weighted average number of ordinary shares of the Company outstanding to assume conversion of all dilutive potential ordinary shares. The Group's dilutive potential shares represent the potential shares to be issued under the Company's share option schemes. As the Group incurred losses for the six months ended 30 September 2023 and 2022, these potential ordinary shares were not included in the calculation of diluted losses per share as their inclusion would be anti-dilutive. Accordingly, diluted losses per share are the same as basic losses per share for the six months ended 30 September 2023 and 2022.

12 DIVIDENDS

The total dividends paid during the six months ended 30 September 2023 amounted to approximately RMB28,971,000 (six months ended 30 September 2022: Nil), of which approximately RMB113,000 (six months ended 30 September 2022: Nil) was paid to the holders of the shares held for the Restricted Share Award Scheme.

Pursuant to a resolution of the Board of Directors of the Company dated 22 November 2023, an interim special dividend of RMB0.71 cents per share, amounting to approximately RMB41,802,000, has been proposed and declared for the six months ended 30 September 2023, which is expected to be paid on or around 22 December 2023. This interim special dividend is not reflected as a dividend payable in this interim condensed consolidated financial information, but will be reflected as an appropriation from the Company's share premium account for the year ending 31 March 2024.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

13 PROPERTY, PLANT AND EQUIPMENT

	Unaudited						
	Freehold land RMB'000	Buildings RMB'000	Office furniture and equipment RMB'000	Vehicles RMB'000	Leasehold improvements RMB'000	Construction in progress RMB'000	Total RMB'000
As at 1 April 2023							
Cost	23,972	160,039	58,522	1,846	16,702	24,348	285,429
Accumulated depreciation and impairment	—	(62,046)	(51,088)	(1,432)	(5,145)	—	(119,711)
Net book amount	23,972	97,993	7,434	414	11,557	24,348	165,718
Six months ended 30 September 2023							
Opening net book amount	23,972	97,993	7,434	414	11,557	24,348	165,718
Additions	—	—	385	—	19,666	3,482	23,533
Disposals	(2,893)	(1,823)	(46)	—	—	—	(4,762)
Depreciation (Note 8)	—	(3,211)	(944)	(46)	(22,628)	—	(26,829)
Transfers to investment properties upon change of use (a)	—	(38,540)	—	—	—	—	(38,540)
Transfers (b)	—	25,608	—	—	35,072	(25,608)	35,072
Currency translation differences	808	908	1	—	—	—	1,717
Closing net book amount	21,887	80,935	6,830	368	43,667	2,222	155,909
As at 30 September 2023							
Cost	21,887	145,356	58,484	1,846	71,440	2,222	301,235
Accumulated depreciation and impairment	—	(64,421)	(51,654)	(1,478)	(27,773)	—	(145,326)
Net book amount	21,887	80,935	6,830	368	43,667	2,222	155,909

(a) During the six months ended 30 September 2023, the Group agreed to lease certain buildings to a third party for a lease term of 3 years. Accordingly, the related buildings with carrying amount of approximately RMB38,540,000 were reclassified as the Group's investment properties (Note 16).

(b) Certain goods shelves in retail shops with carrying amounts of approximately RMB35,072,000 which were previously classified as the Group's non-current other assets have been reclassified as the Group's property, plant and equipment during the six months ended 30 September 2023.

13 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

14 INTANGIBLE ASSETS

	Unaudited			
	Kappa trademarks RMB'000	Phenix and other brands RMB'000	Computer Software RMB'000	Total RMB'000
As at 1 April 2023				
Cost	280,994	8,605	73,717	363,316
Accumulated amortisation	(121,179)	(2,778)	(72,222)	(196,179)
Net book amount	159,815	5,827	1,495	167,137
Six months ended 30 September 2023				
Opening net book amount	159,815	5,827	1,495	167,137
Additions	—	—	186	186
Amortisation charge (Note 8)	(3,511)	(108)	(355)	(3,974)
Closing net book amount	156,304	5,719	1,326	163,349
As at 30 September 2023				
Cost	280,994	8,605	32,526	322,125
Accumulated amortisation	(124,690)	(2,886)	(31,200)	(158,776)
Net book amount	156,304	5,719	1,326	163,349
As at 1 April 2022				
Cost	280,994	8,605	73,746	363,345
Accumulated amortisation	(114,154)	(2,563)	(70,977)	(187,694)
Net book amount	166,840	6,042	2,769	175,651
Six months ended 30 September 2022				
Opening net book amount	166,840	6,042	2,769	175,651
Amortisation charge (Note 8)	(3,511)	(108)	(702)	(4,321)
Closing net book amount	163,329	5,934	2,067	171,330
As at 30 September 2022				
Cost	280,994	8,605	68,932	358,531
Accumulated amortisation	(117,665)	(2,671)	(66,865)	(187,201)
Net book amount	163,329	5,934	2,067	171,330

Note: Certain computer software which were fully amortised as of 1 April 2023 (with respective cost and accumulated amortization amounts of approximately RMB41,377,000) have been written off during the current period.

15 LEASES

This note provides information for leases where the Group is a lessee.

(a) Amounts recognised in the balance sheet relating to leases:

	Unaudited As at 30 September 2023 RMB'000	Audited As at 31 March 2023 RMB'000
Right-of-use assets		
Land use rights	19,898	20,181
Leased properties and warehouses	50,449	53,435
Total	70,347	73,616
Lease liabilities		
Current	32,864	39,981
Non-current	20,486	17,579
Total	53,350	57,560

During the six months ended 30 September 2023 and 2022, the additions to right-of-use assets in respect of leased properties and warehouses amounted to approximately RMB27,217,000 and RMB25,420,000, respectively.

During the six months ended 30 September 2023, the right-of-use assets and lease liabilities as derecognised upon the early termination of leases amounted to approximately RMB7,811,000 and RMB9,022,000 (six months ended 30 September 2022: RMB6,390,000 and RMB6,719,000), respectively.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

15 LEASES (CONTINUED)

(b) Amounts recognised in profit or loss relating to leases:

	Unaudited	
	Six months ended 30 September	
	2023	2022
	RMB'000	RMB'000
Depreciation charge of right-of-use assets		
Land use rights	283	283
Leased properties and warehouses	22,392	26,796
Total	22,675	27,079
Interest of lease liabilities (included in finance income — net) (Note 9)	1,376	1,588
Expenses relating to short-term leases not included in lease liabilities (included in distribution expenses and administrative expenses)	10,798	13,827
Expenses relating to variable leases not included in lease liabilities (included in distribution expenses)	3,223	1,620

(c) Amounts recognised in the statement of cash flows relating to leases:

	Unaudited	
	Six months ended 30 September	
	2023	2022
	RMB'000	RMB'000
The cash outflow for leases as operating activities	13,996	15,278
The cash outflow for leases as financing activities	23,781	29,778

16 INVESTMENT PROPERTIES

	Unaudited	
	Six months ended 30 September	
	2023	2022
	RMB'000	RMB'000
At beginning of the period	—	—
Transfers from property, plant and equipment (Note 13)	38,540	—
Depreciation charge	(328)	—
At end of the period	38,212	—

17 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

The carrying amount of equity-accounted investments has changed as follows during the six months ended 30 September 2023 and 2022:

	Unaudited	
	Six months ended 30 September	
	2023	2022
	RMB'000	RMB'000
At beginning of the period	20,730	45,204
Share of profits/(losses)	350	(6,417)
Transfer to held-for-sale assets	—	(20,623)
At end of the period	21,080	18,164

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

18 TRADE RECEIVABLES

	Unaudited As at 30 September 2023 RMB'000	Audited As at 31 March 2023 RMB'000
Trade receivables		
— Third parties	141,216	151,284
— Related parties (Note 26(b))	15,981	14,702
	157,197	165,986
Less: provision for impairment	(13,154)	(16,857)
Trade receivables, net	144,043	149,129

Customers are normally granted credit terms within 30–90 days. The aging analysis of trade receivables based on recognition date as at 30 September 2023 and 31 March 2023 were as follows:

	Unaudited As at 30 September 2023 RMB'000	Audited As at 31 March 2023 RMB'000
Within 30 days	90,345	92,416
31 to 180 days	58,569	50,741
Over 180 days	8,283	22,829
	157,197	165,986

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

The movements in the expected credit loss allowance for trade receivables during the period are as below:

	Unaudited Six months ended 30 September 2023 RMB'000	2022 RMB'000
At beginning of the period	16,857	16,893
Reversal of impairment losses of receivables	(3,703)	(4,500)
Written off impairment losses of receivables	—	(87)
At end of the period	13,154	12,306

19 OTHER FINANCIAL ASSETS AT AMORTISED COST

	Unaudited As at 30 September 2023 RMB'000	Audited As at 31 March 2023 RMB'000
Current portion:		
Loan receivables (a)	277,970	301,607
Loans to related parties (Note 26(b))	12,568	1,960
Others	34,269	31,756
Less: provision for impairment (c)		
— Stage 1	(516)	(506)
— Stage 2	—	—
— Stage 3	(5,716)	(15,322)
	(6,232)	(15,828)
Total	318,575	319,495
Non-current portion:		
Loan receivables (a)	312,986	316,694
Loans to management personnel (Notes b and 26(b))	177,277	225,061
Loans to ex-management personnel (Note b)	140,425	79,393
Loans to other related parties (Note 26(b))	—	10,864
Others	19,178	21,863
Less: provision for impairment (c)		
— Stage 1	—	—
— Stage 2	—	—
— Stage 3	(45,811)	(10,528)
	(45,811)	(10,528)
Total	604,055	643,347

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

19 OTHER FINANCIAL ASSETS AT AMORTISED COST (CONTINUED)

Notes:

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

As at 30 September 2023, the gross amount of loans receivables due from third parties amounted to approximately RMB590,956,000 (as at 31 March 2023: RMB618,301,000) which bear interests at rates in the range of 8% to 12% (as at 31 March 2023: 8% to 12%) per annum. The amount of each loan receivables varies from RMB3,756,000 to RMB220,516,000 (as at 31 March 2023: RMB3,756,000 to RMB215,862,000). The maturity period of each loan receivables varies with the range from 6 to 60 months.

As at 30 September 2023 and 31 March 2023, the Group's loans receivables were secured by various collaterals such as equity interest in certain companies, investment return under private equity funds as well as certain properties in the PRC.

- (b) The balances represented the loans as advanced to certain management personnel for their subscription of the Company's shares during the years ended 31 December 2017 and 2018. The outstanding balances due to those personnel who are no longer having any employment relationship with the Group are classified as "loans to ex-management personnel". All these loans bear interests at a fixed rate of 1% per annum and have an extended terms of repayment of 5 years (repayable on or before April 2028). All the shares of the Company as subscribed by the borrowers were pledged as collaterals for these loans (Note 26(b)).
- (c) The provision for impairment of loan receivables was determined based on the "three-stages" model by referring to the changes in credit quality since initial recognition. The Group measures credit risk using probability of default ("PD"), exposure at default ("EAD") and loss given default ("LGD"). This is similar to the approach used for the purposes of measuring expected credit loss ("ECL") under IFRS 9 Financial Instruments. The key judgments and assumptions include determination of significant increase in credit risk, definition of default and credit impaired assets, projecting the PD, LGD and EAD, forward-looking information incorporated in the ECL models, and grouping of instruments for losses measured on a collective basis.
- (d) For the six months ended 30 September 2023, the provision and reversal of impairment of loan and other receivables amounted to approximately RMB35,877,000 and RMB5,000,000 (six months ended 30 September 2022: Nil and RMB382,000), respectively and the impairment provision as written off amounted to approximately RMB5,190,000 (six months ended 30 September 2022: RMB28,424,000).

20 TRADE PAYABLES

At 30 September 2023 and 31 March 2023, the aging analysis of the trade payables based on recognition date were as follows:

	Unaudited As at 30 September 2023 RMB'000	Audited As at 31 March 2023 RMB'000
Within 30 days	102,497	89,355
31 to 180 days	105,534	65,271
Over 180 days	8,066	2,912
	216,097	157,538

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

21 ACCRUALS AND OTHER PAYABLES

	Unaudited As at 30 September 2023 RMB'000	Audited As at 31 March 2023 RMB'000
Suppliers' deposits	60,288	64,549
Deposits of investment in FVPL	56,000	54,000
Deposits payable to related parties (Note 26(b))	30,500	30,569
Payables for marketing expenses	24,789	25,590
Salary and welfare payable	16,994	21,064
Other taxes and levies payable	11,837	10,504
Payables for logistic fees	5,584	8,755
Payables for professional and legal fees	3,594	6,565
Others	45,043	65,202
	254,629	286,798

22 SHARE CAPITAL

	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
As at 1 April 2022, 1 April 2023 and 30 September 2023 (Unaudited)	5,887,561,025	58,876	56,478

23 SHARES HELD FOR EMPLOYEE SHARE SCHEME

	Unaudited As at 30 September 2023 Number of shares	Audited As at 31 March 2023 Number of shares	Unaudited As at 30 September 2023 RMB'000	Audited As at 31 March 2023 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 24 for further information).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

24 SHARE BASED COMPENSATION SCHEMES

(a) Restricted Share Award Scheme

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

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

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

During the six months ended 30 September 2023 and 2022, no shares were granted under the Restricted Share Award Scheme and hence no amount was charged as an expense in profit or loss.

(b) The 2019 Share Option Scheme

Pursuant to the shareholders' resolution passed on 8 August 2019, the Group adopted a share option scheme (the "2019 Share Option Scheme"). The 2019 Share Option Scheme will remain in force for a period of 10 years commencing from the respective grant date. The vesting period for the options granted is 1-3 years from the respective grant date. An option may be exercised in accordance with whether a service or a non-market performance condition is met.

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

24 SHARE BASED COMPENSATION SCHEMES (CONTINUED)

(b) The 2019 Share Option Scheme (Continued)

Participants of the Share Option Scheme are required to pay HK\$1.00 for each option granted upon acceptance of the grant. The exercise price of the options is determined by the Board in its sole and absolute discretion and being at least the highest of

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

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

During the six months ended 30 September 2023, 76,860,000 new share options were granted under the 2019 Share Option Scheme (six months ended 30 September 2022: Nil).

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to be ultimately vested. The impact of the estimates during the vesting period, if any, is recognised in profit or loss with a corresponding adjustment to the share option reserve.

For the six months ended 30 September 2023, the Group recognised share option expenses of RMB1,666,000 (six months ended 30 September 2022: a reversal of share option expenses of RMB14,174,000) in profit or loss.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

24 SHARE BASED COMPENSATION SCHEMES (CONTINUED)

(b) The 2019 Share Option Scheme (Continued)

Movements in the number of share options outstanding during the six months ended 30 September 2023 and 2022 under this scheme and their weighted average exercise prices are as follows:

	Unaudited			
	Six months ended 30 September			
	2023		2022	
	Weighted average exercise price (per share) HK\$	Outstanding options (thousands)	Weighted average exercise price (per share) HK\$	Outstanding options (thousands)
As at 1 April	0.931	140,560	0.934	189,680
Granted	0.330	76,860	—	—
Lapsed/forfeited	0.859	(13,400)	0.932	(36,420)
As at 30 September	0.709	204,020	0.935	153,260
Exercisable as at 30 September	0.855	6,840	0.865	9,000

24 SHARE BASED COMPENSATION SCHEMES (CONTINUED)

(b) The 2019 Share Option Scheme (Continued)

Share options outstanding at 30 September 2023 and 31 March 2023 have the following expiry date and exercise prices:

Expiry date	Unaudited As at 30 September 2023		Audited As at 31 March 2023	
	Exercise price (per share) HK\$	Share options (thousands)	Exercise price (per share) HK\$	Share options (thousands)
15 September 2029	0.854	6,120	0.854	6,440
6 January 2030	0.860	720	0.860	720
31 March 2030	0.670	—	0.670	—
31 August 2030	1.090	—	1.090	—
14 April 2031	0.940	120,800	0.940	131,300
1 July 2031	1.360	—	1.360	—
27 January 2032	0.676	—	0.676	1,500
16 March 2032	0.459	600	0.459	600
17 April 2033	0.330	75,780	—	—
		204,020		140,560
Weighted average remaining contractual life of options outstanding at end of period/year		8.24 years		7.98 years

25 COMMITMENTS

The Group had the following commitments as at 30 September 2023:

Capital commitments

In September 2020, the Group entered into a limited partnership agreement with Xiamen Yuanfeng Investment LLP. (廈門源峰股權投資基金合夥企業(有限合夥)), with a total committed investment amount of RMB200 million. As at 30 September 2023, the remaining balance of the investment commitment amounted to RMB70 million (as at 31 March 2023: RMB70 million).

In January 2021, the Group entered into a limited partnership agreement with CPE Global Opportunities Fund II, with a total committed investment amount of USD30 million. As at 30 September 2023, the remaining balance of the investment commitment amounted to USD15 million (equivalent to approximately RMB111 million) (as at 31 March 2023: USD15 million (equivalent to approximately RMB106 million)).

In February 2021, the Group entered into a limited partnership agreement with Yunfeng Fund IV (雲鋒基金IV), with a total committed investment amount of USD20 million. As at 30 September 2023, the remaining balance of the investment commitment amounted to USD11.0 million (equivalent to approximately RMB79.3 million) (as at 31 March 2023: USD11.5 million (equivalent to approximately RMB79.2 million)).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

25 COMMITMENTS (CONTINUED)

Capital commitments (Continued)

In July 2023, the Group entered into a limited partnership agreement with EnvisionX Partners Fund, L.P., with a total committed investment amount of USD6 million. As at 30 September 2023, the remaining balance of the investment commitment amounted to USD4 million (equivalent to approximately RMB29 million).

In August 2023, the Group entered into a limited partnership agreement with TH Capital China Growth Fund I, L.P., with a total committed investment amount of USD10 million. As at 30 September 2023, the remaining balance of the investment commitment amounted to USD5 million (equivalent to approximately RMB36 million).

26 RELATED PARTY TRANSACTIONS

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

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

(a) Transactions with related parties

In addition to those disclosed elsewhere in this interim condensed consolidated financial information, the Group had the following transactions and balances with related parties:

	Unaudited Six months ended 30 September	
	2023 RMB'000	2022 RMB'000
Sales of goods to		
— Joint ventures of the Group	—	4,715
— A close family member of the Chairman	1,271	1,953
	1,271	6,668
Interest income from loans to		
— Management personnel	1,252	2,978
Commissions expenses		
— Joint ventures of the Group	16,495	13,631
— A close family member of the Chairman	26,051	25,167
	42,546	38,798
Loans granted to		
— An associate of the Group	500	3,500

26 RELATED PARTY TRANSACTIONS (CONTINUED)**(b) Balances with related parties*****Trade receivables (Note 18)***

	Unaudited As at 30 September 2023 RMB'000	Audited As at 31 March 2023 RMB'000
Joint ventures of the Group	5,103	4,496
A close family member of the Chairman	10,878	10,206
	15,981	14,702

Other financial assets at amortised cost (Note 19)

	Unaudited As at 30 September 2023 RMB'000	Audited As at 31 March 2023 RMB'000
Current portion		
— Associates of the Group	12,568	1,960
— Provision	(1,960)	(1,960)
	10,608	—
Non-current portion		
— An associate of the Group	—	10,864
— Management personnel	177,277	225,061
Total	187,885	235,925

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

26 RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Balances with related parties (Continued)

Accruals and other payables (Note 21)

	Unaudited As at 30 September 2023 RMB'000	Audited As at 31 March 2023 RMB'000
Joint ventures of the Group	9,750	9,750
A close family member of the Chairman	20,750	20,819
	30,500	30,569

Notes:

- (i) The transactions with related companies are conducted based on terms as mutually agreed among the parties concerned.
- (ii) Except for the loans to management personnel as mentioned in Note 19(b) and loans to associates, the balances with the other related parties are unsecured, non-interest bearing and receivable/payable on demand.

(c) Key management compensation

	Unaudited Six months ended 30 September 2023 RMB'000	2022 RMB'000
Salaries, bonus and other welfares and benefits	3,310	4,865
Share-based compensation	52	(4,885)
Pension — defined contribution plans	95	87
	3,457	67

27 EVENTS OCCURRING AFTER THE REPORTING PERIOD

On 2 November 2023, the Group acquired the corporate bonds as issued by the Apple Inc. with an aggregate nominal principal amount of US\$15,000,000 (the "Bonds") from the open market at a total consideration of US\$13,860,000.

The Bonds are unsecured bonds with a fixed coupon rate of 2.9% per annum, payable semi-annually in arrears, and maturing on 12 September 2027. The Bonds will be accounted for as financial assets measured at amortised cost.

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

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