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)

2019/2020 ANNUAL RESULTS ANNOUNCEMENT

The Board of Directors (the "Board") of China Dongxiang (Group) Co., Ltd. (the "Company") is pleased to announce the audited results of the Company and its subsidiaries (together referred to as the "Group") for the twelve months ended 31 March 2020. This announcement, containing the full text of the 2019/2020 Annual Report of the Company, complies with the relevant requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited in relation to information to accompany preliminary announcements of annual results. The printed version of the Company's 2019/2020 Annual Report will be delivered to the shareholders of the Company and will be available for viewing on the websites of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk and of the Company at www.dxsport.com on or around 3 July 2020.

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

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Annual Report 2019/2020

Kappa

Contents

VISION & MISSION

Vision

By uniting
OUTSTANDING INDIVIDUALS
and striving for
MANAGERIAL EXCELLENCE,
we'll lead the
SPORTS FASHION industry,
all with
JOY & PASSION

Mission

To be the most
PIONEERING & DESIRED
SPORT-LIFE brands

KOOL

KREATIVE


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CORPORATE INFORMATION

Executive Directors	Mr. Chen Yihong (Chairman) Mr. Zhang Zhiyong (Chief Executive Officer) Ms. Chen Chen Mr. Lyu Guanghong (Chief Financial Officer) (appointed and effective from 17 April 2020)
Independent Non-Executive Directors	Dr. Chen Guogang Mr. Gao Yu Mr. Liu Xiaosong
Auditor	PricewaterhouseCoopers Certified Public Accountants and Registered PIE Auditor
Legal Advisers	Norton Rose Fulbright Hong Kong Conyers Dill & Pearman (Cayman) Limited East & Concord Partners (Beijing)
Authorised Representatives	Mr. Gao Yu Ms. Wai Pui Man
Company Secretary	Ms. Wai Pui Man
Principal Share Registrar and Transfer Office	SMP Partners (Cayman) Limited Royal Bank House — 3rd Floor, 24 Shedden Road, P.O. Box 1586, Grand Cayman, KY1-1110, Cayman Islands
Hong Kong Branch Share Registrar and Transfer Office	Computershare Hong Kong Investor Services Limited Shops 1712–1716, 17/F Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong
Registered Office	Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands
Principal Place of Business in Hong Kong	Office Unit 9, 13/F, Tower Two, Lippo Centre, No. 89 Queensway, Hong Kong
Head Office in People's Republic of China	Building 21, No. 2 Jingyuanbei Street, Beijing Economic-Technological Development Area, Beijing 100176, People's Republic of China
Principal Bankers	Morgan Stanley Asia International Limited Industrial and Commercial Bank of China
Website	www.dxsport.com


K is
for
KOOL
K is for Kappa

FIVE-YEAR FINANCIAL HIGHLIGHTS

(All amounts in Renminbi million unless otherwise stated)

	For the twelve months ended 31 March 2020	For the twelve months ended 31 March 2019 (unaudited)	For the fifteen months ended 31 March 2019	For the twelve months ended 31 December 2017	For the twelve months ended 31 December 2016	For the twelve months ended 31 December 2015
Sales	**1,841**	1,635	2,144	1,455	1,501	1,469
Operating profit	**484**	584	1,040	1,027	1,016	1,005
Profit before income tax	**445**	583	1,026	930	1,048	1,021
Profit attributable to equity holders	**366**	429	866	805	870	803
Gross profit margin (%) (before provision for/(reversal of) impairment losses of inventories)	**61.8**	55.9	58.9	59.2	56.7	56.2
Net profit margin (%)	**19.9**	26.3	40.4	55.3	58.0	54.7
Earnings per share — basic/diluted (RMB cents)	**6.25**	7.34	14.91	14.51	15.79	14.56

As set out in the announcement of the Company dated 4 July 2018, the Company's financial year end date has been changed from 31 December to 31 March. Accordingly, the current financial period covers financial information of the twelve months from 1 April 2019 to 31 March 2020 and a comparative period of fifteen months from 1 January 2018 to 31 March 2019. To enhance information comparability, the Company also voluntarily presented certain financial information of the twelve months from 1 April 2018 to 31 March 2019 as directly comparable information.

	Note	**31 March 2020**	31 March 2019	31 December 2017	31 December 2016	31 December 2015
Non-current assets		**4,954**	7,176	6,288	5,415	4,701
Current assets		**6,735**	4,475	4,634	5,730	5,880
Current liabilities		**792**	1,118	885	1,352	974
Net current assets		**5,943**	3,357	3,749	4,378	4,906
Total assets		**11,689**	11,650	10,921	11,145	10,581
Total assets less current liabilities		**10,897**	10,532	10,036	9,793	9,607
Equity holders' equity		**10,612**	10,251	9,585	9,658	9,531
Total assets per share (RMB cents)	1	**199.37**	200.56	196.94	202.15	191.94
Net assets per share (RMB cents)	1	**180.99**	176.47	172.87	175.18	172.90
Debt to equity holders' equity ratio	2	**0.10**	0.14	0.14	0.15	0.11

Notes:

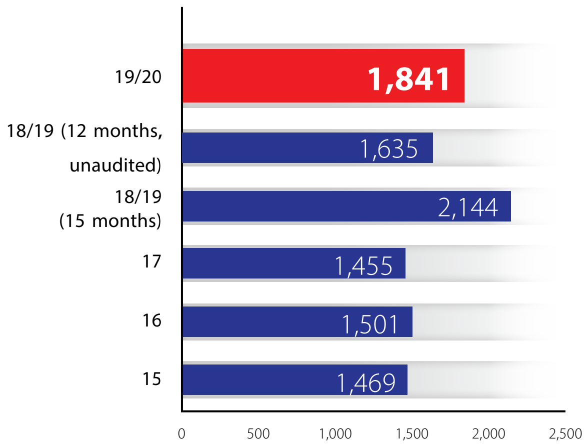
(1) The number of ordinary shares used in the calculation for the twelve months ended 31 March 2020, for the fifteen months ended 31 March 2019 as well as for the twelve months ended 31 December 2017, 2016 and 2015, are 5,863,071,000 shares, 5,808,853,000 shares, 5,545,204,000 shares, 5,513,180,000 shares and 5,512,580,000 shares, which were the weighted average number of shares for the periods.

(2) The debt to equity holders' equity ratio is calculated based on total liabilities of the Group divided by equity attributable to equity holders of the Company as at the reporting date.

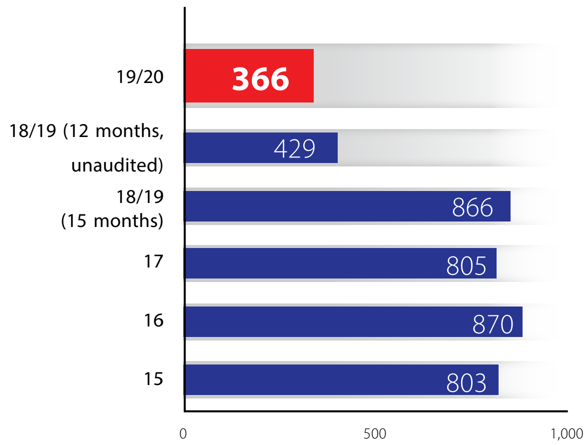
FIVE-YEAR FINANCIAL HIGHLIGHTS

(All amounts in Renminbi million unless otherwise stated)

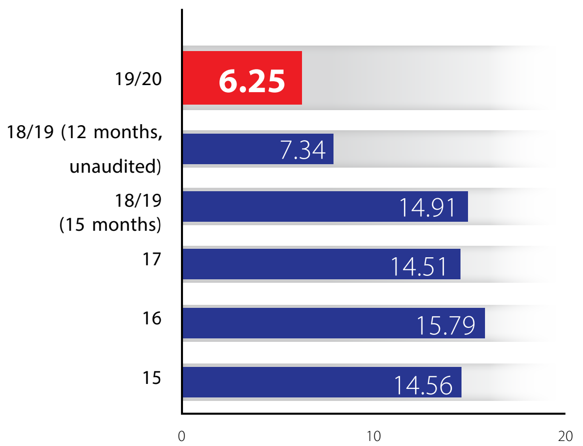
SALES



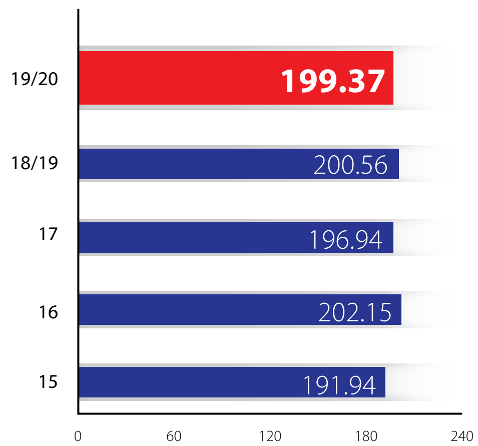
PROFIT ATTRIBUTABLE TO EQUITY HOLDERS



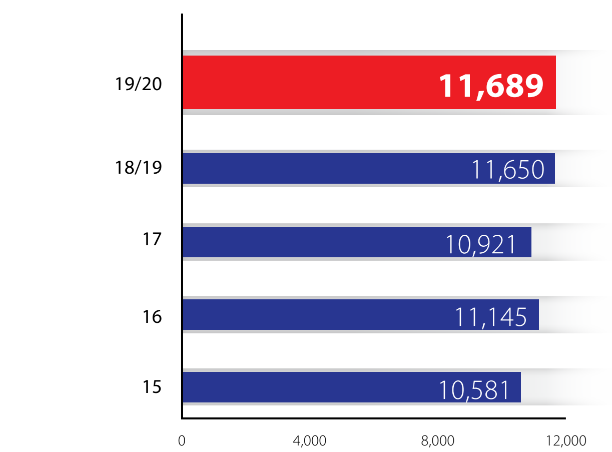
EARNINGS PER SHARE — BASIC (RMB CENTS)



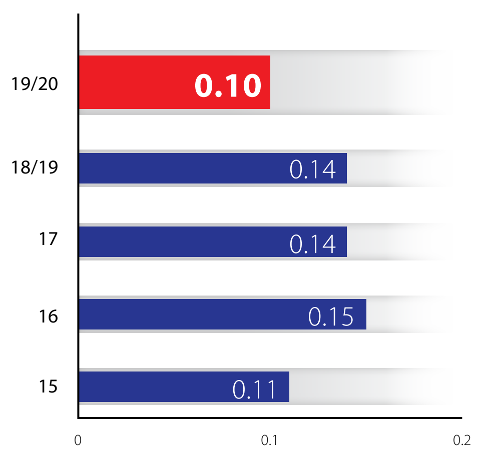
TOTAL ASSETS PER SHARE (RMB CENTS)



TOTAL ASSETS



DEBT TO EQUITY HOLDERS' EQUITY RATIO (TIMES)



Note: 19/20 is the financial data for 12 months ended 31 March, 18/19 is the financial data for the 15 months ended 31 March and 15 to 17 are the financial data for the 12 months ended 31 December.


Kappa
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K is for
K is for Kappa


KREATIVE

CHAIRMAN'S STATEMENT

Dear Shareholders,

I am presenting on behalf of the Board our annual results for the twelve months ended 31 March 2020 (the "Reporting Period"):

During the Reporting Period, there was a general slowdown among global economies marked by increasing trade barriers and heightened uncertainties in trade and geo-political conditions. The world has come under the blight of the COVID-19 pandemic since its outbreak in late 2019, as the lockdown policy adopted by numerous nations has practically resulted in a global economic standstill. The economic activities and financial system of the United States were dealt a heavy blow under the pandemic. The European nations have also be hit hard, as commercial activities in the Eurozone have been rapidly shrinking. The pandemic has also swept through China, although the nation's counter-epidemic measures have started to result in positive effects following the government's ongoing move to step up with prevention and control measures. Meanwhile, people living under the gloom of the pandemic have become more mindful of the importance of fitness and health. With a stronger awareness for sports and exercises among the general public, the pandemic has been driving the development of the sporting goods industry despite its adverse nature.

The Group registered revenue of RMB1,841 million for the Reporting Period, representing year-on-year growth of 12.6%, while profit attributable to equity holders decreased by 14.7% to RMB366 million. Basic earnings per share decreased by 14.9% to RMB6.25 cents. To reward shareholders for their longstanding support, the Board of Directors has proposed to distribute 15% and 30% of the net profit attributable to equity holders for the twelve months ended 31 March 2020 as full-year dividend and full-year special dividend, respectively, representing a dividend payout ratio of 45% in aggregate.

CHINA SEGMENT: REAPING THE BENEFITS OF REFORM WHILE PERFECTING THE PRODUCT PORTFOLIO

With the completion of in-depth reform in channels, products and supply chain management, our Kappa brand business has achieved progress in the interim.

In connection with our "Brand + Product" initiative, the brand celebrated the 50th anniversary of the Kappa Omini logo by entering into co-branding with a number of well-known comic IPs, in a move to augment its brand value while expanding its influence. During the Reporting Period, the Kappa brand continued to enhance collaboration with celebrities and key opinion leaders (KOL) in various sectors, such as entertainment, music and art, infusing the culture of fashion into its products to offer consumers chic products in close tandem with fashion trends, in a consistent effort to enhance its ability as a trendsetter.

In December 2019, Kappa conducted a brand reshaping and image upgrade exercise by launching the new brand concept of "K is for Kappa." Leveraging the unique colourful designs and avant-garde ethos of the brand, the new concept was aimed at enhancing brand tonality and better positioning itself as the voice for the new generation. The unequivocal style of Zitao Huang, our brand ambassador, provided a perfect interpretation of Kappa's brand new theme and attracted a growing number of young followers. In the meantime, Kappa was engaged in bold innovations that blended pragmatism and fashion in a reinterpretation of our ethos of "never settling for the mediocre", speaking to the new generation in the language and temperament of the present. Kappa shoes underwent a more significant transformation, as our vulcanised shoes became a widely followed hot topic on new social media.

In connection with "Brand + Retail", the Group continues to sustain steady growth. Through channel optimisation and reform, we have been reaping the benefits of our work and our overall performance has been in line with expectations. In addition, with the implementation of reforms relating to sales localisation and ongoing improvements to our overall offline store structure, there have also been notable improvements in our offline business performance in Central China, West China and South China since the beginning of the year, apart from sustained stable growth for the existing outlet stores and the Shanxi-Shandong-Henan regions. While the Group's inventory has increased in the short term as a result of the pandemic, the Group has improved its channel structure and enhanced its store efficiency through the optimised deployment of its retail network and development of new channels. With faster turnover of goods, our inventory level is expected to further decrease in the future. As at 31 March 2020, the Group had a total of 1,372 Kappa stores (including 243 Kappa Kid's stores), representing a net decrease of 132 stores as compared to that at 31 March last year (a net decrease of 80 Kappa stores and a net decrease of 52 Kappa Kid's stores). The Group will next be looking at the further closure of underperforming stores.

Our e-commerce operations sustained consistent growth throughout the year. Leveraging the separation of people and goods facilitated by online big data, we have built a sustainable (interactive) e-commerce sales network that drives the upgrade of the online groups of our brand, resulting in younger brand groups with higher spending power. Moreover, the Group has adopted a dual mechanism of traditional e-commerce and e-commerce via social media in a move to diversify the setup for consumer spending and vigorously expand innovative channels, with a view to attracting more customers. All in all, the Group's e-commerce business sustained a general trend of ongoing growth in spite of adverse factors such as intensive competition and the pandemic.

During the Reporting Period, we continued to conduct our kid's wear business through the three main channels of shopping malls, department stores and outlets. In the meantime, the development of direct sales and e-commerce was enhanced to increase the percentage share of point-of-sale outlet stores, in a bid to rationalise our channel structure and further enhance our competitiveness in the kid's wear market. During the Reporting Period, revenue generated by our kid's wear business reached RMB88 million, accounting for 4.8% of the Group's revenue.

COVID-19 emerged in late 2019 and was subsequently spread around the world. In response to the unexpected outbreak of the pandemic, the Group moved promptly to coordinate its departments in the active adoption of measures to counter COVID-19, putting the health of consumers and staffs above other concerns. Moreover, the Group actively fulfilled its corporate social responsibility by making donations in cash with a total worth of RMB6 million. The Group has also launched an ongoing donation programme to donate light-weight Kappa sports shoes to medical workers and undertake group purchases for clothes. For every transaction concluded via Kappa's official store on weixin.mcmore.com, RMB10 was set aside and credited to the donation fund, to be applied in supporting frontline hospitals engaged in counter-epidemic efforts and as consolation money for medical staffs.

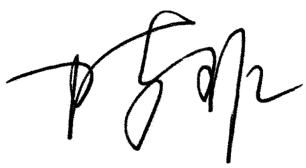
JAPAN SEGMENT: ONGOING DIVERSIFICATION OF THE CONSUMER STRATA

Our Japan business continued to undergo reforms. For the Reporting Period, the Japan segment recorded revenue of RMB301 million, decreasing by 9.9%, year-on-year. On the back of upgraded product designs, the Group succeeded in attracting more young consumers as followers by actively launching a number of enhanced marketing initiatives catered to the spending trends and sporting habits in Japan through a combination of media exposure and offline campaigns. In connection with football, Kappa organised campaigns in association with Japanese football comics. In addition, we offered tournament outfit sponsorships to a number of lady golfers during the period, broadening the levels of consumer spending for our products and driving up the number of customer sources for retail stores. The brand value of PHENIX has been further enhanced thanks to marketing initiatives through tournament sponsorships, media and network cooperation, magazines and exhibitions, among others, which have unleashed our brand potential and provided a solid foundation for the long-term development of our brand.

INVESTMENT SEGMENT: CONTINUE TO UPHOLD PRODUCT AND PRAGMATIC INVESTMENT STRATEGIES

During the Reporting Period, facing with a complex and ever-changing international and domestic financial investment environment, the valuation of the Group's investment portfolio increased steadily. As at 31 March 2020, the Group reported a net asset value of RMB9,245 million for its investment segment, representing a 4.1% growth compared to 30 September 2019 and a 156.6% premium to the Group's market capitalisation as at 31 March 2020. The Group's investment net gains for the Reporting Period amounted to RMB567 million. In the future, the Group will continue to control the size and risks of its investment funds in a prudent and pragmatic manner, so as to secure stable returns for shareholders while assuring the safety and effectiveness of its investments amidst uncertainties in the financial market.

Finally, the Group would like to take this opportunity to express sincere gratitude to the fellow Directors and all members of the staff. We also thank all our partners for their trust and shareholders for their unfailing support for the Group. Looking to the future, we will continue to uphold the traditional spirit of the Kappa brand, dauntless in the face of challenge and never settling for the mediocre as we engage in bold innovations in spite of the many uncertainties prevailing in the market, in an effort to generate sound and stable return for shareholders.



Chen Yihong
Chairman

17 June 2020

BRAND PORTFOLIO

The Group is committed
to becoming one of the best multi-brand sportswear
enterprises in the PRC.

The Kappa brand is our first brand and
with the strong presence and network developed
through the Kappa brand, it has established solid
foundation for us to implement a multi-brand
strategy. the Group completed the acquisition of
Phenix in 2008.

By utilising management's extensive experience
in the sportswear industry and our strong financial
resources, we will endeavor to identify and explore
opportunities to operate more international brands in
the PRC and/or regional markets.

- **A renowned Italian sportswear brand founded in 1978**
- **Since 2002, the Group has been operating the Kappa Brand in the PRC market**
- **Enriched with Italian fashion elements, Kappa emerges as a leader in the China sports fashion market**

- **Genetic inheritance of Kappa brand**
- **A kid's sportswear brand with fashion attributes**

- **A top international ski brand with great emphasis on functional performance and fashionable style of equipment through excellence in every detail**
- **Its simple design yet eye-catching design represents a perfect blend of function and fashion**
- **It reflects detail-attentive peculiar styles of japanese designers, and their R&D philosophy of positively absorbing the design features of other products and industries**
- **An outdoor product line that featured the fusion of fashion and functionality was officially launched in 2011**

MANAGEMENT DISCUSSION AND ANALYSIS

MACRO-ECONOMIC REVIEW

During the Reporting Period, the global economy was in a synchronized slowdown. Growth continued to be weakened by rising trade barriers and increasing trade and geopolitical tensions. As indicated in the data issued by the World Trade Organization, the world merchandise trade volume fell by 0.1% in 2019. Growth momentum of developed economies has been restrained, such as the United States of America and the Europe where the growth in gross domestic product (GDP) remained at a relatively low level. In China, due to dual impacts of the deceleration of global economic growth and US-China trade friction, the growth in GDP slowed down to 6.1% which was within a reasonable range and in line with the expectation.

Since the end of 2019, the novel coronavirus (the "COVID-19") epidemic has spread across the world, lockdown policy adopted by a number of countries has brought much of global economic activity to a halt. As a result, world's stock markets have been shaken, unemployment rate has soared, crude oil prices plunged to an unprecedented level, international logistics and transportation have suspended. According to the data issued in April 2020 by the International Monetary Fund, the forecast of global economic growth is downward adjusted to −3%, for the US, Eurozone and China, the economic growth is projected to be −5.9%, −7.5% and 1.2%, respectively. The global economic recession in 2020 is considered to be the worst recession since the severe worldwide economic depression in 1930s. The COVID-19 epidemic struck a blow to economic activities and financial system of the US and caused a sharp contraction of commercial activities in Eurozone.

Due to a heavy hit by the COVID-19 epidemic, the growth in GDP of China for the first quarter of 2020 fell by 6.8% as compared with the same period last year. Given the increasing effort by the government on prevention and control of the COVID-19 epidemic, the preventive and control measures have been taking effect and the overall economy in March 2020 showed signs of recovery. Nevertheless, the Chinese economic momentum has been restrained by an abrupt halt of global economy, trade and economic hibernation and intensified reshuffling in a number of industries, such as logistics. After the US-China Phase 1 trade deal signed at the beginning of 2020, the Phase 2 trade deal is widely considered to be time-consuming with higher degree of complexity. Therefore, a number of uncertainties remain over US-China trade deal.

INDUSTRY REVIEW

According to the publication of National Bureau of Statistics of China, the total retail sales of consumer goods in 2019 reached RMB41,164.9 billion, went up by 8.0% year-on-year (nominal growth rate). With increasing awareness to improve health and well-being in China, per-capita consumption on sports has made up a larger proportion of the total consumption expenditure, and spending in sports by women consumers has been significantly growing.

Since the end of 2019, the COVID-19 epidemic has prompted many countries around the globe to implement lockdown measures, and a majority of international sporting events and professional sports leagues have been cancelled or postponed. For instance, the postponement of Tokyo Olympics 2020 to the summer in 2021, cancellation of Europe's top five football leagues and possible cancellation of Grand Slam tournament. Cancellation and postponement of sporting events will put sports-related industries on halt, such as broadcasts, manufacturing, tourism, sports venue and sports education, leading a huge economic loss to event organisers, sponsors and sports-related industries.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1. **Kappa collaborates with R39 in the INNERSECT 2019 international street culture convention.**

2. **Debut of the Kappa x R39 limited edition at an offline store.**

3. **Pop idol Boogie Wang showcases the Kappa x 8ON8 co-branded series on the catwalk at the London Fashion Week.**

4. **Zhong Guowei, general secretary of Chinese Equestrian Association, presents the flag to the national polo team of China.**

5. **Shi Yue with her silver medal in Women's Foil at Fencing World Cup — Cairo.**

6. **Kappa x NPC at Shanghai Fashion Week**

7. **China Dongxiang donates light-weight sports shoes to the Wuchang Module Hospital and Tianjin medical team as a contribution to the fight against the epidemic.**

8, 9. **Celebrated artists Qi Wei and Guan Yue showcasing the Kappa series.**

phenix

According to the publication of National Bureau of Statistics of China, the total retail sales of consumer goods in China for the first quarter of 2020 reached RMB7,858 billion, fell by 19.0% year-on-year (nominal growth rate). To cope with the impacts of COVID-19 epidemic, the central government and local governments have implemented a number of policies and measures to tighten prevention and control over the epidemic, promote resumption of work and production, while expanding domestic demand and unleashing spending potential. In February 2020, China's Joint Prevention and Control Mechanism of the State Council held a press conference, in which the General Administration of Sport of China announced various policies on accelerating recovery of sports industry. Digitalisation is the channel to expand sporting population for better health and well-being, and increasing participation into sports activities would extend the sports industry chain. In addition, the epidemic has raised awareness about health and fitness as well as the importance of physical activity, indirectly promoting the development of sporting goods industry.

As set out in the National Statistical Classification for Sports Industry 2019 issued by the General Administration of Sport of China, the development of sports industry in China has maintained at a rapid rate with growing contribution of the China's economy, the sports industry is expected to become one of the pillar industries driving the economy of China. Furthermore, as the Beijing Winter Olympics draws near, China has been determinedly creating a favourable environment for the development of winter sports and leisure industry, providing historic development opportunities for winter sports industries.

BUSINESS REVIEW

The Kappa brand business achieved interim progress during the Reporting Period despite generally growing uncertainties in a market hampered by the COVID-19 epidemic and the increasing pressure of a global economic downturn, thanks to the Group's in-depth reform in channels, products and supply-chain management. In connection with brand marketing, the Group continued to work with renowned designers and IPs in cross-sector cooperation, launching a number of co-branded series at international fashion extravaganzas to further enhance its brand image. Moreover, the Group continued to adhere to a prudent investment strategy that was safe and sound to generate long-term, stable income for shareholders.

Brand-building and Marketing

PRC — Kappa brand

The Group has consistently placed a strong emphasis on the marketing of the Kappa brand, which has always been fondly followed by young consumers for its unequivocal colourful designs and vanguard spirit. As part of its celebration of the 50th anniversary of the Kappa Omini logo in 2019, the Group introduced the key words of "KOOL", "KLASSIC" and "KREATIVE" in the description of its brand character, boldly replacing the original first letter "C" of each of these words with the letter "K" to highlight the theme of "K is for Kappa". Underscoring the essence of the Kappa brand, this twist has also provided a forthright statement of Kappa's core spirit of "never settling for the mediocre", readily resonating with the temperament of new-generation youngsters that emphasises diversity and personality.

In late 2019, Kappa launched the "IMPRINT" (「印迹」) co-branded apparel and footwear series in collaboration with R39, an e-sports-inspired Chinese street fashion brand, and Kazuki Kuraishi, the fascinating designer from Harajuku, Japan. The series took the INNERSECT 2019 international street culture convention by storm, representing the first ever co-branding between an e-sports brand and a traditional sports fashion brand, as well as an explorative attempt at the growing e-ports market on the part of Kappa. The design of the series has been inspired by the mortise and tenon structure of a Luban lock, featuring a number of detachable structures to meet consumers' requirement for an apparel that can be worn in different ways. It has also merged the highly recognisable Kappa logo tape with the R39 logo to present a brand new logo graphic that highlights Kappa's longstanding brand mission of focusing on and promoting the culture of fashion.

Since the beginning of 2020, Kappa has been working with Gong Li, creator of 8ON8, a Chinese designer's brand. Efforts were focused on the retro style, as the classic "back-to-back" Omini logo was converted to a Monogram signifying the brand new energy of the centenary Kappa brand. Elsewhere, we caused quite a sensation by inviting pop idol Boogie Wang to showcase our co-branded products on the catwalk at the London Fashion Week, attracting more than 100 million views on Weibo discussion. The series managed to impart a sense of modernity and youthfulness on the traditional fabric by modifying the shape and adding some spectacular colour processing, in a fine complement to the Kappa notion of "People On The Move". The brand also paid tribute to the classic by creating brand new multi-coloured drop plastic shoes based on the classic Kolumn series, while borrowing from traditional Chinese ceramic glazing techniques.

As an international sports fashion brand, Kappa has been following closely important tournaments and events in China and elsewhere, bearing witness to countless glorious moments on the field, including as a sponsor of the Chinese national fencing team. During the Reporting Period, the brand supported the establishment of the Chinese national polo team and sponsored the team's participation in the All Asia Cup 2020 as their debut in international tournaments. In view of the rapid development of the e-sports sector in recent years, Kappa also sought to be involved in the development e-sports in addition to traditional sporting events by acting as the official title sponsor of DOTA 2, a division of the famous Chinese e-sports team RNG. The sense of mutual assistance and "having each other's back", an attribute readily shared by all e-sports players, is in perfect accord with the Kappa DNA of combat and progress and a fine testimony to young people's commitment to success, confidence and pursuit of freedom.

Japan — Kappa brand

During the Reporting Period, Kappa continued to enhance its brand reputation and association with sporting tournaments through sponsorships and promotion via sports teams featuring consistently its highly recognisable logo and graphic representations, in order to attract the attention of sports fans and consumers. Nevertheless, sales declined in the short term owing to the COVID-19 epidemic, while the Group took this opportunity to further optimise its inventory level and prepare itself for improvements in market sentiments in the aftermath of the epidemic.

In connection with Kappa football, the Group sustained stable growth in the number of retail store customers on the back of upgrades in product designs and enhanced marketing, despite a decreasing population of competitive football players in Japan. To serve the preferences and habits of Japanese consumers, we cooperated with a highly popular Japanese football comic by making and giving away jerseys depicted in the story in a moment of surreality, an initiative for which we were widely praised. Moreover, Kappa enjoyed further exposure when Japanese football star Keisuke Honda joined a Kappa-sponsored team. In recent years, the off-field leisure series has found firm favour with consumers, given the increasing tendency for people to wear cosy leisure sportswear as a daily apparel. As such, the Group will leverage its strong position in the industry to develop Kappa into a brand that caters to diverse groups.

In connection with Kappa golf, the Japanese golf market has been slashed by half in the last 20 years, and the gap between successful brands and declining ones has been widening. The number of golf players has been reduced to two-thirds of what it was during peak periods. A concentrated group of lady golfers aged between 20 and 40 has gradually been formed, while young golfers have been more focused on promotion on social media. Leveraging its brand advantage, the Group focused on advertising on popular social media, while sponsoring the tournament outfits of a number of lady golfers. Through the combination of online and offline platforms, we have succeeded in broadening our customer base while increasing the exposure of our products. Moreover, the Group has distinguished itself from similar brands and achieved differentiation by developing a unique visual style based on the core spirit of the Kappa brand.

Japan — PHENIX brand

PHENIX SKI has maintained its leading position in the Japanese skiing market for its "high quality and functional excellence". Targeted primarily at serious ski lovers aged between 25 and 45, the brand conducted a range of marketing campaigns through its website, social media, magazines, TV, 2020FW and shopping mall activities, among others, in an effort to further enhance its brand value and create a youthful image with a sense of modernity, such that more consumers will come to appreciate the brand.

Product Design and Research and Development

Apparel Series

During the Reporting Period, Kappa was engaged in bold attempts at innovation, as it showcased the renovated brand spirit of "never settling for the mediocre" through product upgrades and cross-sector cooperation. The brand sought to engage in dialogue with the new generation in the language and temperament of the present. In the meantime, unique designs developed in collaboration with Chinese designers and displayed at the Fashion Week were followed and sought after by the fashionistas with great enthusiasm.

AUTHENTIC Series

The AUTHENTIC series has been inspired by "a return to the classic style created for sports". Classical sporting styles in the Kappa brand which are never out-of-fashion have been retained but differentiation has been created by the multi-colour scheme comprising the most popular tones for the season. Meanwhile, highly accommodative templates have been developed on the basis of elementary styles to make them more acceptable to consumers in general. Moreover, details such as the reverse pocket and the printed letters of "Kappa" have provided a breakaway from boring conventionality and added youthful and fashionable elements to the classic style.

KOMBAT Series

Be it at fashion shows or during our daily lives, the military and worker styles have returned once again to dominate the current fashion scene. Outfits in the new Fall/Winter KOMBAT series, such as the cotton parka jacket, the down jacket and the leisure sports pants, all offer excellent insulation under their chic appearance as they drive a brand new sporting frenzy by blurring the dividing line between utility and fashion.

WMNS Ladies' Series

The Spring/Summer WMNS series is focused on introducing variety in materials to give a touch of fashion and sportiveness through a range of standalone ladies' leisure wear, in an reinterpretation of Kappa's vision of the lady's temperament. Feminine materials such as textured knitting, luminous velvet, satin and shot-silk fabric have been applied in apparel design. Moreover, the logo has been printed in a square shape with silk texture, such that every single product projects a rich sense of design.

The "Streets and Alleys" Series — a New Year Special

Going about through streets and alleys and greeting relatives and neighbours with auspicious words is an act of connection that underlines the warmth of human compassion, while "connection" represents one of the signature elements of Kappa. Hence, through close association with Chinese New Year traditions and customs, the Kappa brand culture readily resonates with many. The special series for the festive New Year season features a "gold dragon and silver rat" embroider on the chest that symbolises auspiciousness and wealth. The vivid images created through fine stitches complemented by the English letters representing "wealth" have combined to form a spherical graphic pattern with rich layers on the front, symbolising completeness and perfection.

The Kappa Crayon Shin-chan co-branded series

On the occasion of the 30th anniversary of the Crayon Shin-chan animated comic in 2020, Kappa collaborated with Shin-chan to launch the Kappa X Crayon Shin-chan co-branded series as a tribute to the classic comic. The upper wear of the co-branded series comes in a variety of styles featuring different printed patterns. A printed cartoon image of Crayon Shin-chan graces the moderately loose-fit template either on the chest, near the cuff or outside the pocket with simplistic graphic designs. Each co-branded product is an ingenious mixture of Kappa's brand attribute of sports and fashion with the unmistakable image of Crayon Shin-chan full of energy and style.

Shoes Series

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

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

Accessories Series

During the Reporting Period, Kappa accessories continued to step up with the innovative development of prestigious product types with a special emphasis on innovative products with a distinctive brand character, taking into account store sales and the positioning of customer groups while working in tandem with the popular trends with a sales-oriented approach. In terms of promotion, footwear, apparels and accessories were marketed as a whole in pursuit of the popular trends of IP and co-branding and in close tandem with hot spots in the market, with a view to increasing the exposure of our accessories products. In connection with sales, we have expanded our scale and broadened our channels to drive sales through online as well as offline efforts. Differentiated products and sales strategies have also been formulated in respect of different sales regions.

OMNI-CHANNEL RETAIL NETWORK

During the Reporting Period, the Group continued to optimise its retail network and enhance store efficiency through the implementation of its brand-oriented business model. As at 31 March 2020, the Group had a total of 1,372 Kappa stores (including 243 Kappa Kid's stores), representing a net decrease of 132 stores as compared to that at 31 March last year (a net decrease of 80 Kappa stores and a net decrease of 52 Kappa Kid's stores). The Group will next be looking at the further closure of underperforming stores.

Our e-commerce operations sustained consistent growth throughout the year during the Reporting Period. Leveraging the separation of people and goods facilitated by online big data, we have built a sustainable e-commerce sales network conducive to the upgrade of the online groups of our brand, resulting in younger brand groups with higher spending powers. Moreover, the Group has adopted a dual mechanism of traditional e-commerce and e-commerce via social media in a move to diversify the setup for consumer spending and vigorously expand innovative channels, with a view to attracting more customers. All in all, the Group's e-commerce business has sustained a general trend of sales growth in spite of the business doldrums caused by the epidemic.

Increasing the contributions of Group investment projects

During the Reporting Period, facing with the complex and ever-changing international and domestic financial investment environment, the Group's valuation of investment portfolio also rose steadily under the premise of safety and reasonableness. The Group continued to monitor the size and risks of investment funds with a cautious and prudent approach on the back of its vast experience in investment and risk management, subject always to the primary objective of assuring fund safety and achieving reasonable returns. In the future, the Group will continue to strengthen cooperation with its investment partners in a prudent manner, so as to secure long-term, stable returns for shareholders while assuring the safety and effectiveness of its investments.

OUTLOOK

Looking to 2020, the first half of the Group's 2020/2021 financial year (April to September 2020) is expected to be affected by the global outbreak of the COVID-19 pandemic. Nevertheless, as the epidemic has come under control in China and corporations have resumed operation in an orderly manner, the Group's confidence in the rapid growth of the Chinese economy and the country's retail spending on sportswear in the long term, as well as its expectation for the stable growth in its results, will remain unchanged. Backed by our staffs and partners who work closely with us and our strong financial resources, we are confident that any difficulties in the short term will be overcome and our business as a whole will enjoy healthy and stable development.

Looking forward, China Dongxiang will continue to uphold the historic brand of Kappa and conduct product innovation and upgrade in adherence to the stated path of reform and effective channel strategies and in close tandem with market trends and developments. In the meantime, to take advantage of opportunities in the sports industry, we will explore channels for brand promotion and marketing through reasonable application of our resources. Meanwhile, as a listed company, China Dongxiang will continue to seek more effective integration of capital and sports through prudent global deployment and investment, in order to generate long-term, stable returns for the Group and its shareholders.

ADDITIONAL DISCLOSURES

Principal risks and uncertainties facing by the Group

The following section lists out the principal risks and uncertainties faced by the Group. It is a non-exhaustive list and there may be other risks and uncertainties further to the key risk areas outlined below. The Group will further improve its risk management, closely monitor the following risks and seek to adopt responsive measures. This annual report does not constitute a recommendation or an advice for anyone to invest in the securities of the Company and investors are advised to make their own judgment or consult their own investment advisors before making any investment in the securities of the Company.

(i) Risks relating to macro-economic fluctuations

The Group principally operates its business in Mainland China, and macro-economic fluctuation may have material impacts, in a mid-to-long run, on economic policies, spending environment and spending power in China, adversely affecting the revenue and profitability of the Group in the future.

(ii) Risks relating changes in industry

Sportswear industry in China is competitive, consumers are increasingly concerned with their requirements for sportswear products in terms of brand reputation, fashionableness, technological functions and market segment advantages, posing more perplexing challenges to sportswear brands. Competitive differentiation will be the key for the Group to sustain growth in sportswear industry.

(iii) Risks relating to business operation

Management of internal and external business operation of the Group may be subject to a series of risks, such as increase in product cost and raw material cost, rise in labour cost, increase in sales channel, insufficiency of internal management procedure, non-compliance of key staff members and default by suppliers and distributors. In spite of measures formulated by the Group for managing such risks, the unforeseen circumstances may adversely affect the operating results of the Group.

(iv) Risks relating to investments

The Group's another principal business is investment activities which involve risks and gains. During the investment period, the Group may be subject to a number of risks, such as price fluctuation in stock markets, unfavourable changes in policies on investee industries or sectors, operational failure of investee projects, default by partners or exchange fluctuation. The Group will emphasis on risk aversion by strictly following established procedures and policies on investment decision and pro-investment management, however there is no assurance that the risks will not materialise.

Environmental policies and performance

As a well-known sportswear brand, the Group is acutely aware of the importance of the environmental, social and governance (ESG) matters for the future development of the Group. We recognize that sustainable development of our business requires our continued progress in terms of the economy, environment, and social responsibility.

For a long time, the Group is committed to becoming the champion multi-brand sportswear company in the PRC. While we develop our operation and business, management standard and work performance on environmental and social issues will be tirelessly raised so as to achieve sustainable development for the Group. For details of the Group's environmental policies and performance, please refer to the Environmental, Social and Governance report on pages 39 to 61 in this annual report.

Legal Compliance

Based on the best knowledge of Directors and management, we are not aware of any non-compliance of laws and regulations which will have a significant impact on the business of the Group.

Account of the Group's key relationships with its employees, customers and suppliers

(i) Employees

Human resources represent important strategic resources for modern enterprises that play a vital part in the improvement of management efficiency and the enhancement of productivity. As China Dongxiang Group drives forward in the fast lane of business development, great importance has been attached to the development of the human resource management system and the cultivation of high-calibre personnel.

(ii) Customers

The Group always attaches importance to product quality and strictly controls every part of the production and distribution process to ensure meeting consumers' purchase intention and their satisfaction. The Group will provide after-sale services to the distributors and the consumers in accordance with the "Law of the People's Republic of China on Product Quality", the "Law of the People's Republic of China on the Protection of Consumer Rights and Interests" and relevant rules of the Group. The Group has attached importance to protection of personal information of consumers by implementing strict requirement for confidentiality concerning personal information of consumers obtained in sales and complaints.

(iii) Suppliers

The Group insists on building an accountable supply chain and is seriously concerned with the environmental protection and management standards of its suppliers. The Group implements a strict supplier recruitment and evaluation system. A supplier which meets the recruitment conditions must have experience in manufacturing first-tier branded products both domestically and abroad and be subject to the Group's site visits and comprehensive scoring system before it can be qualified being included in our supplier list. During the year under review, the Group considered the relations with its suppliers was well and close.

FINANCIAL REVIEW

To enhance information comparability, the Group voluntarily presents unaudited financial information for the twelve months from 1 April 2018 to 31 March 2019.

The sales of the Group for the twelve months ended 31 March 2020 (the "Reporting Period") increased by 12.6% to RMB1,841 million from RMB1,635 million for the twelve months ended 31 March 2019 (the "Previous Period"). Profit attributable to equity holders for the Reporting Period decreased by 14.7% to RMB366 million from RMB429 million for the Previous Period.

Sales Analysis

Sales analyzed by geographical segments, business segments and product categories

	For the twelve months ended 31 March						
	2020			2019			
	RMB million	**% of product/ brand mix**	**% of Group sales**	RMB million	% of product/ brand mix	% of Group sales	**change**
CHINA SEGMENT							
Kappa Brand							
Apparel	**1,080**	**77.8%**	**58.7%**	878	78.6%	53.7%	23.0%
Footwear	**280**	**20.2%**	**15.2%**	219	19.6%	13.4%	27.9%
Accessories	**28**	**2.0%**	**1.5%**	20	1.8%	1.2%	40.0%
Kappa Brand total	**1,388**	**100.0%**	**75.4%**	1,117	100.0%	68.3%	24.3%
Kids' apparel business	**88**		**4.8%**	117		7.1%	-24.8%
International business and others	**64**		**3.5%**	67		4.1%	-4.5%
CHINA SEGMENT TOTAL	**1,540**		**83.7%**	1,301		79.5%	18.4%
JAPAN SEGMENT							
Phenix Brand	**202**	**67.1%**	**11.0%**	235	70.4%	14.4%	-14.0%
Kappa Brand	**99**	**32.9%**	**5.3%**	99	29.6%	6.1%	—
JAPAN SEGMENT TOTAL	**301**	**100.0%**	**16.3%**	334	100.0%	20.5%	-9.9%
THE GROUP TOTAL	**1,841**		**100.0%**	1,635		100.0%	12.6%

China Segment

Total sales of the Kappa brand business, the core business of the Group, for the Reporting Period increased by RMB271 million to RMB1,388 million as compared to RMB1,117 million for the Previous Period. The sales of kids' apparel business unit for the Reporting Period decreased by RMB29 million as compared to that for the Previous Period to RMB88 million.

In the Reporting Period, the Group continued to make dedicated efforts in consolidating the business models of "brand + product" and "brand + retail" in a bid to, on the one hand, further enhance our brand value and consolidate our brand influence by continuous refining of our products with a brand-oriented principle, and, on the other hand, continue to optimise and improve the new operation model in control and management, optimise direct operation networking, enhance store efficiency and expand the e-commerce operations so that demands from end customers are better accommodated and satisfied. In addition, the Group has continued to conduct adjustments and optimisation of its directly operated stores, resulting in 1,129 Kappa M/W stores in total. Also, there were 243 Kappa Kid's stores in total in the Reporting Period.

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

	For the twelve months ended 31 March				
	2020		2019		
	Sales RMB million	**% of sales of Kappa brand**	Sales RMB million	% of sales of Kappa brand	**Change**
Non directly-operated	**601**	**43.3%**	382	34.2%	57.3%
Directly-operated	**787**	**56.7%**	735	65.8%	7.1%
Total of Kappa brand	**1,388**	**100.0%**	1,117	100.0%	24.3%

Note: Excluding Kappa Kids' apparel business.

Sales of Kappa brand products via non directly-operated channel in China segment increased by RMB219 million to RMB601 million for the Reporting Period from RMB382 million for the Previous Period, representing 34.2% of the total sales of Kappa brand in China segment for the Reporting Period as compared to 43.3% for the Previous Period.

As at 31 March 2020, the number of directly-operated retail and distribution stores under Kappa brand operated by our subsidiaries in China reached 512. Sales via directly-operated channel increased by RMB52 million to RMB787 million for the Reporting Period from RMB735 million for the Previous Period, representing 56.7% of the total sales of Kappa brand in China segment for the Reporting Period (the Previous Period: 65.8%).

Japan Segment

Sales from Japan segment for the Reporting Period decreased by RMB33 million to RMB301 million as compared to RMB334 million for the Previous Period. The decrease in sales from Japan segment was mainly due to an increase in product returns.

Cost of Goods Sold and Gross Profit

Cost of goods sold of the Group decreased by RMB18 million to RMB703 million for the Reporting Period (the Previous Period: RMB721 million).

For the Reporting Period, our gross profit before provision for impairment of inventories increased by RMB224 million to RMB1,138 million (the Previous Period: RMB914 million). Our overall gross profit margin before provision for impairment of inventories for the Reporting Period increased by 5.9 percentage points to 61.8% from 55.9% for the Previous Period.

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

	For the twelve months ended 31 March		
	2020 Gross profit margin	2019 Gross profit margin	**Change** % pts
CHINA SEGMENT	**66.4%**	60.6%	5.8
Kappa Brand:			
Apparel	**71.9%**	67.0%	4.9
Footwear	**59.4%**	55.2%	4.2
Accessories	**80.4%**	89.5%	-9.1
Kappa Brand overall	**69.6%**	65.1%	4.5
Kids' apparel business	**52.9%**	50.4%	2.5
JAPAN SEGMENT	**38.2%**	37.4%	0.8
GROUP OVERALL	**61.8%**	55.9%	5.9

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

Gross profit margin of Kappa Brand in China segment for the Reporting Period increased by 4.5 percentage points to 69.6% from 65.1% for the Previous Period, such increase was principally due to sales recognition in full amount as a result of a transformation from wholesale model to bulk orders model.

Gross profit margin of Japan segment increased by 0.8 percentage point to 38.2% for the Reporting Period from 37.4% for the Previous Period. Such increase was mainly due to a decrease in production cost as a result of a shift to production in Mainland China.

Net gain on financial assets and others

Net gain on financial assets and others for the Reporting Period was RMB651 million (Previous Period: RMB722 million), which includes investment income of RMB567 million contributed by the investment segment as well as financial subsidies gains of RMB50 million.

Investment segment

Gain from investment segment of the Group for the Reporting Period was RMB567 million (Previous Period: RMB682 million), of which gains from fair value change of financial assets amounting RMB378 million, gain on disposal of financial assets of RMB25 million, income from distribution of financial assets of RMB93 million and interest income from external borrowings of RMB60 million.

Since 1 January 2018, the Group has adopted IFRS 9: Financial Instruments to measure our financial assets, see note 3 to the consolidated financial statements below for details.

Distribution Expenses and Administrative Expenses

Distribution expenses and administrative expenses mainly comprised employee salaries and benefit expenses, advertising and selling expenses, logistic fees and design and product development expenses. Total distribution expenses and administrative expenses for the Reporting Period was RMB1,252 million (Previous Period: RMB1,085 million), constituting 68.0% of the Group's total sales and 1.6 percentage points higher than that for the Previous Period. The Group further optimised resources allocation and improved cost structure, in a bid to enhance production efficiency subject to reasonable cost control.

During the Reporting Period, internal organizational structure was optimised and adjusted, efficiency of all staff members was further enhanced. Our overall staff costs increased to RMB192 million for the Reporting Period from RMB193 million for the Previous Period.

In the Reporting Period, advertising and selling expenses increased by RMB161 million to RMB768 million from RMB607 million in the Previous Period, principally due to revenue and fees recognition in full amount as a result of a transformation from wholesale model to bulk orders model for the Reporting Period.

As a result of optimisation and integration of warehousing and transportation by the Group in the Reporting Period, logistics and transportation fee was RMB57 million (Previous Period: RMB67 million).

In the Reporting Period, the Group continued to take a more cautious but effective approach in investment in product development, our design and product development expenses increased by RMB2 million to RMB42 million from RMB40 million in the Previous Period.

Operating Profit

In the Reporting Period, operating profit of the Group was RMB484 million (Previous Period: RMB584 million). The operating profit margin was 26.3% in the Reporting Period (Previous Period: 35.7%).

Finance Income, Net

In the Reporting Period, net finance income of the Group amounted to RMB7 million (Previous Period: finance income of RMB21 million), which mainly consisted of interest income from bank deposit of RMB9 million (Previous Period: RMB16 million), interest expenses for loans of RMB14 million (Previous Period: RMB22 million), net foreign exchange gain of RMB3 million (Previous Period: foreign exchange gain of RMB27 million) and interest expenses for lease liabilities of RMB4 million (Previous Period: nil) in the Reporting Period.

Taxation

In the Reporting Period, income tax expense of the Group amounted to RMB86 million (Previous Period: RMB160 million). The effective tax rate was 19.3% (Previous Period: 27.4%).

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

Profit attributable to equity holders of the Company in the Reporting Period was RMB366 million (Previous Period: RMB429 million), and net profit margin of the Group was 19.9% (Previous Period: 26.2%).

Earnings Per Share

The basic and diluted earnings per share were both RMB6.25 cents in the Reporting Period, decreased by 14.9% against the basic and diluted earnings per share of RMB7.34 cents in the Previous Period.

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

Final Dividend and Final Special Dividend

The Company has paid an interim dividend and interim special dividend for the six months ended 30 September 2019 of RMB0.96 cent and RMB0.65 cent per ordinary share, respectively, with a total amount of RMB95 million.

The Board of the Company has recommended the distribution of a final dividend and a final special dividend of RMB0.91 cents and RMB1.84 cents per ordinary share, respectively (totalling RMB2.75 cent per ordinary share) for the twelve months ended 31 March 2020.

The final dividend and final special dividend, subject to approval by the shareholders of the Company at the annual general meeting to be held on 19 August 2020, will be paid in Hong Kong Dollars based on the rate of HKD1.00 = RMB0.91293 being the official exchange rate of Hong Kong dollars against Renminbi as quoted by the People's Bank of China on 16 June 2020. The dividend will be paid on or about 8 September 2020 to shareholders whose names appear on the register of members of the Company on 27 August 2020.

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

The Register of Members of the Company will be closed from 25 August 2020 to 27 August 2020 (both days inclusive), for the purpose of determining shareholders' entitlements to the 2019/2020 final dividend and final special dividend. In order to qualify for the 2019/2020 final dividend and final 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 24 August 2020.

Annual General Meeting ("AGM")

The AGM of the Company will be held in Beijing on 19 August 2020. Notice of the AGM will be issued and disseminated to shareholders in due course.

To ascertain shareholders' eligibility to attend and vote at the annual general meeting, the register of members will be closed from 14 August 2020 to 19 August 2020 (both days inclusive), during which period no transfer of shares will be registered. In order to qualify to attend and vote at the annual general meeting, 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, no later than 4:30 p.m. on 13 August 2020.

Issue of New Shares to Management Personnel

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

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

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

Share Option Scheme

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

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

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

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

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

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

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

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

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

Details of the Company's Share Option Scheme can be found in the "Report of the Directors — Share Option Scheme" section set out in P. 84 to 85 of the Company's annual report for the twelve months ended 31 March 2020.

FINANCIAL POSITION

Working capital efficiency ratios

China Segment

Average trade receivable turnover days for the Reporting Period and the Previous Period were 30 days and 41 days. Decrease in number of average trade receivable turnover days was mainly due to a decrease in average balance of trade receivable.

Average trade payable turnover days in the Reporting Period and the Previous Period were 91 days and 63 days, respectively.

Average inventory turnover days in the Reporting Period and the Previous Period were 248 days and 208 days respectively, the increase in the average inventory turnover days was mainly due to an increase in average inventory balance.

Japan Segment

Average trade receivable turnover days and average trade payable turnover days were 40 days and 40 days, respectively in the Reporting Period as compared to 58 days and 53 days, respectively in the Previous Period. Average inventory turnover days were 208 days in the Reporting Period as compared to 148 days in the Previous Period.

Liquidity and financial resources

As at 31 March 2020, cash and bank balances (including long-term bank deposits) of the Group amounted to RMB2,101 million, an increase of RMB944 million as compared to a balance of RMB1,157 million as at 31 March 2019. This increase was mainly due to:

1) Payment of final and final special dividend for FY18/19 and interim and interim special dividend for FY19/20 for an amount of equivalent to approximately RMB238 million;

2) Net cash outflows from operating activities of approximately RMB110 million;

3) Cash outflows from repayment of bank borrowings of an amount of RMB723 million and cash inflows from proceeds from bank borrowings secured of RMB414 million;

4) Cash outflows from investments in financial assets of approximately RMB5,200 million, cash inflow from partial disposal of financial assets of approximately RMB6,817 million and cash inflow from loan interest, income distribution from financial assets acquired of RMB171 million and cash outflow from loans to external parties of RMB193 million;

5) Others of an aggregate inflows amount of RMB6 million.

As at 31 March 2020, net assets attributable to our equity holders was RMB10,612 million (31 March 2019: RMB10,251 million). The Group's current assets exceeded current liabilities by RMB5,943 million (31 March 2019: RMB3,357 million). The Group also had a very strong liquidity position. The current ratio as of 31 March 2020 was 8.5 times (31 March 2019: 4.0 times).

Investments in financial assets

As at 31 March 2020, the Group's current and non-current financial assets at fair value through profit or loss amounted to RMB6,946 million in aggregate, the details of which are as follows:

Listed securities:

Name	Fair value as at 31 March 2020 RMB million	Fair value as at 31 March 2019 RMB million
Alibaba	**1,166**	1,721
Other listed securities	**1,020**	920
Total	**2,186**	2,641

Private equity fund investments and other unlisted investments:

Investment projects	Fair value as at 31 March 2020 RMB million	Fair value as at 31 March 2019 RMB million
Yunfeng Fund USD II	**424**	304
Jiashi Investment Preferred Cornerstone	**364**	365
Yunfeng Fund RMB II (Yunfeng Xinchuang)	**196**	156
Yunfeng Fund RMB IV (Yunfeng Qitai)	**196**	132
Jiashi Investment Preferred Fund II.3	**178**	178
Hangzhou Hanyun Xinling (Ali new retail fund)	**133**	139
Golden China Fund	**132**	61
Yunfeng Fund RMB III (Yunfeng Xincheng)	**117**	120
Yunfeng Fund USD III	**115**	79
Hongtai Growth Fund (Angel Plus)	**108**	106
Fuqing Qisheng III	**100**	102
Jingyi Fund	**90**	90
Sequoia Capital Fund RMB IV	**81**	71
Boyu Capital RMB II	**78**	67
Others	**2,185**	2,504
Total	**4,497**	4,474

Others:

Investment projects	Fair value as at 31 March 2020 RMB million	Fair value as at 31 March 2019 RMB million
Investment products and others issued by commercial banks	**263**	337

For further details, please refer to note 3 set out in "notes to the consolidated financial statements".

Pledge of assets

As at 31 March 2020, the Group had approximately RMB400 million of shares in banks as collateral for bank loans (as at 31 March 2019: approximately RMB286 million of cash in banks as guarantee deposit for the issue of letters of credit and loans).

Capital commitments and contingencies

In June 2017, the Group entered into a limited partnership agreement with Shanghai Xianghe Chongyuan Equity Investment Fund Partnership (Limited Partnership) (上海祥禾涌原股權投資合夥企業 (有限合夥)), with a total capital commitment of RMB20 million. As at 31 March 2020, the Group paid a capital contribution of RMB14 million with remaining balance of RMB6 million as capital commitments.

In August 2017, the Group entered into a limited partnership agreement with Hangzhou Hanyun Xinling Investment LLP. (杭州瀚雲新領股權投資基金合夥企業 (有限合夥)), with a total capital commitment of RMB300 million. As at 31 March 2020, the Group paid a capital contribution of RMB171 million with remaining balance of RMB129 million as capital commitments.

In February 2018, the Group entered into a limited partnership agreement with Yunfeng Fund III (雲鋒基金III), with a total capital commitment of US$20 million. As at 31 March 2020, the Group paid a capital contribution of US$15 million with remaining balance of US$5 million (equivalent to approximately RMB38 million) as capital commitments.

Foreign Exchange Risk

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

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

Significant Investments and Acquisitions

As at 31 March 2020, the external investments were mainly the financial assets at fair value through profit or loss with a fair value of RMB6,946 million, which were the shares in Alibaba, representing over 5% of the total assets of the Company, the details are as follows:

	As at 31 March 2020				
Name of company and stock code	**Number of share held**	**Shareholding percentage**	**Investment cost**	**Fair value**	**Percentage of fair value to assets of the Group in total**
Alibaba Group Holding Limited (NYSE: BABA)	780,347	0.03%	344	1,075	9.2%
Alibaba Group Holding Limited — SW(09988.HK)	545,284	0.003%	92	91	0.8%
Total			**436**	**1,166**	**10.0%**

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

As at 31 March 2020, shares in Alibaba listed in the US with a fair value of RMB1,075 million and shares in Alibaba listed in Hong Kong with a fair value of RMB91 million, a total fair value of RMB1,166 million, were held by the Group, accounting for 10% of the total assets of the Group. During the current period, an unrealized gain on changes in fair value of shares in Alibaba of RMB183 million was recognised and a net gain on disposal of shares in Alibaba of RMB28 million was recorded by the Company. During the current period, no dividend has been distributed for shares in Alibaba.

As Alibaba continues to expand its businesses from commerce to cloud computing, digital media and entertainment, among other sectors, Alibaba has evolved into a digital economy that is unique, energetic and innovative. The Group is confident in the outlook of the economic development. The Company will continue to strike a balance between returns and risks in investments with cautious and practical attitude. We are committed to bring our shareholders steady returns without compromising on safety and effectiveness amid uncertainties in financial market.

Save as disclosed above, the Group has made no significant investment or any material acquisition or disposal of subsidiaries for the twelve months ended 31 March 2020.

INVESTOR RELATIONS REPORT

The Company has always believed that the maintenance of investor relations is a long-term systematic and important task for the Company. The Company's management and investor relations team have been committed to building strong bilateral communication channels with investors. On the one hand, we continue to help investors understand our business better, through transparent, accurate, fair and timely disclosure of our corporate financial performances and operations. On the other hand, we promote corporate integrity, self-discipline, and standardized operations, and continuously improve the Company's management and governance structure, in order to maximize corporate values and shareholders' interests.

The Company summarizes the investor relations achievements in FY2019/20 as below:

1. Results Announcement and Investment Summits:

The Company published its annual results announcement for FY2018/19 and its interim results announcement for FY2019/20 in June and November 2019, respectively. Immediately after the publication of the announcements, the Company has announced its latest business performance, future development direction and strategies in a timely manner. In addition, information in relation to its results was available on the Company's website on the same day, for investors' further inspection. Further, the Company's management and investor relations team took part in non-deal roadshows and investment summits held by investment banks, aiming to enhance our interaction and communication with global investors.

2. Ongoing Daily Communication:

In daily operation, the Company conducts multi-channel and multi-level communication with investors and analysts, which include:

- Face-to-face Meetings and Telephone Conferences:

  During FY2019/20, face-to-face meetings and telephone conferences were promptly conducted with investors and analysts for announcing operating performance of the Company in a timely manner.

- Investors Store Visits:

  During FY2019/20, according to the needs of our investors and analysts, and for them to better understand our operation, they were invited for store visits in Beijing and Guangzhou, etc.

- Company Website:

  The Company continuously and timely update the Investor Relations Section on its corporate website (http://www.dxsport.com) to disseminate the Company's relevant information, so that investors can be updated on the development about the Company. Meanwhile, the Company has an investor relations e-mail box to receive inquiries and suggestions raised by investors, and responds to them promptly.

- Phone Inquiry Services for Investors and the Media:

  The Company provides phone inquiry services for investors and the media, which are handled and answered by the investor relations department. The Company ensures smooth lines within working hours, in order to provide timely answers to various issues and inquiries from shareholders, potential investors, analysts and the media.

3. AGM:

In accordance with the Listing Rules of the Hong Kong Stock Exchange, an annual general meeting is convened regularly to discuss the Company's business strategies and investment plans equitably and transparently, in order to maintain and respect the legitimate rights and interests of all shareholders, especially for small and medium ones.

4. Prospects:

Looking ahead, spearheaded by the Company's management, we will continue devoting efforts to build positive and proactive investor relations by communicating regularly with shareholders, analysts, potential investors and public groups. We will adhere to a transparent, accurate, fair and timely manner in disseminating our latest results, and further tap into the capital market, so as to construct a long-term, stable and reasonable shareholder structure.

Meanwhile, we encourage all shareholders, analysts, potential investors to share with us their views and valuable suggestions about the Group via various channels, including mail, e-mail and telephone, to allow us to constantly improve our corporate operation and administration.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT THIS REPORT

The purpose of this report is to disclose to stakeholders the Company's work on environmental, social and governance ("ESG") matters and what it has achieved through such work. This report is prepared in accordance with Environmental, Social and Governance Reporting Guide (the "ESG Reporting Guide") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") set out in Appendix 27 of the Listing Rules of the Stock Exchange. This report should be read in conjunction with the "Corporate Governance Report" set out in our annual report as well as "Corporate Governance" and "Social Responsibility" sections on the official website of the Company.

Save as otherwise indicated, the disclosure of this report includes the Company and its subsidiaries in China. This report covers a period from 1 April 2019 to 31 March 2020.

ESG IDEALS

The Company proactively identifies and strictly complies with pertinent national and local laws and regulations, and endeavours to incorporate the ideal of sustainability into the Company's daily operations and business development. Our efforts are focused on four aspects of ESG: "quality products, care for staff, win-win coordination and environmental protection."

The United Nations ("UN") has announced the Sustainable Development Goals ("SDGs") to provide a blueprint for solving the world's social, economic and environmental issues by turning to the path of sustainable development, and to encourage all sectors to actively contribute their efforts to achieve such goals. To further define the Company's direction in sustainable development, we have identified certain UN SDGs as our priorities based on the Company's business characteristics and integrated them into our Company's ESG ideals to provide guidance for the Company's future ESG efforts.

Quality Products

We are committed to incorporating the concept of sustainability into our product design and production processes and advocating the idea of healthy living. We persist in conducting our operations in a responsible manner with the firm belief that we could only foster a positive brand image by supplying quality products to consumers. We have developed a sound regime for product quality and service management to facilitate the provision of quality products to consumers. Meanwhile, we are highly concerned with consumers' demands and the protection of their privacy as well as the protection of intellectual property rights, ensuring that advertising and label management is conducted in a responsible manner.

Caring for Our Staff

We cherish, value and respect each and every employee. We have established a comprehensive system for remuneration, benefits and training and provided a sound pathway for staff promotion. We regard staff individuality and creativity highly and seek to build a team full of passion and energy and underpinned by equality and diversity.

Win-win Coordination

Long-term win-win cooperation with our business partners is always a matter of top priority for us, who are committed to long-term cooperation with other enterprises and social groups to achieve win-win results and co-development. We have developed a sound regime for the management of suppliers to afford better assurance for our product quality, and we provide suppliers with training in environmental and social management and guidance for best practices to help our partners further identify and control environmental and social risks. We also endeavour to foster a corporate culture and context for cooperation characterised by integrity, honesty and impartiality. In places where we operate, we actively connect with the local communities and embark on charity programmes according to their needs.

Environmental Protection

We place a strong emphasis on environmental protection and actively promote reduction in energy consumption and emission with an aim to reduce our operational consumption and minimise the impact of our product on environment and natural resources. We are engaged in consistent efforts to improve our management measures and policies for environmental protection and promote the implementation of environmental protection among our staff through advocacy and education.

SUMMARY OF OUR SUSTAINABILITY ACTIONS

In vigorous support of the SDGs and China's National Plan on Implementation of the 2030 Agenda for Sustainable Development, we have taken the following actions in relation to the SDG priorities that we have identified.

SDGs	China's National SDG Plan[1]	Our sustainability actions
3 GOOD HEALTH AND WELL-BEING	• To promote fair and accessible basic medical and health care.	• Caring for staff health and safety by providing medical insurance and other assurances for staff health and safety. • Responding in an active manner to the government's call for fighting the epidemic.
5 GENDER EQUALITY	• To enhance awareness of gender equality across all sectors in the community and to eliminate all forms of discrimination and prejudices against women and girls.	• Fostering a fair and impartial workplace, resolutely oppose gender discrimination and provide equal opportunities for female employees.

[1] Extracted from China's National Plan on Implementation of the 2030 Agenda for Sustainable Development.

SDGs	China's National SDG Plan[1]	Our sustainability actions
8 DECENT WORK AND ECONOMIC GROWTH	• To ensure economic growth at medium- to high-speed and to procure medium to high-end industrial development. • To curb illegal acts and crimes such as child labour and forced labour in accordance with the law and to protect, in particular, minor workers aged between 16 and 18. • To safeguard the proper rights of workers, such as reward for labour, rest and leaves and social insurance. • To improve the employment and business venture service regime and implement the lifelong vocational skills training system.	• Engaging in active business expansion and development and seek co-growth with partners, contributing to economic growth and providing more quality jobs for the community. • Improving the employee candidate information identification system on an ongoing basis and exercise stringent vetting of the age of employee candidates in resolute prohibition of the employment of child workers. • Protecting the lawful rights of staff by developing sound systems for recruitment, remuneration and holiday leaves to assure the provision of reasonable benefits. • Developing a staff training regime for the support of staff development and growth.
10 REDUCED INEQUALITIES	• To establish a fairer and more sustainable social insurance system with ongoing improvements to strengthen protection of the rights of social groups such as women, minors and the disabled.	• Launching charity programmes with a special concern for the development of sports and healthy growth of teenagers in remote areas. • Promoting the "Light the Star Programme" in association with various organisations to help with the development of autistic kids.
12 RESPONSIBLE CONSUMPTION AND PRODUCTION	• To adjust the economic structure and transform the approach of development, making a major effort to drive sustainable production. • To control the total volume of energy consumption and drive the optimisation of the mix of energy utilisation for a substantially higher level of reuse of energy resources.	• Taking into full consideration the utilisation rate for raw materials in the course of product design, maximising the use of raw materials and minimising the generation of scrap materials in the production process. • Prioritising the use of reusable packaging materials and avoid the use of one-off packaging materials. • Establishing a supplier management regime concerned with ESG risks associated with supply chains.

SDGs	China's National SDG Plan[1]	Our sustainability actions
13 CLIMATE ACTION	• To procure promotion and education relating to climate change and environmental protection, disseminate knowledge in climate change and the concept of low carbon development, and guide active participation by the public in actions addressing climate change.	• Encouraging green office, actively promote the conservation of resources and environmental protection, and enhance staff awareness of environmental protection.
16 PEACE, JUSTICE AND STRONG INSTITUTIONS	• To rectify and investigate in a resolute manner misconduct and corruption practices that infringe upon public interests, ensuring stringent execution at each level of management to enhance accountability.	• Formulating systems for the management of anti-corruption measures, such as the "System for the Countering of Improper Competition and Business Bribery and foster a corporate culture characterised by integrity, honesty and impartiality to procure compliance and integrity in management and operations.

OUR ESG STRUCTURE

In order to implement the Company's ESG ideal more effectively, we have established a trans-departmental ESG structure covering all operating branch companies for the management of the Company's ESG endeavours. The Board is responsible for supervising and reviewing the Company's ESG policies, performance and reporting. The ESG-related departments under the Company's headquarters, the regional operating regional branch companies and the Taicang Factory are responsible for the practical management of ESG-related matters and the launch of specific ESG initiatives, including the implementation of ESG-related measures, to ensure that the efficient and orderly conduct of ESG and the protection of ESG data, among others.

COMMUNICATION WITH STAKEHOLDERS

We attach great importance to communication with stakeholders and see the views and demands of stakeholders as an important driving force for our ongoing improvements in ESG management. We actively engage with stakeholders through multiple channels to understand and respond to their needs in a timely manner. Meanwhile, we also take into account the views of stakeholders as an important factor for consideration in the Company's business management and strategic planning. Based on the characteristics of its business, the Company has identified the government and regulatory authorities, shareholders and investors, employees, suppliers and distributors, consumers, as well as community and the public as its major stakeholders. Based on our communication with the stakeholders, the ESG concerns of our major stakeholders, our channels for communicating with them and our response to their concerns are set out as follows:

Major stakeholders	Primary expectations and concerns	Major means of communication	Our response
Government and regulatory authorities	Compliance with laws and regulations Operational compliance Anti-corruption	Execution of policies and laws and regulations Correspondence with government authorities Information disclosure On-site inspection	Compliance with laws and regulations Placing ourselves under supervision and management Establishing a sound corporate governance regime
Shareholders and other investors	Corporate governance Return on investment	General meetings Regular financial reporting Official website Results announcement	Establishing a sound corporate governance regime Enhancing risk management standards on an ongoing basis Conducting regular information disclosure Striving to improve operating results
Employees	Remuneration and benefits Career development Health and safety Work-life balance	Corporate events Staff opinion poll Staff meetings Internal corporate announcements Mechanism and channel for staff feedback Trade union	Establishing a staff management system Bringing into play the role of the trade union Ensuring a smooth channel for communication Safeguarding staff rights Organising staff activities
Suppliers	Management of suppliers Sunshine procurement	Interviews Evaluation of suppliers Relevant meetings Negotiations for strategic cooperation	Conducting procurement in a fair and impartial manner Establishing a sound supplier management mechanism Fostering long-term win-win partnerships

Major stakeholders	Primary expectations and concerns	Major means of communication	Our response
Consumers	Product responsibility Protection of customer privacy	Customer service hotlines Interviews Consumer satisfaction poll Reward for consumers Daily operation/ engagement Mechanism and channel for complaints and response	Conducting product quality management Enhancing service quality Protecting consumer rights Establishing mechanisms for customers' complaints and response
Community and the public	Operational compliance Community welfare Environmental protection	Community activities Support for community projects Daily operation Questionnaire	Conducting volunteer programmes Conducting community donations

MATERIALITY ANALYSIS

We have conducted a materiality analysis on the 11 aspects covered by the ESG Reporting Guide of the Stock Exchange based on corporate characteristics, benchmarking research on domestic and overseas peers, recommendations of the management and opinions of experts, and have adopted the outcomes of such analysis as references to provide a guide for the direction of subsequent actions and efforts, in order to ensure that the reflection of the expectations of stakeholders in our actions and reports. The steps and details of our major efforts are set out as follows:

Main steps	Details
Identifying relevant ESG issues	The Company identifies major, relevant ESG issues based on its current business characteristics and the future direction of its business development.
Evaluating material issues for major stakeholders	Based on day-to-day business operation, the Company's business characteristics and communication with stakeholders during the course of business and with reference to material issues identified by peers, relevant ESG issues are analysed with respect to their materiality and ranked accordingly.
Confirming material ESG issues	Based on the outcomes of the materiality analysis for relevant ESG issues, material ESG issues are identified and adopted as the reference for the preparation of this report and the direction of the Company's next moves.

Based on the outcomes of the analysis and identification of material ESG issues, at the current stage, the most material issues for the Company, in comparative terms, include: product responsibility, staff employment, health and safety and development and training; material issues next in order include: labour standards, anti-corruption, emissions, use of resources, supply chain management and community investment; the impact of the Company's business on the environment and natural resources is a relatively immaterial issue. The outcomes of the materiality analysis are set out in the materiality matrix below.

China Dongxiang ESG Materiality Matrix

SUPPLYING QUALITY PRODUCTS THROUGH RESPONSIBLE OPERATIONS

In line with its mission of "creating a most sought-after sports and lifestyle brand", the Company is committed to providing a variety of quality products to young consumers. We exercise stringent control over our product quality and implement solid measures to protect consumer rights and safeguard the security and privacy of consumer information. Moreover, we govern our advertising practices with rigorous rules while protecting our intellectual property rights with resolute efforts, such that consumers can be assured that they will get quality products and services when they buy from us. In the meantime, we seek to develop a culture of integrity in the course of business development, in a bid to create sound conditions for the development of our Company.

OPTIMISING OUR PRODUCT QUALITY

Product quality is the cornerstone of a brand's success, and the supply of quality products is a creed to which we are firmly committed. We stringently comply with national standards such as the *National General Safety Technical Code for Textile Products* (GB 18401–2010) and *Casual Wear* (FZ/T 81007–2012) in the development, manufacturing and quality inspection of products to assure product quality and safety. Meanwhile, we have formulated the "*Dongxiang Group Operational Manual for (Footwear) Sample Development*", "*Dongxiang Group Operational Manual for (Footwear) Technology and Production*" and other pertinent corporate standards for strict implementation, providing regulation over the process standards and requirements for all sections from product development to mass production.

We exercise stringent control over product quality at all stages:

In the course of product design, we focus on control over the safety of materials, by conducting physical properties test and inspection on the materials used and evaluation of the safety performance of the products being designed to prevent the occurrence of any safety problems when the products are put to use.

In the course of product random sampling, safety evaluation on the risks of products in use is conducted jointly by the product design department, production department and sales department, and user testing by internal staff members are arranged to identify and solve any problems at an early stage. During the manufacturing of products, we require pre-production samples to be sent by the factories to the Company for confirmation. Production may not commence until the sample products have passed performance test.

Upon completion of the production process, a development and production officer will be sent to the factory for the inspection of product quality. Following the transit of the ordered products to the logistics department, the warehouse QA officer will carry out random inspection in accordance with relevant standards to ensure compliance with stipulated requirements in product quality and rigorously prevent defective products from being made available for sale. For defective products returned by retail stores, we will conduct an analysis of the quality problem and send a copy of such analysis to the factory in writing, urging the factory to consistently improve its product quality.

SAFEGUARDING CUSTOMERS' RIGHTS

The Company safeguards customers' rights by enhancing the quality and standard of its customer services, observing regulated procedures for handling customers' complaints and protecting the security of consumers' information and privacy in strict accordance with the Law of the People's Republic of China on Protecting Consumers' Rights and Interests, E-commerce Law of the People's Republic of China and the Cyber Security Law of the People's Republic of China and Interests and other pertinent laws and regulations.

The Company has formulated the Operating Procedures for Customer Services to enhance and regulate the management of consumer satisfaction. The study of the procedures forms a compulsory component of the pre-job training of the Company's customer service department, the examination on which a customer service personnel must pass before being officially admitted to the position. We have also established a mechanism for pro-active services to conduct proactive tracking, proactive communication, timely remedy and appropriate client review in relation to customers' orders, summarising and analysing issues raised in consultation with customers and their feedback on a regular basis and offering advanced services to selected customers to solve customers' consultation and feedback ahead of time. Moreover, we have formulated the Procedures for Handling Customers' Complaints to enhance and regulate the management of customers' complaints. In respect of matters under complaint for which the Company should be held responsible, we perform after-sales services in strict compliance with the national policy of three warranties and seek to satisfy the demands of consumers with different solutions such as proactive payment of monetary compensation or free return or replacements of goods. In case of material product complaints, the issue will be taken to the officer in-charge of the channel in order to respond to the complaints in a quicker and more effectively manner. To better supervise the quality of our after-sales services, we have formed a customer service quality assurance (QA) team to inspect the records of and rate our customer service reception.

To avoid divulgence of consumers' information to the greatest extent possible, we upgrade our management system for online shopping orders on a constant basis, while sensitive data of our members, such as mobile phone numbers and identity information, are encrypted and subject to access control. Electronic receipts that can hide the private information of the recipients may be used in orders delivered by courier service providers to further reduce the possibility of the leakage of consumers' personal information. Employees and third-party companies with access to sensitive data are required to sign a confidentiality agreement and we will supervise the implementation of relevant information confidentiality standard, so as to offer comprehensive protection for the safety of consumers' personal information and privacy.

REGULATING TRADEMARK MANAGEMENT

In strict accordance with the Trademark Law of the People's Republic of China, Patent Law of the People's Republic of China, Regulations for Product Logo and Marks and other pertinent laws and regulations, the Company has formulated the Measures for the Management of Product Logos and Marks and established a complete file for its trademarks, exercising stringent control over the use of trademarks, printing of logos and production of anti-counterfeit codes.

To protect the trademark rights of the Company, we have actively conducted the registration and renewal of our trademarks and patents. To avoid infringement of third-party intellectual property rights, trademark design requirements submitted by various departments are subject to endorsement and vetting by the Company's legal department in accordance with pertinent laws and regulations as to the source and creativity of the designs. In FY2019, we successfully completed 13 trademark registrations, 624 trademark renewals and filing of 65 permissions for use of trademarks.

While avoiding infringement of third-party intellectual property rights, we are also actively engaged in the protection of our own trademark rights to safeguard our Company's interests. We encourage our staff members or agents to report and furnish evidence of any counterfeit of our Company's trademarks to our legal officers. Upon receipt of such information, our legal officer will contact the production department or sales department in a timely manner for verification and confirmation. Once it is confirmed that such trademarks have not been duly authorised by the Company, the legal officer will request the production department to verify the authenticity of the products. If such products are proved to be counterfeit through the verification process, we will appoint an agent to file a complaint with the authorities for industrial and commercial administration.

ENHANCING COMPLIANCE IN ADVERTISING

The Company exercises stringent management over its advertising practices in strict accordance with the Advertising Law of the People's Republic of China and other pertinent laws and regulations. We have formulated systems and processes for the vetting of the contents of materials advertising and promoting our products, under which untruthful statements or exaggerated advertising are strictly prohibited. Actions will be taken in a timely manner to rectify any violations reported. Meanwhile, any individual or enterprise which has publishes advertisements or other promotional materials in the name of the Company without approval or authorisation will instantly be held legally liable. In connection with advertising and promotion, we have consistently adopted an approach of decentralised management under a centralised leadership based on the principles of truthfulness and lawfulness, whereby only authorised materials may be used and the use of typefaces or graphic materials prior to the purchase of their copyrights is strictly prohibited. In connection with the placement of commercials, we have adopted a project accountability system, under which designated personnel responsible for the truthfulness and lawfulness of the advertising contents and for the prevention of any illegal and false advertising are appointed to manage the placement of commercials.

REGULATING LABELLING INFORMATION

The Company attaches great importance to the transparency and level of regulation of labelling information. Through simple and easily comprehensible product labels, we help to guide consumers towards reasonable spending and enhance their confidence in the brand. In strict compliance with Textiles — Care Labelling Code Using Symbols (GBT8685–2008), Instructions for Use of Products of Consumer Interest — Part 4: Textiles and Apparel (GB5296.4–2012) and other pertinent national and industry standards, we enable consumers to clearly identify and understand product information.

FOSTERING THE CULTURE OF INTEGRITY

We have formulated the System Against Improper Competition and Business Bribery to safeguard the systematic development of our Company's business and establish a business image of integrity and fairness in strict accordance with pertinent laws and regulations such as the Company Law of the People's Republic of China, Anti-Unfair Competition Law of the People's Republic of China and Anti-Money Laundering Law of the People's Republic of China. In FY2019, the Company established a new system relating to departure audit, requiring the Company's internal audit department to complete an audit on all management personnel at the manager or director grade or above of important departments who are leaving their positions within 60 days after their transfers (including resignations and re-assignments to other positions) to inspect whether such management personnel have performed their duties properly during their tenures and whether there have been management loopholes, as part of the effort to enhance the Company's drive for integrity. The Company was not aware of any material breach of laws and regulations pertaining to corruption, fraud and money laundering during the reporting period.

All employees are required to follow the principles of integrity and honesty and act in line with accepted business ethics in our daily operations. During the regular audit sessions of subsidiaries, training sessions on anti-corruption, anti-bribery and anti-money laundering are held for the principal officers and relevant financial personnel. We encourage and support all employees to monitor the occurrence of any incidents unfair competition or business bribery. An employee may choose to report such incident to his/her immediate supervisor in the reporting line of the unit he/she works with, or directly report it to the Company's internal audit department. The interests of any employee who voluntarily exposes or reports any improper conduct will be rigorously protected by the Company. The Company's internal audit department will carry out rigorous screening of the reported incidents, and the Company reserves the right to press for criminal or civil liabilities in accordance with the law against any acts in violation of national laws and regulations.

Equally concerned with integrity in procurement, we have established an open, fair and impartial tender process for the appointment of suppliers in a resolute effort to prevent any instances of fraud or pursuit of personal gains with the tender department. We have formulated the Cash Expenditure Regulation and the Gift Management Regulation which sets out the Company's standards and approval process for giving gifts. Employees are required to avoid the development of any relationships involving personal interests with third-party entities which they deal with in their capacity as our staff. In the event that an employee has any family members or relatives working with such entities, he/she must inform his/her immediate supervisor of such relation and avoid any direct or indirect involvement in any business activities with the said entities.

A PEOPLE-ORIENTED APPROACH: CARE FOR STAFF

We always treasure, value and respect talents. The Company has formulated a range of human resources management systems for stringent implementation and established a comprehensive staff remuneration regime as part of its effort to regulate and enhance human resources management, develop a sound regime for staff rights and protection, and care for the health, safety and comprehensive development of staff.

EMPLOYMENT AND LABOUR STANDARDS

We strictly comply with laws and regulations such as the Labour Law of the People's Republic of China, Labour Contract Law of the People's Republic of China, Social Insurance Law of the People's Republic of China, Law of the People's Republic of China on the Protection of Minors, Law of the People's Republic of China on the Protection of Women's Rights and Interests, Regulation on Work-Related Injury Insurances, Special Rules on the Labor Protection of Female Employees and Provisions on Minimum Wages of various local regions. To establish and improve the Company's system for staff employment and protection of labour interests, we have formulated rules and regulations around the recruitment management and employment turnover management. Improvements are made to our new employee information identification system on an ongoing basis and stringent vetting of the age information of hired personnel is carried out to prohibit child labour and forced labour. We conduct our staff recruitment and manage staff turnover in accordance with the requirements of laws and regulations and relevant institutions. We have established internal rules and regulations such as the Benefit Management Regulation, Remuneration Management Regulation, Attendance Management Regulation and Promotion Management Regulation to specify provisions on staff benefit, remuneration, working hour and promotion, among others. In adherence to the principles of mutual respect, fairness and impartiality, all staff members and job applicants are offered equal opportunity in employment and promotion. Direct or disguised forced labour is avoided and all religious faiths are treated with respect, as we are resolutely opposed to any acts of discrimination based on gender, race, religion or otherwise. As at the end of financial year 2019, the Company headquarters had 327 employees, 323 of which were based in China.

Employment indicators for FY2019

	Indicator	Headcount
Total staff headcount by gender	Total number of male staff (person)	135
	Total number of female staff (person)	192
Total staff headcount by age	Total number of staff aged above 50 (person)	8
	Total number of staff aged between 30–50 (person)	268
	Total number of staff aged below 30 (person)	51

HEALTH AND SAFETY

To safeguard staff health and safety, the Company is committed to the provision of a safe and healthy workplace for staff in strict accordance with pertinent laws and regulations, such as the Labour Law of the People's Republic of China, Law of the People's Republic of China on the Prevention and Treatment of Occupational Diseases, Regulation on Work-Related Injury Insurances and Fire Control Law of the People's Republic of China. During the reporting period, there was no material breach of laws and regulations pertaining to staff health and safety by the Company.

In connection with production safety, the Company has established an occupational health and safety system which requires the workshop production staff of all plants to be equipped with protective gear in a uniform manner. Production safety supervisors are appointed to conduct periodic inspection and rectify any irregularities in safe production operation and incorrect use of labour safety gear. All plants are subject to fire safety inspection in accordance with regulations and fire drills are conducted to enhance staff awareness in safety and protection as well as their ability in self-rescue, with a view to minimising risks of production safety and fire safety

In connection with the physical and mental health of staff, the Company has purchased specific health check products for staff of both genders and different age groups. Annual health check for staff is organised on a regular basis to help staff identify and manage any personal health problems in a timely manner. We invite experts to deliver talks on health topics based on staff suggestions to provide them with general health knowledge as well as timely answers to their worries regarding physical and mental health. The Company has also set up a fitness centre and an aerobics club for the exclusive use by its staff to encourage fitness exercises during off hours, so that staff may strengthen their physical health while letting off pressure and brightening up moods.

During the outbreak of COVID-19 in 2019, the Company prioritised the protection of staff health by providing them with sufficient quantities of protective masks and hand-rub sanitisers, taking their temperature three times a day during working days in the morning, at noon and in the evening, and tweeting tips on psychological well-being via online platforms to alleviate any anxiety that employees might feel during such trying times. In addition, the Company has put in more effort to carry out more frequent disinfection and cleaning of public areas, in order to provide clean and hygienic workplaces where staff feel safe and assured.

DEVELOPMENT AND TRAINING

The Company has been consistently strengthening its team of talents in firm adherence to an employee-centric philosophy of development. In line with our commitment to co-growth and development for the employees and the Company, we have developed a range of training systems, including the Training Management System, System for the Management of Training of New Employees and System for the Management of External Training, among others. We have developed an excellent platform for career development programmes for the provision of a diverse range of training courses tailored to the requirements of staff of different job positions and grades. The job-specific skills and personal qualities of staff will be comprehensively and rapidly enhanced through these training programmes to meet the requirements of the Company's business and future development. In FY2019, induction training was provided to a total of 163 new employees at the Company headquarters and regional subsidiaries, each of them having spent an average of 3 hours in training.

Dongxiang induction training for new employees 2019

CARING FOR STAFF

We organise a rich variety of staff activities to enhance the sense of well-being and participation among staff and to make them feel happy and contented.

Festive and birthday celebrations

We organise themed activities for staff upon festivals such as the International Women's Day, the Labour Day and Christmas, and we also host birthday parties for staff on a regular basis. Through heartwarming festive celebrations, we show our care for and sincere gratitude to our staff who have served our Company diligently over the years. Such activities have enriched the inspirational life of our staff and enhanced their sense of belonging.

Birthday party at our Changsha subsidiary

"Christmas With You" Christmas activities at our Nanjing subsidiary

Cultural and sporting activities

In FY2019, we have organised a range of sporting events for staff, such as Dongxiang Star Basketball Tournament, Taishan Marathon Race and Dongxiang Badminton Tournament. We have also arranged a rich variety of cultural activities such as Dongxiang Karaoke Singing Contest 2019 and the Company Annual Gala. The cultural and sporting activities organised by the Company are very popular among staff, having provided them with rich and exciting experiences and effectively enhanced their sense of well-being and satisfaction.

Dongxiang Star Basketball Tournament 2019

Dongxiang staff taking part in Taishan Marathon Race

Team building activities

Each year, we would organise a wide range of team building activities for staff. Such activities provide an opportunity for staff to get together and familiarise with each other in a casual and pleasant setting. Team building activities with rich and solid contents have enhanced the sense of corporate identity and belonging on the part of our staff, while fostering a close bond among them through constructive fun activities.

Team building activity of our Nanjing subsidiary at Qiandao Lake in July 2019

Team building activity of our Tianjin subsidiary in FY2019

Staff participants at Dongxiang Karaoke Singing Contest 2019

Dongxiang Company Annual Gala FY2019

WIN-WIN COOPERATION AND FULFILLMENT OF SOCIAL RESPONSIBILITY

As a leading retailer of international sportswear in China, we place a strong emphasis on the management of suppliers and are committed to driving mutual growth with our partners along the value chain. We are also mindful of rewarding the society in a manner unique to our enterprise, as we strive to attain win-win development with the communities in which we operate.

SUPPLY-CHAIN MANAGEMENT

We have established an effective supplier management regime underpinned by rigorous implementation of rules and regulations for the management of suppliers to ensure consistency in product quality, so as to supply premium products to consumers on an ongoing basis. In addition to developing long-term, stable partnerships with suppliers, we are also enhancing our management of the environmental and social risks associated with suppliers.

Managing the admission of suppliers In connection with the admission of suppliers, we only consider enterprises that are experienced in manufacturing for first-tier domestic or international brands, and such suppliers will only be qualified for inclusion in our supplier list after the Company's on-site inspection and overall evaluation. A supplier's performance in environmental and social risk management represents a key area of concern in our evaluation for admission:

- Environmental risk management: we examine and select suppliers who are in compliance with the requirements of pertinent environmental laws, regulations and standards. For example, we conduct investigations to see whether processes generating heavy pollution, such as printing, dyeing and spraying, are carried out at a supplier's factory in a manner compliant with national and local environmental standards and whether they have undermined the environment. If there are any violations on the part of the supplier, we will demand rectification within a designated timeframe, failing which we will termination cooperation with such supplier. We are in control of the environment-friendliness of our materials.

- Social risk management: we are highly concerned with the capacity management, labour compliance and health and safety management of suppliers. We make judgments on the existing workforce, production lines and equipment of a supplier to assess whether the capacity of such supplier can assure stable supply of products. The supplier's performance benchmarks in workhour management, remuneration and benefits and staff training are also included in our assessment. In the meantime, we assess the current ability and standard of the supplier in health and safety management through on-site production safety inspection at its factories.

Evaluation of Our Suppliers

During the period of cooperation with suppliers, the Company would appoint dedicated personnel to station at the suppliers' factories. They would monitor the performance of the suppliers in aspects such as workers' employment and production safety, and quarterly appraisals and reviews will be conducted. The quarterly rating of the supplier on social responsibility will be recorded in the general appraisal benchmarks for such supplier and will have a bearing on its overall appraisal. We seek to procure ongoing improvements in suppliers' performance in social responsibility through the aforementioned arrangement.

Empowering Our Suppliers

We organise regular on-site training and training for supply-chain management personnel on an annual basis to enhance the management capability and business competence of the Company's supply-chain managers, regulate our quality standards and quality management processes, share our experience on product quality management, and enhance the job skills of our production staff.

In FY2019, our production personnel stationed at factories conducted random inspection of incoming products at a warehouse in Wuhan

In June 2019, our development and production personnel stationed at factories conducted audit at a supplier's site

While engaged in business development, the Company also persists in serving and rewarding the society in active fulfilment of its corporate social responsibility. We take heed of the impact that our business activities might have on the neighbourhood, and we drive the development of a community by engaging with its members and listening to their expectations. In 2019, we organised a wide range of sporting and community welfare programmes by leveraging our own strengths and business characteristics, in an effort to advocate the sporting spirit to the community and drive the development of sports.

"No boundary for charity — fulfilling the dream of sports"

As a leading sportswear brand, we are closely monitoring the development of sports and the healthy growth of youngsters in remote areas. In 2019, Company subsidiary Kappa launched a community welfare programme under the theme of "No boundary for charity — fulfilling the dream of sports" in association with the Tibet Autonomous Region Sports Federation and donated 5,000 pieces of Kappa outfits with a total worth of more than RMB7 million to the youngsters and teenagers in Tibet, in a contribution to the development of youth and teenage sports in Tibet.

"Light the Star"

In 2019, Kappa launched the "Light the Star Programme" in association with various organisations to help with the development of kids suffering from Autism Spectrum Disorder (ASD) and seek improvements to the living conditions of ASD patients and their families. During the activity, Kappa brought its business strengths into play by making creatively themed temperature tees featuring paintings created by the ASD kids. A part of the revenue from the sale of such products was donated to fund initiatives seeking rehabilitation for ASD children through art. Through this effort, we hope to empower these unique kids, so that they might find in art a genuine form of production in the future.

Fun community activities

In May 2019, the Hangzhou subsidiary of the Company organised a community welfare outward bound activity at Xihu, during which staff members of the Hangzhou subsidiary were divided into groups in several contests, including a finale painting competition. The creative works of the teams were then auctioned and the proceeds received were used to purchase Kappa sun hats as gifts for the sanitary workers as a token of appreciation for these hardworking cosmeticians of the city on a hot summer day.

Members of staff participating in a community welfare outward bound activity at Xihu (L) and posing with sanitary workers (R).

Supporting frontline workers in the battle against COVID-19

Since the occurrence of the Epidemic, the Group has determinedly borne its corporate social responsibility to support the infection control and prevention of the Epidemic. The Group, together with KAPPA and PHENIX, two of its brands, made a donation of RMB6 million to China Charity Federation through Shanghai Kappa Sporting Goods Co., Ltd., a subsidiary of the Company, to fight spread of the novel coronavirus infection in Hubei. The donation will be used for, among others, taking infection prevention and control measures, purchasing personal protective equipment for healthcare workers, supporting frontline hospitals fighting against the Epidemic and providing healthcare workers the cash relief.

PROTECTING THE ENVIRONMENT THROUGH GREEN OPERATION

While our business activities do not have any material impact on the environment and natural resources, we are nevertheless deeply aware of our own environmental responsibilities, as we actively contribute our efforts towards energy conservation and emission reduction. In strict accordance with the Environmental Protection Law of the People's Republic of China, Energy Conservation Law of the People's Republic of China, Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste, Water Pollution Prevention and Control Law of the People's Republic of China, Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution and other pertinent laws and regulations, we have firmly implemented the green office and adopted a range of measures in energy conservation and emission reduction to minimise the environmental impact of our business operations.

CONSERVATION OF RESOURCES

The Company actively promotes the idea of the green office with the implementation of an extensive range of environmental measures, including power conservation, energy-saving temperature controls in common areas, water conservation and paper conservation, among others. In FY2019, we recorded decreases in the volumes of energy consumption in offices per capita, energy consumption in offices per square metre, water consumption per capita and non-hazardous wastes per capita.

External purchase of electricity and petroleum consumption of corporate vehicles represent the major sources of energy consumption in the Company's operations. We are vigorously engaged in initiatives to conserve energy and reduce emissions, as we downsize our carbon footprint by saving power, managing the use of corporate vehicles and reducing energy consumption. During the year, we further enhanced our management of the use of electricity. We encourage the practice of "turning off lights when not in use" and maximum use of natural daylight in place of interior lightings whenever good natural light is available. In connection with air-conditioning, the room temperature of our office should be set at no lower than 25℃ in summer, while in spring and autumn we keep air conditioning off. Doors and windows should be closed whenever air-conditioning is turned on, while it should be turned off 5 minutes before the end of office hours. In connection with electronic equipment, computers, copiers and printers which are idle for a long time should be switched off wherever possible. We encourage our staff to travel by public transportation and exercise stringent management over the use of corporate vehicles.

To conserve water resources, motion sensor faucets are installed in common areas to control water consumption. Water conservation measures such as "turning off water supply during off hours" and "recycled use of water". When we order drinking water, we limit the number of bottled-water per order to avoid waste as a result of excessive consumption.

Since FY2013, we have been using FSC (Forest Stewardship Council)-certified paper for the printing of our annual and interim reports. In our daily operation, we encourage the practice of the paperless office by promoting the use of online office software. Our printers are set to double-sided printing by default, while all invoices are printed on a half-size paper. We advocate the use of smaller font sizes wherever possible for printing to minimise the amount of paper required. A paper recycling area has been set up at our office to provide recycled paper for use by staff who need it. We also reduce the use of paper by replacing paper-based documents with electronic documents or emails whenever practicable.

REDUCTION OF WASTES

During the year, the Company continued to adopt a variety of measures to reduce the generation of wastes in adherence to the "low-carbon" environmental principle.

In connection with production, the utilisation rate of raw materials is taken into full consideration during the stage of product design, with a view to maximising the use of raw materials and minimising the waste of fabric leftovers in the production process. In the meantime, we give priority to the use of reusable paper boxes for the dispatch of goods to reduce wastage.

In connection with the management of obsolete electronic products, we retain and reuse components of obsolete electronic products which are still usable, so as to reduce the generation of wastes. We appoint qualified recycling service providers to conduct collection and recycling of obsolete electronic products.

In connection with wastes generated by the office, we implement centralised procurement of bottled drinking water to minimise the number of waste bottles. Meanwhile, we encourage our staff to bring their own cup to reduce the consumption of disposable paper cups.

Hazardous wastes generated in the production operations of the Company comprise mainly toner cartridges and ink boxes. We have formulated detailed procedures for the handling of hazardous wastes, which will eventually be handled by qualified third parties.

TABLE OF ENVIRONMENTAL KEY PERFORMANCE INDICATORS

Scope of environmental statistics includes the data of the Company and its subsidiaries in the mainland of China (excluding the outlets).

Emissions

Indicators	Performance for FY2019
Total greenhouse gas emissions (scopes 1 and 2) (in tonnes)	1,445.99
Direct emissions (scope 1) (in tonnes)	31.07
Petrol	22.82
Diesel	8.25
Indirect emissions (scope 2) (in tonnes)	1,414.92
Purchased electricity	1,414.92
Greenhouse gas emission intensity (in tonnes/person)	1.52
Greenhouse gas emission intensity (in tonnes/m^2)	0.06
Total hazardous wastes (in tonnes)	0.1
Hazardous wastes per capita (in tonnes/person)	0.0001
Total non-hazardous wastes (in tonnes)	26.98
Non-hazardous wastes (in tonnes/person)	0.03

Notes: 1 Due to its business nature, the significant air emissions of the Company are greenhouse gas emissions, arising mainly from the use of electricity and fuels generated from fossil fuels.

2. Greenhouse gas inventories encompass carbon dioxide, methane and nitrous oxide, mainly resulting from purchased electricity and fuels. Greenhouse gas accounting is presented in carbon dioxide equivalent in accordance with 2017 Baseline Emission Factors for Regional Power Grids in China issued by the Ministry of Ecology and Environment of the People's Republic of China and the 2006 IPCC Guidelines for National Greenhouse Gas Inventories issued by Intergovernmental Panel on Climate Change (IPCC).

3. Hazardous wastes involved in the operations of the Company primarily include waste toner cartridges and ink boxes.

4. Non-hazardous wastes involved in the operations of the Company primarily include office waste, leftover materials and waste electronic equipment. Office waste is disposed of collectively by property management companies, while leftover materials and waste electronic equipment after approval are recycled and disposed of by recyclers.

Consumption of resources

Indicators	Performance for FY2019
Total energy consumption (in MWh)	2,243.35
Direct energy (in MWh)	124.58
Petrol for corporate vehicles	93.20
Diesel for corporate vehicles	31.38
Indirect energy (in MWh)	2,118.77
Purchased electricity	2,118.77
Energy consumption per person in offices (in MWh/person)	1.28
Energy consumption per unit of area in office buildings (in MWh/m^2)	0.069
Energy consumption per unit of area in warehouses (in MWh/m^2)	0.0086
Energy consumption per RMB 'million of revenue of Taicang factory (in MWh/RMB million)	10.4
Water consumption (in tonnes)	31,707.13
Water consumption per capita in offices (in tonnes/person)	8.52
Water consumption per RMB million of revenue of Taicang factory (in tonnes/RMB million)	207.24
Total packaging materials for finished goods (in tonnes)	1,160.80
Packaging materials used per RMB 'million of revenue (in tonnes/RMB million)	0.75

Notes:
1. Energy consumption data is calculated based on the consumption of electricity and fuel as well as the conversion factors provided by the General Principles for Calculation of the Comprehensive Energy Consumption (GB/T 2589–2008), the national standards of the People's Republic of China. The electricity purchased externally excludes the data of the offices set up in Tianjin and Harbin, electricity fees of the two offices are included in the property management fees such that the electricity consumption cannot be calculated separately.
2. Energy consumption per person in offices represents energy consumption per person in the offices of headquarters and subsidiaries.
3. Energy consumption per unit of area in office buildings represents electricity consumption per square metre in the office buildings of headquarters and subsidiaries.
4. Energy consumption per unit of area in warehouses represents electricity consumption per square metre in the warehouses of logistics department and subsidiaries
5. Water consumption includes tap water consumption of district offices in Beijing, Taicang, Nanjing, Dalian and Changsha. Water tariffs of other offices are included in property management fees such that the water consumption cannot be calculated separately.
6. Packaging materials for finished goods mainly refer to cartons and plastic bags purchased in the reporting period for shoe supply chain, apparel supply chain, equipment supply chain and logistics distribution.
7. Packaging materials used per RMB million of revenue denote the amount of packaging materials used by the Company for finished goods in China when delivering one million RMB of revenue.

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Our Board is responsible and has general powers for the management and conduct of our business. The table below shows certain information in respect of members of our Board:

Name	Age	Position
Mr. Chen Yihong (陳義紅)	62	Chairman and Executive Director
Mr. Zhang Zhiyong (張志勇)	51	Chief Executive Officer, president and Executive Director
Ms. Chen Chen (陳晨)	33	Co-president and Executive Director
Mr. Lyu Guanghong (呂光宏)	41	Executive Director and Chief Financial Officer
Dr. Chen Guogang (陳國鋼)	60	Independent Non-Executive Director
Mr. Gao Yu (高煜)	46	Independent Non-Executive Director
Mr. Liu Xiaosong (劉曉松)	54	Independent Non-Executive Director

EXECUTIVE DIRECTORS

Mr. Chen Yihong (陳義紅), aged 62, is the founder, chairman and executive director of the Company. Mr. Chen is primarily responsible for the management of the board, company investment operations and corporate planning. Mr. Chen joined the Company in March 2007. Mr. Chen has extensive experience in the sporting goods industry in China. From 1991 to 2005, Mr. Chen was the vice-general manager, general manager and chief executive officer of Beijing Li Ning Sports Goods Co., Ltd. (北京李寧體育用品有限公司) and the executive director of Li Ning Company Limited, a company listed on Hong Kong Stock Exchange. Mr. Chen had completed an executive Master's in business administration degree from Guanghua School of Management of Peking University (北京大學光華管理學院) in 2002. Mr. Chen had completed "China CEO Program" of Cheung Kong Graduate School of Business (長江商學院) in 2009.

Mr. Zhang Zhiyong (張志勇), aged 51, is the chief executive officer, president and the executive Director of the Company. Mr. Zhang joined the Company in October 2017. Mr. Zhang is responsible for company strategy and managing the overall operations (excluding the investment operations).

Mr. Zhang, joined Beijing Li Ning Footwear Co., Ltd. (北京李寧鞋業有限公司) in October 1992 and had been in charge of its financial system and nationwide retail business system, before becoming the general manager of the company in February 2001, a position he held until June 2004. From the listing on the Main Board of the Stock Exchange of Li Ning Company Limited (Stock Code: 2331) in June 2004 to 3 July 2012, Mr. Zhang was chief executive officer and executive director of Li Ning Company Limited in charge of the overall strategy and implementation of the company. Mr. Zhang stepped down as chief executive officer and executive director of Li Ning Company Limited in July 2012 and October 2014, respectively.

Mr. Zhang has been engaged in the digitalisation of sports gear since October 2014. He has founded Beijing BMAI Sports Goods Co., Ltd. (北京必邁體育用品有限公司) with a proprietary brand name known as "BMAI" and has been the non-executive chairman of the company since then. He also holds the controlling interests in the company.

Mr. Zhang was president of LeSports from August 2016 to January 2017.

Mr. Zhang had resigned as independent non-executive director of C. banner International Holdings Limited, a company listed on the Main Board of the Stock Exchange (Stock Code: 1028), with effect from 23 July 2019.

Mr. Zhang has been involved in China's sporting goods industry since 1992. With more than 20 years' marketing experience in the sector, he brings with him profound understanding of and practical experience in China's ever-changing consumer market, brand-building for sporting goods, digitalisation of the sporting industry, as well as the management of corporate reforms at Chinese companies.

Mr. Zhang holds a bachelor's degree from Beijing Institute of Economics (北京經濟學院) and an EMBA degree from Guanghua School of Management, Peking University.

Ms. Chen Chen (陳晨), aged 33, is the co-president and executive director of the Company. Ms. Chen joined the Company in 2012. Ms. Chen is primarily responsible for overseeing the marketing and design of Kappa products of the Company. Ms. Chen served as product planning representative in the apparel planning team of the Company from 2012 to 2013. Ms. Chen was promoted as the manager of the marketing department and apparel design department and the vice president of the brand department in 2013. Ms. Chen obtained her bachelor's degree in Fashion Design Technology — Surface Textiles from University of the Arts — London College of Fashion, London, United Kingdom in 2010.

Ms. Chen is the daughter of Mr. Chen Yihong, chairman of the Board and executive director of the Company.

Mr. Lyu Guanghong (呂光宏), aged 41, has been appointed as an executive director and chief financial officer of the Company with effect from 17 April 2020. Mr. Lyu is principally responsible for preparing annual financial budget of the Group, organising and directing accounting audit, taxation planning and financial analysis, capital resources allocation of the Group, operation of investment projects and wealth management projects of the Group, organising statutory audit and information disclosure of the Group, maintaining long-term cooperation with shareholders and investors of the Company, formulating and optimising internal control and internal audit system of the Company, establishing and supervising the execution of audit plan as well as preventing and controlling management risks of the Company. Mr. Lyu joined the Group in October 2008. He acted as the manager of the finance department from November 2013 to February 2015. Prior to his appointment as the executive director and chief financial officer of the Company, Mr. Lyu has been the director of the investment and fund management department of the Company since February 2015, during which he was responsible for investment management, listing compliance, investor relations and other internal management of the Group.

Prior to joining the Group, from September 2004 to September 2008, Mr. Lyu was the deputy manager of the financial audit department at China Jushi Co., Ltd. (中國巨石股份有限公司) (stock code: 600176.SH) ("China Jushi"). His major duties included financial analysis and taxation of China Jushi.

Mr. Lyu obtained his bachelor's degree in economics and master's degree in management from Nankai University (南開大學). He is a member of the Chinese Institute of Certified Public Accountants and an intermediate accountant.

Mr. Lyu is currently a director of Shanghai Kappa Kids Sporting Goods Co., Ltd. (上海卡帕動力兒童用品有限公司), an indirect wholly-owned subsidiary of the Company.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. Chen Guogang (陳國鋼), aged 60, is the independent non-executive director of the Company and joined the Company in June 2016. Dr. Chen is the independent non-executive director of Guotai Junan Securities Co. Ltd. (國泰君安證券股份有限公司) (a company listed on the Shanghai Stock Exchange (stock code: 601211). Dr. Chen had been appointed as the president of Shenzhen Qianhai Financial Assets Exchange Ltd. (深圳前海金融交易所有限公司) with effect from September 2018. Dr. Chen had also been appointed as the independence director of Cofco Trust Co., Ltd. (中糧信託有限責任公司) with effect from March 2018. Dr. Chen resigned as chairman of the board of directors of CMI Capital Company Limited with effect from 23 June 2017. Dr. Chen, has resigned as an executive director and chairman of the board of China Minsheng Financial Holding Corporation Limited (中國民生金融控股有限公司) with effect from 17 August 2018. Besides, Dr. Chen has resigned as the vice president of China Minsheng Investment Corp., Ltd. (中國民生投資股份有限公司) since May 2018 and resigned as executive director of China Minsheng Asia Asset Management Co., Ltd. (中民投亞洲資產管理有限公司) since August 2018. Dr. Chen has resigned as an non-executive director of Far East Horizon Limited (遠東宏信有限公司) since July 2018. Dr. Chen has also resigned as an independent non-executive director of YTO Express Group Co., Ltd. (圓通速遞股份有限公司) since 16 October 2019.

Dr. Chen obtained a doctorate degree in economics from Xiamen University (廈門大學) in 1988. He is a senior accountant granted by the Ministry of Foreign Trade and Economic Cooperation in the People's Republic of China and a certified public accountant granted by China Certified Public Accountant Association.

Dr. Chen joined New China Life Insurance Company Ltd. (新華人壽保險股份有限公司) (a company listed on the Stock Exchange, stock code: 1336) in April 2010 and served as the chief financial officer. He was subsequently appointed as the vice president and chief financial officer of New China Life Insurance Company Ltd. in July 2011. From 2005 to 2010, Dr. Chen served as a director of Sinofert Holdings Limited (中化化肥控股有限公司) (a company listed on the Stock Exchange, stock code: 297). He was a director of Sinochem International Corporation (中化國際 (控股) 股份有限公司) (a company listed on the Shanghai Stock Exchange, stock code: 600500) from 2000 to 2010. Dr. Chen also served as the chief financial officer of Sinochem Group (中國中化集團公司) from December 2000 to April 2010, general manager of the finance department of Sinochem Group from June 1999 to December 2000, deputy chief financial officer of Sinochem Group from February 1999 to June 1999, vice president of China International United Petroleum and Chemicals Co., Ltd. (中國國際石油化工聯合公司) from May 1997 to February 1999, vice director of the finance department of Sinochem Group from January 1995 to May 1997, general manager of the petroleum accounting department of Sinochem Group from March 1994 to January 1995, financial manager of its U.S. agrichemical subsidiary (中國中化集團公司美國農化公司) from July 1991 to March 1994. Prior to this, Dr. Chen served as deputy chief financial officer of Hino Company (香港鑫隆有限公司) in Hong Kong from July 1988 to July 1991 and was an assistant professor at Xiamen University from July 1984 to March 1985.

Mr. Gao Yu (高煜), aged 46, is the independent non-executive director of the Company and joined the Company in July 2007. He is currently the managing director of the Private Equity Division of Morgan Stanley Asia Limited, and he primarily focuses on private equity investment activities in China. He is a non-executive director of China Feihe Limited (中國飛鶴有限公司), Sparkle Roll Group Ltd (耀萊集團有限公司) and Home Control International Limited, all of which are listed on the main board of Hong Kong Stock Exchange. He is also a director of Shandong Buchang Pharmaceuticals Co. Ltd (山東步長製藥股份有限公司) which is listed on Shanghai Stock Exchange, and an independent director of AMTD International Inc which is dual listed on the New York Stock Exchange and Singapore Stock Exchange. Prior to joining Morgan Stanley Asia Limited, he worked in Citigroup's Investment Banking Division in Asia for about five years. Mr. Gao had also worked in Donaldson, Lufkin & Jenrette Inc's Capital Markets Group in New York.

Mr. Gao graduated from Stanford University with a Master's degree in engineering economic systems and operations research as well as from Tsinghua University (清華大學) in Beijing with dual Bachelors' degrees in engineering and economics.

Mr. Liu Xiaoxong (劉曉松), aged 54, is the independent non-executive director of the Company and joined the Company in March 2019. Mr. Liu has diversified experience in the technology, media and telecommunications industry. He is one of the co-founders of Tencent Holdings Limited, a company listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (Stock Code: 00700.HK). In 2004, Mr. Liu was admitted to the Shenzhen Experts Working Union. Mr. Liu was appointed as the vice president of the Copyright Union of the Internet Society of China and the Copyright Society of China in August 2007 and September 2007 respectively. He is also the vice president of the Shenzhen Hi-tech Association. He is currently an executive director, the chairman and the chief executive officer of A8 New Media Group Limited, a company listed on the Main Board of the Stock Exchange (Stock Code: 00800.HK). Mr. Liu graduated from Hunan University in the PRC in 1984 with a Bachelor's degree in Electrical Engineering. In 1987, Mr. Liu graduated from China Electric Power Research Institute in the PRC with a Master's degree in Engineering. In 1991, he studied at Tsinghua University as a PhD research student.

SENIOR MANAGEMENT

The senior management of the Company is composed of all the executive Directors of the Company, namely, Mr. Chen Yihong, Mr. Zhang Zhiyong, Ms. Chen Chen and Mr. Lyu Guanghong. Please refer to the above section headed "Executive Directors" for their biographical details.

CORPORATE GOVERNANCE REPORT

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. 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") for the twelve months ended 31 March 2020 ("twelve months Period"), except that:

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

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

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. The Company has made enquiries of all the directors and all the directors confirmed that they have complied with the required standards for the twelve months ended 31 March 2020.

COMPLIANCE WITH THE ENVIRONMENTAL, SOCIAL AND GOVERNANCE ("ESG") REPORTING GUIDE

During the twelve months Period, the Company has complied with the rule 13.91 of the Listing Rules and the "comply or explain" provisions set out in Appendix 27 of the Listing Rules as "Environmental, Social and Governance Reporting Guide", and made disclosures concerning relevant information on pages 39 to 61 in the"Environmental, Social and Governance Report".

THE BOARD OF DIRECTORS

The overall management of the Company's business is vested in the Board. Pursuant to the Articles of Association and the Terms of Reference of the Executive Committee adopted by the Board, the Board has delegated the day-to-day management of the Company's business to the Executive Committee (see details in page 73 below), and focuses its attention on matters affecting the Company's overall strategic policies, finances and shareholders related matters. These include financial statements, dividend policy, significant changes in accounting policies, annual operating budget, strategies for future growth, major financing arrangements, major investments and risk management strategies.

As at the date of this Report, the Board comprises seven members, of whom four are executive Directors, and three are independent non-executive Directors.

Executive Directors:

Mr. Chen Yihong *(Chairman)*
Mr. Zhang Zhiyong *(Chief Executive Officer)*
Ms. Chen Chen
Mr. Lyu Guanghong *(Chief Financial Officer) (appointed and effective from 17 April 2020)*

Independent Non-Executive Directors:

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

Biographical details of the current Directors and the relationships between the Directors are set out in the section headed "Directors and Senior Management" of this annual report. Among the members of the Board, Ms. Chen Chen is the daughter of Mr. Chen Yihong, chairman of the Board and executive director of the Company.

The composition of the Board is well balanced with each director having sound knowledge, experience and/or expertise relevant to the business operations and the future development of the Group. All directors are aware of their collective and individual responsibilities to the shareholders and each ensures that he can give sufficient time and attention to the affairs of the Group. The Company has formal letter of appointment with each Directors setting out the key terms and conditions of his/her appointment. The independent non-executive Director is appointed for a specific term of 1 year. Such appointment shall automatically renew at the expiry and shall continue for further successive periods of one year, subject to a maximum of three years.

The Company has received confirmation from each independent non-executive Director about his independence under the Listing Rules, and continues to consider each of them to be independent.

In accordance with Article 87 of the Company's articles of association, Mr. Chen Yihong and Mr. Gao Yu shall retire from the office by rotation and, being eligible, shall offer themselves for re-election at the forth coming Annual General Meeting ("AGM").

In accordance with Article 86(3) of the Company's articles of association, Mr. Lyu Guanghong, appointed as executive director on 17 April 2020 shall hold office until the forth coming annual general meeting ("AGM") of the Company and shall then be eligible for re-election at the AGM.

Ms. Chen Chen (re-elected as an executive Director), Dr. Chen Guogang (re-elected as an independent non-executive director) and Mr. Liu Xiaosong (re-elected as an independent non-executive director) on 8 August 2019 and Mr. Zhang Zhiyong (re-elected as an executive Director on 10 May 2018) shall hold office until they are required to retired in accordance with the Company's articles of association.

At each AGM of the Company, at least one third of the directors (or, if the number of directors is not divisible by three, such number as is nearest to and less than one third) must retire as directors by rotation, provided that every director shall be subject to retirement at an AGM at least once every three years. A retiring director shall be eligible for re-election and shall continue to act as a director throughout the meeting at which he retires.

DIRECTORS' AND OFFICERS' LIABILITIES INSURANCE

The Company has arranged appropriate directors' and officers' liabilities insurance coverage for the Directors and officers of the Company.

DIRECTORS' CONTINUOUS TRAINING AND DEVELOPMENT PROGRAMME

Pursuant to Provision A.6.5 of the CG Code, all directors should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the board remains informed and relevant.

The Company has put in place an on-going training and professional development program for directors.

Each newly appointed director would receive an induction package covering the statutory and regulatory obligations of a director of a listed company. The Company also provides training to develop and refresh the directors' knowledge and skill.

All directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. The Company has sent reading materials to directors on regulatory updates or information relevant to the Company or its business.

During the twelve months Period, the Directors participated in the following training:

	Attending seminars/ briefings relating to rules and regulations	Reading newspapers, journals and updates relating to the economy and business management and duties of directors
Executive Directors		
Chen Yihong	√	√
Zhang Zhiyong	√	√
Chen Chen	√	√
Mr. Lyu Guanghong *(appointed and effective from 17 April 2020)*	√	√
Independent Non-executive Directors		
Chen Guogang	√	√
Gao Yu	√	√
Liu Xiaosong	√	√

BOARD AND COMMITTEES MEETINGS

During the twelve months Period, the Board held 13 meetings. The attendance of the directors at Board meetings, principal Board Committee meetings, Annual General Meeting ("AGM"), Extraordinary General Meeting ("EGM") on 8 August 2019 held is set out in the table below.

	Attendance of					
	Board meetings	Audit committee meetings	Remuneration committee meeting	Nomination committee meeting	AGM*	EGM
Executive Directors						
Chen Yihong	13/13	N/A	3/3	2/2	0/1	0/1
Zhang Zhiyong	13/13	N/A	N/A	N/A	0/1	0/1
Chen Chen	13/13	N/A	N/A	N/A	1/1	1/1
Mr. Lyu Guanghong *(appointed and effective from 17 April 2020)*	N/A	N/A	N/A	N/A	N/A	N/A
Independent Non-Executive Directors						
Chen Guogang	13/13	3/3	3/3	N/A	0/1	0/1
Gao Yu	13/13	3/3	N/A	2/2	0/1	0/1
Liao Xiaosong	13/13	3/3	3/3	2/2	1/1	1/1

* The Company's external auditor had also attended the AGM.

BOARD COMMITTEES

As an integral part of good corporate governance, the Board has established the following Board Committees to oversee particular aspects of the Company's affairs. Each of the Audit Committee, Remuneration Committee, Nomination Committee and Executive Committee is governed by its respective Terms of Reference, which are available on the Company's website at www.dxsport.com. All committees are provided with sufficient resources to discharge their duties, and they are also authorised to obtain external legal or other independent professional advice if they consider it necessary to do so.

AUDIT COMMITTEE

Members: Dr. Chen Guogang (Chairman), Mr. Gao Yu and Mr. Liu Xiaosong. The Audit Committee consists solely of independent non-executive Directors, all of whom have extensive financial experience.

Under its Terms of Reference, the duties of the Audit Committee include financial and efficiency aspects as described below. Amongst other things, the Audit Committee is required to oversee the relationship with the Company's external auditor, to review the financial information of the Company, and to review and monitor the Company's financial reporting system, risk management and internal control systems. The Audit Committee is primarily responsible for making recommendations to the Board on the appointment, reappointment and removal of the external auditor, and approving the remuneration and terms of such engagement. The Audit Committee discusses with the external auditor the nature and scope of audit and reporting obligations before the audit commences, and is responsible for reviewing and monitoring the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standard. Apart from giving pre-approval of all audit services, the Audit Committee also develops and implement policy on the engagement of external auditor to supply non-audit services.

With respect to financial information of the Company, the Audit Committee monitors the integrity of financial statements, annual and interim reports and accounts, together with the preliminary announcement of results and other announcements regarding the Company's financial information to be made public. Apart from considering issues arising from the audit, the Audit Committee discusses any matters that auditor may wish to raise either privately or together with executive Directors and any other persons. The Audit Committee is also required to review the effectiveness of the Company's financial controls, risk management and internal control systems. In addition, the Audit Committee has to ensure co-ordination between the internal and external auditor, and to ensure that the internal audit function is adequately resourced and has appropriate standing within the Company, and to review and monitor the effectiveness of the internal audit function.

The Audit Committee met 3 times during the twelve months Period. The major work performed by the Audit Committee included:

(i) Review and recommend the Board's approval of the external audit plan and internal audit plan for the twelve months Period;

(ii) Review and recommend the Board's approval of the annual financial statements as at 31 March 2019, interim financial statements for the six months ended 30 September 2019 and;

(iii) Review of the external audit report and internal audit report during the twelve months Period;

(iv) Approval of the remuneration and terms of engagement of PricewaterhouseCoopers for the audit during the twelve months Period; and

(v) Review the risk management and internal control system for its effectiveness during the twelve months Period.

REMUNERATION COMMITTEE

Members: Mr. Liu Xiaosong (chairman), Mr. Chen Yihong and Dr. Chen Guogang. Among the three members, Mr. Chen Yihong is an executive Director and the remaining two members are independent non-executive Directors.

Under its Terms of Reference, the principal responsibilities of the Remuneration Committee include making recommendations to the Board on the Company's policy and structure for all remuneration of directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration, determining the remuneration packages of all executive Directors and making recommendations to the Board of the remuneration of non- executive Directors, and reviewing and approving performance-based remuneration by reference to the Company's goals and objectives.

The Remuneration Committee met 3 times for the twelve months Period. The major work performed by Remuneration Committee during the twelve months Period included reviewing and determining the Directors' remuneration for the year ending 31 March 2020.

NOMINATION COMMITTEE

Members: Mr. Chen Yihong (chairman), Mr. Gao Yu and Mr. Liu Xiaosong. Among the three members, Mr. Chen Yihong is an executive Director and the remaining two members are independent non-executive Directors.

Under its Terms of Reference, the principal responsibilities of the Nomination Committee include:

(a) to review the structure, size and composition and diversity (including without limitation, gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;

(b) to identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships;

(c) to assess the independence of independent non-executive directors of the Company and review the independent non-executive directors' annual confirmations on their independence and where the Board proposes a resolution to elect an individual as an independent non-executive director at the general meeting, it should set out in the circular to shareholders and/or explanatory statement accompanying the notice of the relevant general meeting why they believe he should be elected and the reasons why they consider him to be independent;

(d) to make recommendations to the Board on the appointment or re-appointment of directors and succession planning for directors, in particular the chairman and the chief executive;

(e) to seek independent professional advice to perform its responsibilities where necessary; and

(f) to report back to the Board on its decisions or recommendations (unless there are legal or regulatory restrictions on its ability to do so) and to prepare a summary of its work during the year for inclusion in the Company's corporate governance (including a report the policies, procedures, process and criteria it has adopted to select and recommend candidates for directorship during the year).

The Nomination Committee met 2 times during the twelve months Period. The major work performed by Nomination Committee during the twelve months Period included reviewing the structure, size, composition and diversity of the board, assess the independence of independent non-executive directors of the Company, nominating suitable candidates to the Board for it to consider and make recommendations to shareholders for election as directors at general meetings or appoint as directors to fill casual vacancies.

Nomination Policy

The Board has adopted the Nomination Policy implemented by the Company' Nomination Committee (the "NC"). The Nomination Policy is applicable for all Directors of the Company. The factors listed below would be used as reference by the NC in assessing the suitability of a proposed candidate.

- Reputation for integrity
- Accomplishment and experience
- Commitment in respect of available time
- Diversity in all its aspects, including but not limited to gender, age (18 years or above), cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service

These factors are for reference only, and not meant to be exhaustive and decisive. The NC has the discretion to nominate any person, as it considers appropriate.

The nomination procedures for selecting suitable candidates by the NC are mainly set out as follows:

- the Secretary of the NC shall call a meeting of the NC, and invite nominations of candidates from Board members if any, for consideration by the NC prior to its meeting. The NC may also put forward candidates who are not nominated by Board members.
- For filling a casual vacancy, the NC shall make recommendations for the Board's consideration and approval. For proposing candidates to stand for election at a general meeting, the NC shall make nominations to the Board for its consideration and recommendation.
- The Company's website set out the procedures for shareholders to propose a person for election as a Director. For any person that is nominated by a Shareholder, the Nomination Committee shall evaluate such candidate based on the selection criteria set out in the Nomination Policy and make recommendation to the Board if appropriate. Recommendation shall then be made to Shareholders in a supplementary circular for the proposed election of such candidate at a general meeting.

Board Diversity Policy

The Board adopted the board diversity policy ("Board Diversity Policy") in accordance with the requirement set out in the CG Code. Such policy aims to set out the approach to achieve diversity on the Board. All Board appointments shall be based on meritocracy, and candidates shall be considered against objective criteria, having due regard for the benefits of diversity on the Board. Selection of candidates shall be based on a range of diversity perspectives, including but not limited to, gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The ultimate decision shall be based on merit and contribution that the selected candidates shall bring to the Board. The Nomination Committee monitors, from time to time, the implementation of the policy, and reviews, as appropriate, the policy to ensure the effectiveness of the policy.

EXECUTIVE COMMITTEE

Members: Mr. Chen Yihong (chairman), Mr. Zhang Zhiyong (chief executive officer), Ms. Chen Chen and Mr. Lyu Guanghong (chief financial officer) (appointed and effective from 17 April 2020).

The Board is responsible for the overall management and performance of the Group and the approval of the long-term objectives and commercial strategy. The Executive Committee reports to the Board and is accountable for the day-to-day management of the operations and the implementation of strategy. This Committee is responsible to the Board for driving high level performance of the growth, efficiency and capability programs as well as for resources allocation. Detailed functions of the Executive Committee as delegated by the Board mainly include:

(i) to prepare and approve the specific operation plan, financial forecast and budget of each subsidiary of the Company in accordance to those of the Company as approved by the Board;

(ii) to monitor and oversee the implementation of the budget as approved by the Board;

(iii) to monitor and oversee the financial and operational performance of the Company and its subsidiaries;

(iv) to ascertain the business plan and company strategies as approved by the Board and develop specific implementation plan; and

(v) to appoint or remove senior management of the Company or any of its subsidiaries other than chief executive officer, chief financial officer and internal audit manager of the Company, and to recommend the appointment of chief executive officer, chief financial officer and internal audit manager of the Company.

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the following corporate governance duties as required under the Code:

(a) to develop and review the Company's policies and practices on corporate governance;

(b) to review and monitor the training and continuous professional development of Directors and senior management;

(c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

(d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and

(e) to review the Company's compliance with the Code and disclosure in the Corporate Governance Report.

During the twelve months Period, the major work performed by the Board included reviewing and considering the policy and practices of corporate governance of the Company.

RESPONSIBILITY FOR FINANCIAL STATEMENTS

The directors are responsible for the preparation of the financial statements of the Company for each financial year and ensuring that these financial statements give a true and fair view of the financial position of the Company and its subsidiaries, the financial performance and cash flows for that period. The directors are also responsible for ensuring that proper accounting records of the Company and its subsidiaries are kept at all times.

RISK MANAGEMENT AND INTERNAL CONTROL

Aims and Objectives

The Board confirms that it assumes responsibility towards the risk management and internal control system and is responsible for reviewing its effectiveness on an ongoing basis. The risk management and internal control system aims to manage, rather than eliminate, the risks of failing to achieve business objectives, and make reasonable, but not absolute, guarantee for preventing material misstatements or losses. The Board has delegated its responsibility for risk management and internal control, together the relevant authorities, to the Audit Committee. The Audit Committee oversees the management in the design, implementation and oversight of the risk management and internal control system on behalf of the Board. The management had confirmed to the Audit Committee (and the Board) that the relevant system is effective for the twelve months ended 31 March 2020.

Major features of the risk management and internal control system

The risk management structure of the Group and the major responsibilities of each level of the structure are described below:

The Board:

it has the ultimate responsibility and authority for internal control management, assuming the responsibility for corporate governance externally towards the Shareholders and possessing the highest power internally for initiating internal control management works. The Board has delegated its responsibility for risk management and internal control, together the relevant authorities, to the Audit Committee.

The Audit Committee:

it is responsible for overseeing and guiding the management in the establishment and operation of the internal control system, monitoring the risk management and internal control system of the Group, and advising the Board on its effectiveness. The risk management and internal control system is reviewed for its effectiveness at least once per year, and the relevant review covers all major aspects of control, including financial, operational and compliance control. During the review, sufficient resources, adequate qualifications and experience of the staff and employees' training sessions, and enough budget should be ensured for accounting, internal audit and financial reporting functions. Internal audit department conducts initial assessment on the effectiveness of the risk management and internal control system and report directly to the Audit Committee.

The management:

it reviews and maintains an appropriate and effective risk management and internal control system, monitors each section of daily operation to reduce operational risks, reviews investigation reports on risk management and internal control issues prepared by the internal audit and control department or external consultants and reports to the Audit Committee, and addresses the issues and provides feedbacks on a timely basis.

Internal audit and control department:

It is responsible for drafting and making amendments to the risk management and internal control system, and is in charge of determining and testing the risk criteria. The department inspects and addresses abnormal indicators for risk criteria and reports to the management or, in material cases, to the Audit Committee.

Programme for identification, assessment and management of material risks

The programme used by the Group for identification, assessment and management of material risks is conducted in accordance with the internal control framework formulated by The Committee of Sponsoring Organisations of the Treadway Commission ("COSO Commission"), summarised as follows:

(i) Control Environment

- Insistence of employees and the management on integrity and ethical values and competence for relevant works;
- The Board is independent from the management and oversees the formulation and effectiveness of the internal control system through the Audit Committee;
- The management establishes the organisational structure, reports on relationships and the appropriate rights and responsibility under the oversight of the Board to achieve the Group's goals;

- Commitment to attracting, developing and retaining talents in complement with the Group's goals;
- To implement a system of accountability for every employee in the responsibilities for internal control during the fulfilment of the Group's corporate goals;

(ii) Risk evaluation

- To ascertain clear objectives to identify and assess the risks in connection with the objectives;
- To identify and analyse from the perspective of the Group in general the risks to be assumed in order to achieve the objectives and determine the basis on which to manage such risks;
- To take into account the potential fraudulent acts in assessing the risks related to achieving goals;
- To identify and assess changes which may materially impact the internal control system;

(iii) Control activities

- To select and formulate control measures in order to reduce the risks in connection with achieving goals to an acceptable level;
- To select and formulate certain general control measures for information technology by using IT services in the pursuit for the Group's goals;
- To ascertain projected objectives with policies and ensure that the policies are implemented in practice with programmes in order to devise control measures;

(iv) Information and communications

- To gather and organise quality information relevant to the Group and the external environment in support for the internal control function;
- To communicate within the Group the information necessary to the operation of internal control, including the goals and responsibilities of internal control;
- To communicate with the external public with regards to the issues which impact the operation of internal control;

(v) Monitoring

- To select, formulate and implement continuous and/or independent assessment to ascertain the existence and normal functioning of each key element in internal control;
- To assess inadequacies in internal control when and as appropriate and notify the person-in-charge, including senior management personnel and the Audit Committee of the Board (if appropriate), about such inadequacies for adopting the remedial actions.

Internal Audit

The responsibilities of the Internal Audit and Control Department (the "IAC") include conducting internal control review based on the approved annual budget plan, and assess regularly the implementation of each financial and operational activity, programme and internal control of the Group. The IAC has unrestricted access to any information related to risk management, control and governance programme of the Group. Audit findings and the remedial plan are submitted by the IAC to the Audit Committee and the management, and internal communications are conducted regularly. The IAC will follow up regularly on all the audit findings to ensure remedies are put in place for every issue. For the twelve months ended 31 March 2020, the IAC implemented and completed 9 internal audit projects and met with the management to report the relevant findings to Audit Committee.

Whistle-blowing

To prevent illicit acts as far as possible and ensure compliance and operation by the highest moral standards, the Group has designated specific whistle-blowing policies in place to allow employees, business partners and other related stakeholders to report illegal or non-compliant activities involving the Group to the IAC and the Audit Committee in confidentiality. The identity of the whistle-blower and the relevant records of the whistle-blowing are strictly confidential.

Insider information and information disclosure

The Group is aware of and abides by the requirements of insider information and disclosure of information as set out in such laws and regulations as the Listing Rules and the Securities and Futures Ordinance, pursuant to which an information disclosure system is in place. The Group collects and understands potential insider information in accordance with the information disclosure system, and conducts discussions with the management and external legal advisors to ensure that potential insider information is accessed and confidential until disclosure as reasonable and practicable. The system regulates the handling of, and the means to publicise insider information, including:

- Designating specific reporting channels to enable each internal business unit to report on potential insider information to the relevant departments;

- Designated personnel and departments will make decision on the further actions to be taken and the means of disclosure (if any), and report to the Audit Committee (the Board); and

- Appointing specific persons as the main spokesperson to respond to external inquiries.

For the twelve months Period under review, the Board has conducted annual review of the effectiveness of the Group's risk management and internal control systems for the twelve months ended 31 March 2020, covering the material financial, operational and compliance controls, and considered the Group's risk management and internal control systems effective and adequate. The Board confirmed that the Group has complied with the relevant code provisions in the CG Code on internal control. The Board has also confirmed the adequacy of resources, qualifications, experience and training programs of the Group's internal audit staff and accounting and financial reporting staff and considered that the staffing is adequate and the staff members are competent to carry out their roles and responsibilities.

EXTERNAL AUDITOR

The Company has engaged PricewaterhouseCoopers ("PwC") as its external auditor. In order to maintain PwC's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards, the Audit Committee, under its Terms of Reference, pre-approves all services to be provided by PwC and discusses with PwC the nature and scope of their audit and reporting obligations before the audit commences.

During the twelve months Period, the remuneration paid or payable to the Group's independent auditor, PricewaterhouseCoopers, and its affiliated firms, for services rendered is broken down below:

	RMB'000
Statutory audit	**4,300**
Special-purpose audit services	**500**
Non-audit services	**786**
Total	**5,586**

The non-audit services mainly comprised tax compliance and certain agreed upon procedure work. The responsibilities of the independent auditor with respect to the consolidated financial statements for the twelve months Period are set out in the section "Independent Auditor's Report" on pages 91 to 196.

COMPANY SECRETARY

Ms. Wai Pui Man, the Company Secretary of the Company, confirmed that she has taken no less than 15 hours relevant professional training during the financial year.

DIVIDEND POLICY

The Company does not have any pre-determined dividend payout ratio. The Board has the discretion to declare and distribute dividends to the shareholders of the Company, subject to the Articles of Association of the Company and all applicable laws and regulations and the factors set out below.

The Board will also take into account the financial results; cash flow situation; balance of distributable reserves; business conditions and strategies; statutory fund reserve requirements; capital requirements and expenditure plans; future operations and earnings; interests of shareholders; any restrictions on payment of dividends; and any other factors that the Board may consider relevant of the Group when considering the declaration and payment of dividends.

Pursuant to Article 143 of the Articles of Association of the Company, any dividend unclaimed after a period of six years from the date of declaration shall be forfeited and shall revert to the Company. For the financial year ended 31 March 2020, the dividends being declared during the period from 1 January 2008 to 31 December 2013 which remained unclaimed on 8 April 2020 were forfeited and revert to the Company.

COMMUNICATION WITH SHAREHOLDERS

Our Shareholders are very important to us. It is our responsibility to ensure that all Shareholders receive clear, timely and effective information from us.

Our website, www.dxsport.com, is a primary source of information on the Company. The site includes an archive of our business development, financial reports, public announcements, and press releases, as well as detailed information on our corporate governance practices.

The Board views the AGM as one of the principal channels to communicate with the Shareholders of the Company and an opportunity for the Shareholders to raise questions to the Board. The chairman of the Board, chief executive officer, directors and some other senior managements of the Company will be present at the AGM to explain to the Shareholders the Company's business performance, financial situation and future strategies and answer questions from the Shareholders.

To further enhance our relationship with the Shareholders and investors and to ensure that our investors have a better understanding of the Company, we have established an Investor Relations ("IR") Department to handle regular contact with our investors. An Investor Relations Report is produced hereto on pages 37 to 38 to provide a more comprehensive overview of the work performed by the IR Department during the twelve months Period.

SHAREHOLDERS' RIGHT

Pursuant to Articles 57 of the Articles of Association of the Company, each general meeting, other than an annual general meeting, shall be called an extraordinary general meeting.

Pursuant to the Company's articles of association, any one or more Shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within twenty-one days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company. The contact details of the Board or the Company Secretary are as below:

The Company Secretary
China Dongxiang (Group) Co., Ltd.
Postal address: Building 21, No. 2 Jingyuanbei Street,
Beijing Economic-Technology Development Area, Beijing 100176, China
Telephone: (8610) 6783 6585
Facsimile: (8610) 6785 6606
Email: ir@dxsport.com.cn

There are no provisions under the Company's articles of association or the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands regarding procedures for Shareholders to put forward proposals at general meetings other than a proposal of a person for election as director. Shareholders may follow the procedures set out above to convene an extraordinary general meeting for any business specified in such written requisition.

Shareholders can make any query in respect of the Company or to make a request for the Company's information to the extent such information is publicly available. The designated contact details are as above. Shareholders' questions about their shareholdings should be directed to Computershare Hong Kong Investor Services Limited, the Company's branch share registrar, at Shops 1712–16, 17th Floor, Hopewell Center, 183 Queen's Road East, Hong Kong.

CONSTITUTIONAL DOCUMENTS

As at 31 March 2020, the Group confirmed that there was not any change on the Memorandum and Articles of Association of the Company.

REPORT OF THE DIRECTORS

The directors have the pleasure of presenting to the shareholders their report together with the audited consolidated financial statements for the twelve months ended 31 March 2020.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The Group are principally engaged in brand development, design and sales of sport-related apparel, footwear and accessories and investment activities in Mainland of the People's Republic of China and abroad. The principal activities and other particulars of the subsidiaries are set out on pages 159 to 162 of the annual report.

Further discussion and analysis of these activities, including a discussion of the principal risks and uncertainties facing the Group and an indication of likely future developments in the Group's business, can be found in the Management Discussion and Analysis set out on pages 18 to 36 of the annual report. That discussion forms part of this directors' report.

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 were listed on the Main Board of the Hong Kong Stock Exchange on 10 October 2007.

GROUP PROFIT

The Group's profit for the twelve months ended 31 March 2020 is set out in the consolidated statement of comprehensive income on page 97 to 98 of this annual report.

DIVIDENDS

An interim dividend of RMB0.96 cents, an interim special dividend of RMB0.65 cents pre ordinary share in respect of the six months ended 30 September 2019 were declared to Shareholders on 27 November 2019 and paid in December 2019.

The Board of the Company has recommended the distribution of a final dividend of RMB0.91 cents and final special dividend of RMB1.84 cents per ordinary share of the Company, amounting to approximately RMB53,564,000 and RMB108,305,000 respectively, subject to approval by the Shareholders of the Company at the AGM to be held on 19 August 2020 and are payable in Hong Kong Dollars based on the rate of HKD1.00 = RMB0.91293 being the official exchange rate of Hong Kong dollars against Renminbi as quoted by the People's Bank of China on 16 June 2020.

PROPERTY, PLANT AND EQUIPMENT

Movements in the property, plant and equipment of the Group during the year are set out in Note 13 to the consolidated financial statements.

BANK LOANS AND OTHER BORROWINGS

Movements in bank loans and other borrowings of the Company and the Group during the year are set out in Note 31 to the consolidated financial statements.

FIVE-YEAR SUMMARY

A summary of the results and assets and liabilities of the Company for the last five years is set out on pages 8 to 9 of this annual report.

SHARE CAPITAL

Movements in the share capital of the Company during the year are set out in Note 24 to the consolidated financial statements.

RESERVES

Movements in reserves of the Group and the Company during the year are set out in Note 26 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

Distributable reserves of the Company as at 31 March 2020 amounted to approximately RMB10,738,153,000, which is the total of the share premium account and reserves of the Company calculated in accordance with Companies Law of the Cayman Islands.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Articles of Association or the laws of Cayman Islands where the Company is incorporated.

MATERIAL CONTRACT

No contracts of significance have been entered into between the Company or any of its subsidiaries and the controlling Shareholders.

DIRECTORS

The directors of the Company during the year and up to the date of this report are:

Executive Directors:

Mr. Chen Yihong *(Chairman)*
Mr. Zhang Zhiyong *(Chief Executive Officer)*
Ms. Chen Chen
Mr. Lyu Guanghong *(Chief Financial Officer)(appointed and effective from 17 April 2020)*

Independent Non-Executive Directors:

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

In accordance with Article 87 of the Company's articles of association, Mr. Chen Yihong and Mr. Gao Yu shall retire from the office by rotation and, being eligible, shall offer themselves for re-election at the forth coming Annual General Meeting ("AGM").

In accordance with Article 86(3) of the Company's articles of association, Mr. Lyu Guanghong, appointed as executive director on 17 April 2020, shall hold office until the forth coming annual general meeting ("AGM") of the Company and shall then be eligible for re-election at the AGM.

Ms. Chen Chen (re-elected as an executive Director on 8 August 2019), Mr. Zhang Zhiyong (re-elected as an executive Director on 10 May 2018), Dr. Chen Guogang and Mr. Liu Xiaosong (re-elected as an independent non-executive director on 8 August 2019), shall hold office until they are required to retired in accordance with the Company's articles of association.

The Company has received from each independent non-executive Director an annual confirmation of his independence pursuant to the independence guidelines under the Listing Rules and the Company considers such directors to be independent. Particulars of the directors' remuneration disclosed pursuant to Appendix 16 of the Listing Rules are set out in Note 39 to the consolidated financial statements. Directors' remuneration was determined by reference to his/her duties and responsibilities, experience, performance and market conditions.

DIRECTORS' SERVICE CONTRACTS

None of the directors has a service contract with the Company or any of its subsidiaries which is not determinable by the employing company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed under the section headed "Connected Transactions" below, no contracts of significance to which the Company, any of its subsidiaries, its holding companies or fellow subsidiaries was a party and in which a director of the Company had a material interest, either directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' INTEREST IN COMPETING BUSINESS

None of the directors of the Company is or was interested in any business apart from the Group's business, that competes or competed or is or was likely to compete, either directly or indirectly, with the Group's business at any time during the twelve months ended 31 March 2020 and up to and including the date of this report.

PERMITTED INDEMNITY PROVISION

A permitted indemnity provision for the benefit of the Directors is currently in force and was in force throughout the financial year. The Company has taken out and maintained appropriate insurance cover in respect of potential legal actions against its Directors and officers.

BIOGRAPHICAL DETAILS OF DIRECTORS

Biographical details of the directors are set out on pages 62 to 65 of this annual report.

RESTRICTED SHARE AWARD SCHEME

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

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

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

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

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

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

With a view to allow the Board to have more flexibility in the administration of the scheme, the Share Award Scheme 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 twelve months ended 31 March 2020, 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 during the period. As at 31 March 2020, the number of Restricted Shares granted under the scheme amounted to 7,081,000 shares, representing approximately 0.125% of the issued shares as at the Adoption Date. In 2016, 131,071 granted Restricted Shares was lapsed.

As at 1 April 2019, the number of restricted shares are 23,050,071 shares. As at 31 March 2020, the number of restricted shares are 23,050,071 shares.

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

SHARE OPTION SCHEME

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

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

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

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

(i) the closing price of the shares as stated in the Stock Exchange's daily quotation sheets on the offer date;

(ii) the average of the closing prices of the shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the offer date; and

(iii) the nominal value of the shares.

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

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

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

The table below sets out the details of the movements in the share options granted to the Grantees under the Share Option Scheme for the financial year ended 31 March 2020 and up to the date of this annual report:

	Number of share options								
Date of grant	**Outstanding as at 1 April 2019**	**Grant during the financial year ended 31 March 2020**	**Outstanding as at 31 March 2020**	**Grant after 31 March 2020 and up to the date of this annual report**	**Outstanding as at the date of this annual report**	**Exercise period**	**Exercise price per share (HK$)**	**Closing price immediately before the date on which the options were granted (HK$)**	**Vesting period**
16/09/2019[1]	—	18,300,000	18,300,000	—	18,300,000	16/09/2019–15/09/2029	0.854	0.82	16/09/2019–15/09/2022
07/01/2020[2]	—	1,560,000	1,560,000	—	1,560,000	07/01/2020–06/01/2030	0.86	0.85	07/01/2020–06/01/2023
01/04/2020[3]	—	—	—	2,400,000	2,400,000	01/04/2020–31/03/2030	0.67	0.67	01/04/2020–31/03/2023
Total	**—**	**19,860,000**	**19,860,000**	**2,400,000**	**22,260,000**				

* Further details of the share options are set out in note 27 to the consolidated financial statements on pages 181 to 183 of this annual report.

Notes:

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

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

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. For the financial year ended 31 March 2020, no share option was exercised, lapsed or cancelled.

RETIREMENT SCHEMES

Particulars of the retirement schemes operated by the Group are set out in Note 8 to the consolidated financial statements.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

For the twelve months ended 31 March 2020, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

DIRECTORS' INTERESTS IN SECURITIES

As at 31 March 2020, the interests and short positions of the directors and chief executives of the Company in the Shares, underlying Shares and debentures of the Company and its associated corporations, within the meaning of Part XV of the Securities and Futures Ordinance ("SFO"), which have been notified to the Company and the 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:

		Number and class of securities		**Approximate percentage of total issued**
Name of Directors	**Nature of interest**	**Long position**	**Short position**	**Shares**
Mr. Chen Yihong	Interest of a controlled corporation[(1)]	2,286,024,000 shares	—	38.84%
	Interest of a controlled corporation[(3)]	322,090,025 shares	—	5.47%
Mr. Zhang Zhiyong	Beneficial owner[(3)]	166,120,025 shares	—	2.82%
Ms. Chen Chen	Interest of a controlled corporation[(2)]	160,587,730 shares	—	2.73%
	Beneficial owner	40,000,000 shares	—	0.68%

Notes:

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

(2) Bountiful Talent Ltd is wholly-owned and controlled by Ms. Chen Chen and Ms. Chen Chen is therefore deemed to be interested in the shares held by Bountiful Talent Ltd.

(3) 322,090,025 shares (out of which 166,090,025 shares are held by Mr. Zhang Zhiyong) have been charged to Bright Pacific Enterprises Limited ("Bright Pacific"). Each of Mr. Chen Yihong, Harvest Luck, Poseidon and the Company is deemed to be interested in the shares interested in by Bright Pacific by virtue of Bright Pacific being a wholly owned subsidiary of the Company and Poseidon being entitled to exercise or control the exercise of one-third or more of the voting power at general meetings of the Company.

(4) Mr. Lyu Guanghong ("Mr. Lyu") has been appointed as an executive director and chief financial officer of the Company with effect from 17 April 2020. As at the date of this annual report, Mr. Lyu holds 10,000,000 shares in the Company, representing approximately 0.17% of the total number of issued shares of the Company. Saved as disclosed, he does not have, and/or is not deemed to have, any interests or short positions in the shares or underlying shares or debentures in the Company and its associated companies within the meaning of Part XV of the SFO.

Save as disclosed above, as at 31 March 2020, none of the directors and chief executives of the Company had or was deemed to have any interests or short position in the Shares, underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which had been recorded in the register maintained by the Company pursuant to section 352 of the SFO or which had been notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS

As at 31 March 2020, other than the interests and short positions as disclosed above, the following persons have interests or short positions in the Shares, underlying Shares and debentures of the Company which fall to be disclosed to the Company under Divisions 2 & 3 of Part XV of the SFO as recorded in the register required to be kept by the Company under Part XV (s.336) of the SFO, or otherwise known to the directors:

Name of Shareholders	Nature of interest	Number of Shares		Approximate percentage of shareholding
		Long position	Short position	
Poseidon Sports Limited	Corporate interest	2,286,024,000	—	38.84%
	Interest in a controlled corporation[2]	322,090,025	—	5.47%
Harvest Luck Development Limited[1]	Interest in a controlled corporation	2,286,024,000	—	38.84%
	Interest in a controlled corporation[2]	322,090,025	—	5.47%

Notes:

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

(2) 322,090,025 shares (out of which 166,090,025 shares are held by Mr. Zhang Zhiyong) have been charged to Bright Pacific Enterprises Limited ("Bright Pacific"). Each of Mr. Chen Yihong, Harvest Luck, Poseidon and the Company is deemed to be interested in the shares interested in by Bright Pacific by virtue of Bright Pacific being a wholly owned subsidiary of the Company and Poseidon being entitled to exercise or control the exercise of one-third or more of the voting power at general meetings of the Company.

Save as disclosed above, as at 31 March 2020, the directors are not aware of any other person or corporation having an interest or short position in Shares and underlying Shares of the Company representing 5% or more of the issued share capital of the Company.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

CONNECTED TRANSACTIONS

During the year ended 31 March 2020, the Company did not enter into any transactions with its connected persons (as defined in the Listing Rules) which was subject to the reporting, announcement and/or shareholders' approval requirements under Chapter 14A of the Listing Rules.

CONTINUING CONNECTED TRANSACTIONS

On 11 March 2016, Shanghai Kappa Sporting Goods Co., Ltd. ("Shanghai Kappa"), an indirect wholly-owned subsidiary of the Company, entered into a framework agreement (the "Framework Agreement") with Mai Sheng Yue He Sportswear Company Limited ("Mai Sheng Yue He"), for regulating the terms of the supply of goods from Shanghai Kappa to Mai Sheng Yue He. As of 11 March 2016, Mai Sheng Yue He was owned by Shanghai Gabbana Sporting Goods Co., Ltd. (an indirect wholly-owned subsidiary of the Company) ("Shanghai Gabbana") as to approximately 32.6% and by Beijing Yi Tian Bo You Investment Co., Ltd. ("Chen Co.") as to approximately 67.4%. Chen Co. was, at material time, a company owned by Mr. Chen Yiliang, Mr. Chen Yiyong and Mr. Chen Yizhong, each being a brother of Mr. Chen Yihong, the chairman and an executive Director of the Company. Therefore, Mai Sheng Yue He is a connected person of the Company under Chapter 14A of the Listing Rules by virtue of it being an associate of Mr. Chen Yihong, and the transactions contemplated under the Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. The Framework Agreement expired on 31 December 2018 and the amount paid by Mai Sheng Yue He to Shanghai Kappa for the supply of goods under the Framework Agreement for each of the financial years ended 31 December 2016, 2017 and 2018 should not exceed RMB251,316,000, RMB301,579,000 and RMB361,895,000, respectively. Please refer to the announcement of the Company dated 11 March 2016 and the circular of the Company dated 22 April 2016 for further details.

On 9 October 2018, Shanghai Kappa, an indirect wholly-owned subsidiary of the Company, entered into a renewed framework agreement (the "Renewed Framework Agreement") with Mai Sheng Yue He, for regulating the terms of supply of goods from Shanghai Kappa to Mai Sheng Yue He. As of 9 October 2018, Mai Sheng Yue He was owned by Shanghai Gabbana (an indirect wholly-owned subsidiary of the Company) as to 30% and Chen Co. as to 70%. Chen Co. was, at material time, a company owned by Mr. Chen Yiliang, Mr. Chen Yiyong and Mr. Chen Yizhong, each being a brother of Mr. Chen Yihong, the chairman and an executive Director of the Company. Therefore, Mai Sheng Yue He is a connected person of the Company under Chapter 14A of the Listing Rules by virtue of it being an associate of Mr. Chen Yihong, and the transactions contemplated under the Renewed Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. The Renewed Framework Agreement shall expire on 31 March 2021 and the aggregate amount paid/to be paid by Mai Sheng Yue He to Shanghai Kappa for the supply of goods under the Renewed Framework Agreement for the three months ended 31 March 2019, the twelve months ended 31 March 2020 and the twelve months ending 31 March 2021 should/shall not exceed RMB51,000,000, RMB228,000,000 and RMB285,000,000 (each the "Mai Sheng Yue He Annual Cap"), respectively. Please refer to the announcement of the Company dated 9 October 2018 and the circular of the Company dated 12 November 2018 for further details. For the financial year ended 31 March 2020, the transactions conducted pursuant to the arrangement under the Renewed Framework Agreement amounted to RMB52,560,000.

On 11 January 2018, Shanghai Gabbana, an indirect wholly-owned subsidiary of the Company, entered into a sale and purchase agreement (the "Sale and Purchase Agreement") with Tianjin Fushengbang Enterprise Management Consulting Co., Ltd. ("Tianjin Fushengbang"), an independent third party not connected with the Company or its connected persons.

Pursuant to the Sale and Purchase Agreement, Shanghai Gabbana agreed to purchase, and Tianjin Fushengbang agreed to sell, 47% equity interest in Tianjin Mai Sheng Yue He Sporting Goods Co., Ltd. (the "Tianjin Mai Sheng Yue He") for the consideration of RMB7,608,681.99 (the "Acquisition"). Please refer to the announcement of the Company dated 11 January 2018 for further details.

Upon completion of the Acquisition referred to above, Tianjin Mai Sheng Yue He would be owned by Shanghai Gabbana, Tianjin Fushengbang and Chen Co. as to 77%, 10% and 13%, respectively, and would be accounted for as a subsidiary of the Company. As of 11 January 2018, Chen Co. was owned as to 45%, 35% and 20%, respectively, by Mr. Chen Yiliang, Mr. Chen Yiyong and Mr. Chen Yizhong, each being a brother (and thus an associate) of Mr. Chen Yihong, an executive Director and the Chairman of the Company. Therefore, upon completion of the Acquisition, Tianjin Mai Sheng Yue He would become a connected subsidiary of the Company under Rule 14A.16 of the Listing Rules.

On 11 January 2018, Shanghai Kappa, an indirect wholly-owned subsidiary of the Company, entered into a master supply agreement (the "Master Supply Agreement") with Tianjin Mai Sheng Yue He in relation to the supply and purchase of sport-related products from Shanghai Kappa to Tianjin Mai Sheng Yue He. As Tianjin Mai Sheng Yue He would become a connected subsidiary of the Company under Rule 14A.16 of the Listing Rules upon completion of the Sale and Purchase Agreement, the transactions contemplated under the Master Supply Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

The Master Supply Agreement shall expire on 31 December 2020 and the annual aggregate amount paid/to be paid by Tianjin Mai Sheng Yue He to Shanghai Kappa for the supply of goods under the Master Supply Agreement for each of the years ended/ending 31 December 2018, 2019 and 2020 should/shall not exceed RMB22,960,000, RMB25,260,000 and RMB27,780,000 (each the "Tianjin Mai Sheng Yue He Annual Cap"), respectively. Please refer to the announcement of the Company dated 11 January 2018 for further details. For the twelve months ended 31 December 2019 and for the three months ended 31 March 2020, the transactions conducted pursuant to the arrangement under the Master Supply Agreement amounted to nil and nil respectively.

The independent non-executive Directors have reviewed the above transactions and confirmed that the transactions have been entered into: (1) in the ordinary and usual course of business of the Group; (2) on normal commercial terms; and (3) in accordance with the Master Supply Agreement and the Renewed Framework Agreement (as the case may be) and on fair and reasonable terms and in the interests of the shareholders of the Company as a whole.

The auditors of the Company have reviewed the above transactions and given written notice to the Board to confirm that the above transactions: (1) have been approved by the Board; (2) have been conducted in accordance with the Master Supply Agreement and the Renewed Framework Agreement (as the case may be); (3) were in accordance with the pricing policies of the Company; and (4) did not exceed the Tianjin Mai Sheng Yue He Annual Cap for the twelve months ended 31 December 2019 and the Mai Sheng Yue He Annual Cap for the financial year ended 31 March 2020.

The related party transactions are set out in Note 36 to the consolidated financial statements. Apart from the connected transactions and continuing connected transactions disclosed above, all other related party transactions did not fall under the scope of "Connected Transaction" and "Continuing Connected Transaction" under Chapter 14A of the Listing Rules which are required to comply with the reporting, announcement or independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of its directors, as at the date of this report, there is sufficient public float of not less than 25% of the Company's issued Shares as required under the Listing Rules.

MAJOR SUPPLIERS AND CUSTOMERS

During the twelve months Period ended 31 March 2020, the purchases from the largest supplier and the aggregated purchases from the largest five suppliers amounted for 8% and 21% of the Group's total purchases, and the sales to the largest customer and the aggregated sales to the largest five customers amounted for 7% and 19% of the Group's total sales, respectively.

CORPORATE GOVERNANCE

Throughout the twelve months ended 31 March 2020, the Company has complied with all the code provisions, except two deviations from code provisions E.1.2 and A.6.7 of the Corporate Governance Code contained in Appendix 14 to the Listing Rules. Principal corporate governance practices adopted by the Company are set out in the Corporate Governance Report on pages 66 to 79 of this report.

AUDITOR

PricewaterhouseCoopers will retire as auditor of the Company at the forthcoming AGM and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of PricewaterhouseCoopers as auditor of the Company until the conclusion of the next AGM is to be proposed at the forthcoming AGM.

On behalf of the Board
Chen Yihong
Chairman

17 June 2020

INDEPENDENT AUDITOR'S REPORT

羅兵咸永道

Independent Auditor's Report
To the Shareholders of China Dongxiang (Group) Co., Ltd.
(incorporated in the Cayman Islands with limited liability)

OPINION

What we have audited

The consolidated financial statements of China Dongxiang (Group) Co., Ltd. (the "Company") and its subsidiaries (the "Group") set out on pages 97 to 196, which comprise:

- the consolidated balance sheet as at 31 March 2020;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

PricewaterhouseCoopers, 22/F, Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter identified in our audit is the fair value determination of level 3 financial assets at fair value through profit or loss.

Key Audit Matter	How our audit addressed the Key Audit Matter
Fair value determination of level 3 Financial assets at fair value through profit or loss	
Refer to Notes 3.3 and Note 20 to the consolidated financial statements. The Group has invested in certain financial assets at fair value through profit or loss with fair value of RMB6,946 million as at 31 March 2020 and among which, amount of RMB4,515 million is classified as level 3 in fair value hierarchy. These level 3 financial assets represents 38.6% of the total assets value of the Group as at 31 March 2020. These level 3 financial assets at fair value through profit or loss include private equity fund investments, other unlisted investments and wealth management products ("WMPs"). The valuation for level 3 financial assets were not based on active market prices, nor based on observable market data. Instead, they were based on significant unobservable inputs.	On sample basis, our major procedures on the fair value determination of level 3 financial assets at fair value through profit or loss were as follows: 1. We evaluated Management's valuation process in selecting the valuation techniques and determining the significant unobservable inputs for the fair value determination of level 3 financial assets at fair value through profit or loss, we also evaluated and validated the design and operation of Management's internal controls over such valuation process, including Management's approval of valuation techniques and significant unobservable inputs. 2. We assessed the appropriateness of the valuation techniques adopted for each type of level 3 financial assets at fair value through profit or loss by comparing with the industry practice.

Key Audit Matter	How our audit addressed the Key Audit Matter
Depending on the types of level 3 financial assets, the following valuation techniques and related key assumptions and judgements are adopted by the Group's management ("Management"): 1. For private equity fund investments, net asset value ("NAV") method is used. Under the NAV method, Management determines the fair valuation of the private equity fund investments as at the reporting date based on the net asset values of the private equity funds with underlying assets and liabilities measured at fair value as reported by the general partners of the funds; 2. For other unlisted investments, market approach is used, where valuation multiples (such as price to earnings/earnings before interest and tax multiple) of comparable companies and discount for lack of marketablility ("DLOM") are used to determine the fair values of these unlisted investments; and 3. For WMPs, income approach (specifically, discounted cash flow method) is used. The expected rates of return of the WMPs, as provided and periodically updated by the banks sponsoring and managing the WMPs, are used for approximation for both cash flow assessment and the discount rate in evaluating the fair values of the WMPs. The fair value determination of level 3 financial assets at fair value through profit or loss was a key area of audit focus due to their significance together with the significant and critical judgements used in selection of valuation techniques and determination of significant unobservable inputs when performing the fair value assessment.	3. For private equity fund investments, we assessed the fair value determination by performing procedures, including but not limited to: a) evaluating the capability of the general partners of the funds, including the appropriateness of their valuation process of the fair value determination for the underlying portfolios of the funds; b) obtaining and assessing the consistency of the fair value information contained in the reports provided by the general partners (including the latest audited financial statements and/or unaudited management/capital accounts of the funds) with the data source contained in Management's fair value assessment documents; c) examining the investment agreements and obtaining direct confirmations from the general partners regarding the information about the Group's investments in the funds; and d) testing the numerical accuracy of the calculations in arriving at the fair value of the private equity fund investments, which are based on the reported net asset value of the funds. 4. For other unlisted investments, we assessed the fair value determination by performing procedures, including but not limited to: a) examining the investment agreement and obtaining direct confirmations from the investees regarding the information about the Group's investments in the investees; b) evaluating the appropriateness of the selection of comparable companies by comparing the business profiles of the investees with those of the respective comparable companies, and assessing the reasonableness of DLOM adopted; and c) testing the numerical accuracy of the calculations in arriving at the fair value of the unlisted investments.

Key Audit Matter	How our audit addressed the Key Audit Matter
	5. For WMPs, we assessed the fair value determination by performing procedures, including but not limited to: a) examining the contracts and obtaining direct confirmations from the banks sponsoring and managing the WMPs regarding the information about the Group's investments in the WMPs; b) obtaining and assessing the consistency of the expected rate of return published by the banks with that contained in Management's fair value assessment documents; and c) testing the numerical accuracy of the calculations in arriving at the fair value of the WMPs. Based on the above procedures performed, we found the inputs and estimates used in Management's fair value determination of level 3 financial assets at fair value through profit or loss to be supported by available evidences and consistent with our understanding.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Ng Ping Fai.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 17 June 2020

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2020

	Note	For the year ended 31 March 2020 RMB'000	For the fifteen months ended 31 March 2019 RMB'000
Revenue	5	**1,841,257**	2,143,883
Cost of sales	7	**(703,454)**	(881,683)
(Provision for)/reversal of impairment of inventories — net	7	**(28,985)**	7,969
Gross profit		**1,108,818**	1,270,169
Distribution expenses	7	**(1,078,416)**	(1,112,639)
Administrative expenses	7	**(173,863)**	(224,551)
Provision for impairment of financial assets — net		**(24,028)**	(2,091)
Other gains — net	6	**651,110**	1,109,255
Operating profit		**483,621**	1,040,143
Finance income	9	**11,481**	36,807
Finance expenses	9	**(18,873)**	(29,356)
Finance (expenses)/income — net	9	**(7,392)**	7,451
Share of post-tax losses of joint ventures and associates accounted for using the equity method	12(c)	**(30,781)**	(21,968)
Profit before income tax		**445,448**	1,025,626
Income tax expense	10	**(85,701)**	(166,728)
Profit for the year/period		**359,747**	858,898
Profit attributable to:			
— Owners of the Company		**366,333**	865,852
— Non-controlling interests		**(6,586)**	(6,954)
		359,747	858,898

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2020

	Note	**For the year ended 31 March 2020 RMB'000**	For the fifteen months ended 31 March 2019 RMB'000
Profit for the year/period		**359,747**	858,898
Other comprehensive income			
Items that may be reclassified to profit or loss			
— Currency translation differences		**230,567**	99,388
Other comprehensive income for the year/period, net of tax		**230,567**	99,388
Total comprehensive income for the year/period		**590,314**	958,286
Total comprehensive income for the year/period attributable to:			
— Owners of the Company		**596,900**	965,240
— Non-controlling interests		**(6,586)**	(6,954)
		590,314	958,286
Earnings per share attributable to owners of the Company for the year/period			
(expressed in RMB cents per share)			
— Basic earnings per share	11	**6.25**	14.91
— Diluted earnings per share	11	**6.25**	14.91

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

CONSOLIDATED BALANCE SHEET

As at 31 March 2020

	Note	As at 31 March 2020 RMB'000	As at 31 March 2019 RMB'000
Assets			
Non-current assets			
Property, plant and equipment	13	**96,984**	111,068
Right-of-use assets	16	**100,161**	—
Lease prepayments	14	**—**	10,509
Intangible assets	15	**205,580**	213,884
Investments accounted for using the equity method	12(c)	**117,173**	151,680
Financial assets at fair value through profit or loss	21	**3,688,063**	5,890,726
Deferred income tax assets	17	**188,341**	252,686
Other financial assets at amortised cost	20	**442,058**	499,226
Other assets	23	**116,081**	45,752
Total non-current assets		**4,954,441**	7,175,531
Current assets			
Inventories	18	**457,417**	455,364
Trade receivables	19	**141,063**	174,462
Other current assets	23	**112,976**	151,709
Financial assets at fair value through profit or loss	21	**3,257,913**	1,561,146
Other financial assets at amortised cost	20	**664,798**	974,874
Restricted cash	22	**—**	285,581
Term deposits with initial term over three months and within one year	22	**37,738**	104,904
Cash and cash equivalents	22	**2,063,150**	766,722
Total current assets		**6,735,055**	4,474,762
Total assets		**11,689,496**	11,650,293
Equity			
Equity attributable to owners of the Company			
Share capital and share premium	24	**1,090,005**	1,090,005
Shares held for employee share scheme	25	**(196)**	(196)
Reserve	26	**9,521,841**	9,161,152
Capital and reserves attributable to owners of the Company		**10,611,650**	10,250,961
Non-controlling interests		**4,204**	10,790
Total equity		**10,615,854**	10,261,751

CONSOLIDATED BALANCE SHEET

As at 31 March 2020

	Note	**As at 31 March 2020 RMB'000**	As at 31 March 2019 RMB'000
Liabilities			
Non-current liabilities			
Accruals and other payables	29	**1,245**	5,739
Lease liabilities	16	**48,585**	—
Deferred income tax liabilities	17	**231,865**	265,151
Total non-current liabilities		**281,695**	270,890
Current liabilities			
Derivatives	30	**29,616**	41,591
Contract liabilities	33	**23,436**	29,595
Lease liabilities	16	**44,516**	—
Borrowings	31	**246,308**	527,636
Trade payables	28	**148,474**	149,406
Accruals and other payables	29	**257,426**	234,626
Provisions		**—**	6,221
Current income tax liabilities		**42,171**	128,577
Total current liabilities		**791,947**	1,117,652
Total liabilities		**1,073,642**	1,388,542
Total equity and liabilities		**11,689,496**	11,650,293

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

The financial statements on pages 97 to 104 were approved by the Board of Directors on 17 June 2020 and were signed on its behalf.

CHEN YIHONG
Executive Director & Chairman

ZHANG ZHIYONG
Executive Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2020

	Note	Share capital RMB'000	Share premium account RMB'000	Shares held for employee share scheme RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
		Attributable to owners of the Company							
Balance at 31 December 2017 as originally presented		54,768	806,397	(196)	1,939,445	6,784,950	9,585,364	13,295	9,598,659
Change in accounting policies		—	—	—	(1,957,622)	1,957,622	—	—	—
Restated total equity at 1 January 2018		54,768	806,397	(196)	(18,177)	8,742,572	9,585,364	13,295	9,598,659
Comprehensive income									
Profit for the period		—	—	—	—	865,852	865,852	(6,954)	858,898
Other comprehensive income									
Currency translation differences		—	—	—	99,388	—	99,388	—	99,388
Total comprehensive income		—	—	—	99,388	865,852	965,240	(6,954)	958,286
Transaction with owners									
Issuance of new ordinary shares	24(a)	1,698	227,142	—	—	—	228,840	—	228,840
Dividends relating to 2017 final and 2018 interim declared and paid	33	—	—	—	—	(528,483)	(528,483)	—	(528,483)
Total contribution by and distribution to owners, recognised directly in equity		1,698	227,142	—	—	(528,483)	(299,643)	—	(299,643)
Appropriation to statutory reserves	26	—	—	—	4,705	(4,705)	—	—	—
Disposal of a subsidiary		—	—	—	(2,331)	2,331	—	—	—
Non-controlling interest on acquisition of a subsidiary		—	—	—	—	—	—	4,449	4,449
Total transactions with owners, recognised directly in equity		1,698	227,142	—	2,374	(530,857)	(299,643)	4,449	(295,194)
Balance at 31 March 2019		56,466	1,033,539	(196)	83,585	9,077,567	10,250,961	10,790	10,261,751

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2020

	Note	Attributable to owners of the Company						Non-controlling interests	Total equity
		Share capital	Share premium account	Shares held for employee share scheme	Other reserves	Retained earnings	Total		
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 31 March 2019		56,466	1,033,539	(196)	83,585	9,077,567	10,250,961	10,790	10,261,751
Changes in accounting policies	2.2	—	—	—	—	—	—	—	—
Balance at 1 April 2019		56,466	1,033,539	(196)	83,585	9,077,567	10,250,961	10,790	10,261,751
Comprehensive income									
Profit for the year		—	—	—	—	366,333	366,333	(6,586)	359,747
Other comprehensive income									
Currency translation differences		—	—	—	230,567	—	230,567	—	230,567
Total comprehensive income		56,466	1,033,539	(196)	314,152	9,443,900	10,847,861	4,204	10,852,065
Transaction with owners									
Dividends relating to 2018/2019 final and 2019/2020 interim declared and paid in the current period	33	—	—	—	—	(238,210)	(238,210)	—	(238,210)
Total contribution by and distribution to owners, recognised directly in equity		—	—	—	—	(238,210)	(238,210)	—	(238,210)
Appropriation to statutory reserves	26	—	—	—	30,304	(30,304)	—	—	—
Value of service provided under share option scheme	27	—	—	—	1,478	—	1,478	—	1,478
Disposal of a subsidiary		—	—	—	521	—	521	—	521
Total transactions with owners, recognised directly in equity		—	—	—	32,303	(268,514)	(236,211)	—	(236,211)
Balance at 31 March 2020		56,466	1,033,539	(196)	346,455	9,175,386	10,611,650	4,204	10,615,854

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2020

	Note	For the year ended 31 March 2020 RMB'000	For the fifteen months ended 31 March 2019 RMB'000
Cash flows from operating activities			
Cash generated/(used in) from operations	34	**22,422**	(234,242)
Interest received		**8,587**	20,815
Income tax paid		**(141,048)**	(157,696)
Net cash outflow from operating activities		**(110,039)**	(371,123)
Cash flows from investing activities			
Purchase of property, plant and equipment		**(3,018)**	(27,090)
Purchase of intangible assets		**(764)**	(4,442)
Decrease/(increase) in term deposits with initial terms over three months	22	**67,166**	(4,005)
Proceeds from disposal of property, plant and equipment and intangible assets	34	**7,957**	1,214
Increase in financial assets at fair value through profit or loss		**(5,199,893)**	(3,306,241)
Proceeds from disposal of other financial assets		**274,171**	2,128,663
Proceeds from disposal of financial assets at fair value through profit or loss		**6,542,927**	3,155,040
Proceeds from call options and put options — net		**—**	2,838
Increase in loans receivables		**(192,511)**	(1,728,011)
Interest received from other financial assets at amortised cost		**77,816**	119,853
Dividend and investment income from financial assets at fair value through profit or loss		**93,225**	160,863
Disposal of joint ventures and associates		**22,056**	—
Payments for acquisition of a joint venture		**—**	(40,000)
Payments for acquisition of an associate		**—**	(5,000)
Payments for acquisition of a subsidiary, net of cash acquired		**—**	(6,904)
Net cash inflow from investing activities		**1,689,132**	446,778

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2020

	Note	**For the year ended 31 March 2020 RMB'000**	For the fifteen months ended 31 March 2019 RMB'000
Cash flows from financing activities			
Dividends paid		**(238,210)**	(528,483)
Proceeds from borrowings		**413,890**	507,151
Repayments of borrowings		**(723,282)**	(496,981)
Interest paid		**(14,392)**	(26,985)
Proceeds from issuance of ordinary shares		**—**	40,145
Payments for lease liabilities		**(48,672)**	—
Decrease in restricted cash	22	**285,581**	105,278
Net cash outflow from financing activities		**(325,085)**	(399,875)
Net increase/(decrease) in cash and cash equivalents		**1,254,008**	(324,220)
Cash and cash equivalents at the beginning of the year/period		**766,722**	1,051,865
Effects of exchange rate changes on cash and cash equivalents		**42,420**	39,077
Cash and cash equivalents at end of the year/period	22	**2,063,150**	766,722

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

1. GENERAL INFORMATION

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

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

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

The outbreak of COVID-19 in early 2020 has resulted in a significant decrease in the Group's revenue in the fourth quarter of the 2019/2020 financial year and constituted a triggering event of impairment tests of certain assets of the Group. Further, the Group has also considered the impact of COVID-19 in measuring the expected credit loss of certain financial assets that are measured at amortised cost and the fair values of certain financial assets at fair value through profit or loss. It brought additional challenge to the overall operating environment of the industry and the Group.

These financial statements are presented in Renminbi ("RMB"), unless otherwise stated.

These financial statements have been approved for issue by the Board of Directors on 17 June 2020.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This note provides a list of the significant accounting policies adopted in the preparation of these consolidated financial statements. These policies have been consistently applied to all the year/period presented, unless otherwise stated. The financial statements are for the Group consisting of the Company and its subsidiaries.

2.1 Basis of preparation

(i) Compliance with IFRS and HKCO

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRSs") issued by International Accounting Standards Board ("IASB") and disclosure requirements of the Hong Kong Companies Ordinance Cap. 622.

(ii) Historical cost convention

The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss which are carried at fair value.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

(iii) New and amended standards adopted by the group

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 April 2019:

- IFRS 16 Leases, and
- Prepayment Features with Negative Compensation — Amendments to IFRS 9, and
- Long-term Interests in Associates and Joint Ventures — Amendments to IAS 28, and
- Annual Improvements to IFRS Standards 2015–2017 Cycle, and
- Plan Amendment, Curtailment or Settlement — Amendments to IAS 19, and
- Interpretation 23 Uncertainty over Income Tax Treatments.

The impact of the adoption of IFRS 16 is disclosed in Note 2.2 below. The other amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

(iv) New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for the year ended 31 March 2020 and have not been early adopted by the Group. These standards are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

2.2 Changes in accounting policies

This note explains the impact of the adoption of IFRS 16 Lease on the Group's financial statements.

As indicated in note 2.1 above, the Group has adopted IFRS 16 Leases retrospectively from 1 April 2019 but has not restated comparatives for fifteen months period ended 31 March 2019, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 April 2019. The new accounting policies are disclosed in note 2.30.

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 April 2019. The lessee's incremental borrowing rate applied to the lease liabilities on 1 April 2019 ranged from 4.02% to 4.75% per annum.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Changes in accounting policies (Continued)

(a) Practical expedients applied

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

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

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

(b) Measurement of lease liabilities

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

In addition, upon adoption of IFRS 16, principal elements of lease payments and related interest portion have been classified within financing activities in the consolidated statement of cash flows.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Changes in accounting policies (Continued)

(c) Measurement of right-of-use assets

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

(d) Adjustments recognised in the balance sheet on 1 April 2019

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

- right-of-use assets — increase by RMB86,994,000
- lease prepayments — decrease by RMB10,509,000
- other current assets — decrease by RMB718,000
- lease liabilities — increase by RMB75,767,000
- property, plant and equipment — decrease by RMB3,729,000
- accruals and other payables — decrease by RMB3,729,000

2.3 Principles of consolidation and equity accounting

(i) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group (refer to Note 2.4).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Principles of consolidation and equity accounting (Continued)

(i) Subsidiaries (Continued)

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of comprehensive income, statement of changes in equity and balance sheet respectively.

(ii) Associates

Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights.

Investments in associates in the form of ordinary shares are accounted for using the equity method of accounting (see (iv) below), after initially being recognised at cost.

Investments in associates in the form of ordinary shares with preferential rights are accounted as financial assets measured at fair value through profit or loss (Note 2.12).

(iii) Joint arrangements

Under IFRS 11 Joint Arrangements investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement. The Group only has joint ventures.

Interests in joint ventures are accounted for using the equity method (see (iv) below), after initially being recognised at cost in the consolidated balance sheet.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Principles of consolidation and equity accounting (Continued)

(iv) Equity method

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

When the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in Note 2.11.

(v) Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of the Group.

When the Group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs.

If the ownership interest in a joint venture or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Business combinations

The acquisition method of accounting is used to account for the all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred,
- liabilities incurred to the former owners of the acquired business,
- equity interests issued by the Group,
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the

- consideration transferred,
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity.

Over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Separate financial statements

Investments in subsidiaries (including controlled structured entities) are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.6 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive committee that makes strategic decisions.

2.7 Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The functional currency of the Company is United States Dollars ("USD") and the functional currency of most of its subsidiaries is Renminbi ("RMB") or Japanese Yen ("JPY"). The consolidated financial statements are presented in RMB, which is the presentation currency of the financial statements of the Company and the Group.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in profit or loss.

Foreign exchange gains and losses that relate to cash and cash equivalents and borrowings are presented in the consolidated statement of comprehensive income, within finance income — net. All other foreign exchange gains and losses are presented in the consolidated statement of comprehensive income on a net basis within "other gains/(losses) — net".

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Foreign currency translation (Continued)

(iii) Group companies

The results and financial position of foreign operations (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet,
- income and expenses for each consolidated statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and
- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

(iv) Disposal of foreign operation and partial disposal

On the disposal of a foreign operation (that is, a disposal of the group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a joint venture that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the currency translation differences accumulated in equity in respect of that operation attributable to the owners of the company are reclassified to profit or loss.

In the case of a partial disposal that does not result in the group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated currency translation differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (that is, reductions in the group's ownership interest in associates or joint ventures that do not result in the group losing significant influence or joint control), the proportionate share of the accumulated exchange difference is reclassified to profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation and impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Freehold land is stated at cost less accumulated impairment losses, if any. Cost represents consideration paid for the purchase of the land. Freehold land is not subject to depreciation.

Construction-in-progress represents buildings, plant and machinery under construction or pending installation and is stated at cost less accumulated impairment losses, if any. Cost includes the costs of construction and acquisition. No provision for depreciation is made on construction-in-progress until such time the relevant assets are completed and ready for intended use. When the assets concerned are available for use, the costs are transferred to property, plant and equipment and depreciated in accordance with the policy as stated below.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to the consolidated statement of comprehensive income during the financial period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful lives or, in the case of leasehold improvements and certain leased plant and equipment, the shorter lease term as follows:

— Buildings	20–35 years
— Office furniture and equipment	2–15 years
— Vehicles	5 years
— Leasehold improvements	2–5 years or over lease term

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.11).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss.

Construction-in-progress represents buildings, plant and/or machinery under construction or pending installation and is stated at cost less accumulated impairment losses. Cost includes the costs of construction of buildings, the costs of plant and machinery, installation, testing and other direct costs. No provision for depreciation is made on construction-in-progress until such time as the relevant assets are completed and ready for intended use.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Intangible assets

(i) Trademarks

Separately acquired trademarks are shown at historical cost. Trademarks acquired in a business combination are recognised at fair value at the acquisition date. They have a finite useful life and are subsequently carried at cost less accumulated amortisation and impairment losses.

(ii) Software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of 2 to 5 years.

(iii) Amortisation methods and periods

The Group amortises intangible assets with a limited useful life using the straight-line method over the following periods:

- Trademark 40 years
- IT development and software 2–5 years

2.10 Impairment of non-financial assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

2.11 Investments and other financial assets

(i) Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI, or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Investments and other financial assets (Continued)

(i) Classification (Continued)

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

(ii) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(iii) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are presented in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. A gain or loss on a debt investment that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss and presented in "other gains/(losses) — net", together with foreign exchange gains and losses, when the asset is derecognized. Impairment losses are presented as separate line item in the statement of profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Investments and other financial assets (Continued)

(iii) Measurement (Continued)

Debt instruments (Continued)

- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in "other gains/(losses) — net". Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in "other gains/(losses) — net" and impairment expenses are presented as separate line item in the statement of comprehensive income.

- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL and is not part of a hedging relationship is recognised in profit or loss and presented net within "other gains/(losses) — net" in the period in which it arises.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as "other gains/(losses) — net" when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in "other gains/(losses) — net" in the statement of comprehensive income as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

(iv) Impairment

The Group assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 3.1(b) details how the Group determines whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see Note 3.1(b) and Note 18 for further details.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Investments and other financial assets (Continued)

(iv) Impairment (Continued)

Impairment on other financial assets at amortised cost including loans receivables and others is measured as either 12-month expected credit losses or lifetime expected credit loss, depending on whether there has been a significant increase in credit risk or credit impaired since initial recognition. See Note 3.1(b) for details.

2.12 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet where the Group currently has a legally enforceable right to offset the recognized amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The Group has also entered into arrangements that do not meet the criteria for offsetting but still allow for the related amounts to be set off in certain circumstances, such as bankruptcy or the termination of a contract.

2.13 Derivative financial instrument

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group does not designate any derivatives as hedging instruments.

2.14 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. It excludes borrowing costs. Costs are assigned to individual items of inventory on the basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

2.15 Trade receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. Trade receivables are generally due for settlement within 90 days and therefore are all classified as current.

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method, less loss allowance. See Note 18 for further information about the Group's accounting for trade receivables and Note 3.1 for a description of the Group's impairment policies.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.16 Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

2.17 Share capital and shares held for employee share scheme

Ordinary shares are classified as equity (Note 23).

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where any group company purchases the Company's equity instruments, for example as the result of a share buy-back or a share-based payment plan, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the owners of the Company as treasury shares until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, and is included in equity attributable to the owners of the Company.

Shares held by BOCI-Prudential Trustee Limited ("Trustee") are disclosed as treasury shares and deducted from contributed equity.

2.18 Trade payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

2.19 Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 Borrowings (Continued)

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as finance costs.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

2.20 Borrowings cost

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

Other borrowing costs are expensed in the period in which they are incurred.

2.21 Current and deferred income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.21 Current and deferred income tax (Continued)

(b) Deferred income tax (Continued)

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

2.22 Employee benefits

(i) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the balance sheet.

(ii) Pension obligations

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan that is not a defined contribution plan.

Past-service costs are recognised immediately in the consolidated statement of comprehensive income.

For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.22 Employee benefits (Continued)

(ii) Pension obligations (Continued)

The Group recognises a liability and an expense for bonuses and profit-sharing based on a formula that takes into consideration the profit attributable to the company's shareholders after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

(iii) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of IAS 37 and involves the payment of terminations benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

(iv) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date. Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

2.23. Share-based payments

(i) Employee share scheme

The Group operates a number of equity-settled, share-based compensation plans. These plans comprise share option schemes and a share award scheme. The fair value of the employee services received in exchange for the grant of the options or shares is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the restricted shares granted as at date of grant, including any market performance conditions, excluding the impacts of any service and non-market performance vesting conditions as well as including any non-vesting conditions, when applicable. The total amount expensed is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

For the Company's separate financial statements, fair value of the options and shares granted to its subsidiaries' employees is recognised as increase in investment in subsidiaries and equity.

At the end of each period, the Group revises its estimates of the number of options and shares that are expected to vest based on the non-market vesting and service conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.24 Provisions

Provisions for legal claims, service warranties and make good obligations are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

2.25 Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably. A contingent liability is not recognised but is disclosed in the notes to the consolidated financial statements. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognised as a provision.

2.26 Revenue recognition

(a) Sales of goods — wholesale

The Group manufactures and sells a range of sport-related apparels, footwears and accessories to its distributors in China and Japan. Sales of goods are recognised when control of the products has transferred, being when products are delivered to the wholesaler, the wholesaler has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the wholesaler's acceptance of the products. Delivery occurs when the products have been shipped to the specified location, the risks of obsolescence and loss have been transferred to the wholesaler, and either the wholesaler has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

The products of the Group are often sold with sales discounts. Revenue from these sales are recognised based on the price specified in the sales contracts, net of the estimated sales discounts at the time of sale. The sales discounts are estimated based on the terms of agreements. No element of financing is deemed present as the sales are made with a credit term of 45–60 days, which is consistent with the market practice.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.26 Revenue recognition (Continued)

(a) Sales of goods — wholesale (Continued)

As receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

(b) Sales of goods — retail

The Group operates a chain of retail shops and outlets for selling sport apparels, footwears and accessories in China and Japan. Revenue from the sale of goods is recognised when the Group sells a product to the customer. Retail sales are usually in cash or by credit cards or through on-line payment platforms.

(c) Sales of goods — online sales

Revenue from the sale of goods on the internet is recognised when the control of the products has transferred, which is the point of acceptance by the customers. Transactions are settled by cash, credit card or through third party on-line payment platforms.

(d) Sales of goods — consignment sales

Consignment sales are the sales of goods of the Group under which the recipient undertakes to sell the goods on behalf of the Group. Revenue is recognised by the Group when the control of the goods is transferred to the customer.

(e) Sale of goods — refunds

Customers have a right to return products within certain days, the Group is obliged to refund the purchases price. Therefore, a refund liability (included in other payables and accruals) and a right to the returned goods (included in other assets) are recognised for the products expected to be returned. Accumulated experience is used to estimate such returns at the time of sale. The validity of this assumption and the estimated amount of returns are reassessed at each reporting date.

(f) Sale of goods — customer loyalty programme

The Group operates a loyalty programme where retail customers accumulate points for purchases made which entitle them to discounts on future purchases. Revenue from the award points is recognised when the points are redeemed or when they expire at the end of the next year after the initial sale.

A contract liability is recognised until the points are redeemed or expired.

(g) Royalty income

Royalty income is recognised in the consolidated statement of comprehensive income on an accrual basis in accordance with the substance of the relevant agreements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.27 Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares

by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and

- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

2.28 Dividend income

Dividends are received from financial assets measured at fair value through profit or loss (FVPL) (2017 — from financial assets at FVPL and available-for-sale financial assets). Dividends are recognised as "other gains/(losses) — net" the consolidated statement of comprehensive income when the right to receive payment is established. This applies even if they are paid out of pre-acquisition profits, unless the dividend clearly represents a recovery of part of the cost of an investment. In this case, the dividend is recognised in OCI if it relates to an investment measured at FVOCI. However, the investment may need to be tested for impairment as a consequence.

2.29 Leases

As explained in Note 2.2 above, the Group has changed its accounting policy for leases where the Group is the lessee. The new policy is described below and the impact of the change in Note 2.2.

Until 31 March 2019, leases in which a significant portion of the risks and rewards of ownership were retained by the lessor were classified as operating leases (Note 36). Payments made under operating leases (net of any incentives received from the lessor) were charged to the consolidated statement of comprehensive income on a straight-line basis over the period of the lease.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.29 Leases (Continued)

From 1 April 2019, leases (including lease prepayments) are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices.

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

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

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received,
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which does not have recent third party financing, and
- makes adjustments specific to the lease, e.g. term, country, currency and security.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.29 Leases (Continued)

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

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

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

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life. The Group has chosen not to revalue its right-of-use assets.

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

2.30 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

2.31 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the consolidated statement of comprehensive income over the period necessary to match them with the costs that they are intended to compensate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.32 Interest income

Interest income from financial assets at FVPL is included in "other gains/(losses) — net", see Note 6 below.

Interest income on financial assets at amortised cost calculated using the effective interest method is recognised in the consolidated statement of comprehensive income as part of "other gains/(losses) — net".

Interest income is presented as finance income where it is earned from financial assets that are held for cash management purposes, see Note 9 below. Any other interest income is included in "other gains/(losses) — net".

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

3. FINANCIAL RISK MANAGEMENT

This note explains the Group's exposure to financial risks and how these risks could affect the Group's future financial performance. Current period profit and loss information has been included where relevant to add further context.

Risk	Exposure arising from	Measurement
Market risk — foreign exchange	Recognised financial assets and liabilities denominated in foreign currency different from its functional currency	Cash flow forecasting Sensitivity analysis
Market risk — interest rate	Short-term borrowings at variable rates	Sensitivity analysis
Market risk — security prices	Investments in equity securities	Sensitivity analysis
Credit risk	Cash and cash equivalents, term deposits with initial term over three months and within one year, restricted cash, trade receivables, other financial assets at amortised cost and certain debt investments measured at fair value through profit or loss	Aging analysis Credit ratings
Liquidity risk	Borrowings, derivatives and other liabilities	Rolling cash flow forecasts

3.1 Financial risk factors

(a) Market risk

(i) Foreign exchange risk

The Group mainly operates in the PRC and Japan with most of the transactions denominated and settled in RMB and JPY, while limited purchases are from overseas (other than Japan) that are settled mainly in USD. Foreign exchange risk arises from recognised assets and liabilities and net investments in foreign operations. The Group did not enter into any forward contract to hedge its exposure to foreign currency risk for the year ended 31 March 2020.

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(a) Market risk (Continued)

(i) Foreign exchange risk (Continued)

Exposure

The Group's exposure to foreign currency risk at the end of the reporting period, expressed in RMB, was as follows:

	31 March 2020			31 March 2019		
	USD	**HKD**	**JPY**	USD	HKD	JPY
	RMB'000	**RMB'000**	**RMB'000**	RMB'000	RMB'000	RMB'000
Deposits	**307,502**	**169,418**	**1,218**	22,346	114,350	—
Trade Receivables	**—**	**—**	**24,743**	16,532	—	—
Bank loans	**—**	**(160,577)**	**(36,070)**	—	(468,315)	—
Trade Payables	**(609)**	**—**	**(11,831)**	(43,659)	—	(5,414)

Sensitivity

As shown in the table below, the Group is primarily exposed to changes in USD/RMB and HKD/RMB exchange rates. The sensitivity of profit or loss to changes in the exchange rates arises mainly from the deposits denominated in Hong Kong Dollars ("HKD") and USD in the PRC subsidiaries, the functional currency of which is RMB, and the deposits and bank loans denominated in HKD in the Company and overseas subsidiaries of which the functional currency is USD.

	Impact on post tax profit	
	For the year ended 31 March 2020 RMB'000	For the fifteen months ended 31 March 2019 RMB'000
USD/RMB exchange rate — increase 5%	**11,508**	(179)
USD/RMB exchange rate — decrease 5%	**(11,508)**	179
HKD/RMB exchange rate — increase 5%	**332**	(13,274)
HKD/RMB exchange rate — decrease 5%	**(332)**	13,274

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(a) Market risk (Continued)

(ii) Cash flow interest rate risk

The Group's main interest rate risk arises from short-term borrowings with variable rates, which expose the Group to cash flow interest rate risk. The Group currently does not hedge its exposure to interest rate risk. For the year ended 31 March 2020 and the fifteen months ended 31 March 2019, the Group's borrowings at variable rate were mainly denominated in USD, JPY and HKD.

The Group's borrowings are carried at amortised cost. The borrowings are quarterly contractually repriced and to that extent are also exposed to the risk of future changes in market interest rates.

Profit or loss is sensitive to higher/lower interest expense from borrowings as a result of changes in interest rates.

	Impact on post tax profit	
	For the year ended 31 March 2020 RMB'000	For the fifteen months ended 31 March 2019 RMB'000
Interest rates — increase by 50 basis points (50 bps)	**(983)**	(5,001)
Interest rates — decrease by 50 basis points (50 bps)	**983**	5,001

(iii) Price risk

The Group's exposed to equity securities price risk because of certain listed equity investments held by the Group and classified on the consolidated balance sheet as at FVPL. The Group is not exposed to commodity price risk. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.

As at 31 March 2020, if all the share prices of the Group's listed equity securities had risen/fallen by 10% consistently while all other variables had been held constant, the Group's post-tax profit for the year ended 31 March 2020 would have increased/decreased by approximately RMB173,864,000 (As at 31 March 2019, post-tax profit would have increased/decreased by approximately RMB217,319,000).

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(b) Credit risk

The Group is exposed to credit risk in relation to its cash and cash equivalents, term deposits with initial term over three months and within one year, restricted cash, trade receivables, other financial assets at amortised cost and certain debt investments measured at FVPL (including investments in WMPs, investments in private equity funds and other unlisted investments). The carrying amounts of each class of the above financial assets represent the Group's maximum exposure to credit risk in relation to financial assets.

(i) Risk management

To manage risk arising from cash and cash equivalents, term deposits with initial term over three months and within one year, restricted cash and investments in WMPs, the Group only transacts with state-owned or reputable financial institutions in mainland China and reputable international financial institutions outside of mainland China. There has been no recent history of default in relation to these financial institutions. Hence, management considers that the credit risk is very minimal.

To manage risk arising from trade receivables, the Group has policies in place to ensure that credit terms are made to counterparties with an appropriate credit history and the management performs ongoing credit evaluations of its counterparties. The credit period granted to the customers is usually within 90 days and the credit quality of these customers is assessed, which takes into account their financial position, past experience and other forward-looking factors.

For other financial assets at amortised cost, management makes periodic collective assessments as well as individual assessment on the recoverability of these balances based on historical settlement records and past experiences. The Group's other financial assets at amortised cost mainly include loans receivables (including loans to third parties, loans to related parties and loans to management personnel and employees). Further details of the impairment assessment on loans receivables are given in Note 3.1(b)(ii) below.

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(ii) Impairment of financial assets

The Group has two types of financial assets that are subject to expected credit loss model:

- trade receivables, and
- other financial assets at amortised cost.

While cash and cash equivalents, term deposits with initial term over three months and within one year and restricted cash are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

Trade receivables

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

The expected loss rates are based on the payment profiles of sales over a period and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the GDP to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in this factor. As at 31 March 2020, the Group considered negative impact of COVID-19 through adjustment on weighting and rating of downside scenarios in forward-looking factor.

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(ii) Impairment of financial assets (Continued)

Trade receivables (Continued)

On that basis, the loss allowance as at 31 March 2020 and 31 March 2019 was determined as follows for trade receivables:

31 March 2020	**0–30 days**	**30–180 days**	**Over 180 days**	**Total**
Provision on individual basis				
Gross carrying amount of certain debtors	652	4,044	—	4,696
Loss allowance of certain debtor(s)	(652)	(4,044)	—	(4,696)
Provision on collective basis				
Lifetime expected credit loss rate	0.70%	14.37%	100.00%	
Gross carrying amount excluding certain debtors	67,222	86,783	21,825	175,830
Loss allowance excluding certain debtor(s)	(470)	(12,472)	(21,825)	(34,767)
Total loss allowance	(1,122)	(16,516)	(21,825)	(39,463)

31 March 2019	0–30 days	30–180 days	Over 180 days	Total
Provision on collective basis				
Lifetime expected credit loss rate	2.41%	13.18%	86.02%	13.87%
Gross carrying amount	110,146	74,214	18,192	202,552
Total loss allowance	(2,659)	(9,783)	(15,648)	(28,090)

Impairment losses on trade receivables are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(ii) Impairment of financial assets (Continued)

Loan receivables (including loans to third parties, loans to related parties and loans to management personnel and employees)

To manage risk arising from loans receivables, the Group performs standardised credit management procedures. The estimation of credit exposure for risk management purposes is complex and requires the use of models, as the exposure varies with changes in market conditions, expected cash flows and the passage of time. The Group measures credit risk using Probability of Default ("PD"), Exposure at Default ("EAD") and Loss Given Default ("LGD") defined as below:

- The PD represents the likelihood of a borrower defaulting on its financial obligation, either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation.
- The EAD is based on the amounts the Group expects to be owed at the time of default, over the next 12 months or over the remaining lifetime.
- The LGD represents the Group's expectation of the extent of loss on a defaulted exposure. LGD varies by type of counterparty, type and seniority of claim and availability of collateral or other credit support. LGD is expressed as a percentage loss per unit of EAD. LGD is calculated on a 12-month or lifetime basis.

The Group makes credit analysis, assessment of collectability of borrowers, possibility of misconduct and fraudulent activities.

Expected credit loss model for loans receivables, as summarised below:

- The loans receivables that are not credit-impaired on initial recognition are classified in 'Stage 1' and have their credit risk continuously monitored by the Group. The expected credit loss is measured on a 12-month basis.
- If a significant increase in credit risk (as defined below) since initial recognition is identified, the financial instrument is moved to 'Stage 2' but is not yet deemed to be credit-impaired. The expected credit loss is measured on lifetime basis.
- If the financial instrument is credit-impaired (as defined below), the financial instrument is then moved to 'Stage 3'. The expected credit loss is measured on lifetime basis.
- In Stages 1 and 2, interest income is calculated on the gross carrying amount (without deducting the loss allowance). If a financial asset subsequently becomes credit-impaired (Stage 3), the Group is required to calculate the interest income by applying the effective interest method in subsequent reporting periods to the amortised cost of the loans receivables (the gross carrying amount net of loss allowance) rather than the gross carrying amount.

The impairment of loans receivables was provided based on the 'three-stages' model by referring to the changes in credit quality since initial recognition.

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(ii) Impairment of financial assets (Continued)

Loan receivables (including loans to third parties, loans to related parties and loans to management personnel and employees) (Continued)

The key judgments and assumptions adopted by the Group in addressing the requirements of the standard are discussed below:

(1) Significant increase in credit risk (SICR)

The Group considers loans receivables to have experienced a SICR if the borrower meets one or more of the following criteria:

- Significant adverse changes in business, financial and/or economic conditions in which the borrower operates
- Actual or expected forbearance or restructuring
- Actual or expected significant adverse change in operating results of the borrower

For the debtor's contractual payments(including principal and interest) that more than 30 days past due, but within 90 days (inclusive) the Group considers a loan receivable to have experienced a SICR, and classifies it into Stage 2.

(2) Definition of default and credit-impaired assets

The Group defines a financial instrument as in default, when the borrower is more than 90 days past due on its contractual payments. This has been applied to all loan receivables held by the Group.

When one or more events that adversely affect the expected future cash flow of a financial asset occurs, the financial asset becomes a credit-impaired financial asset. Evidence of credit-impaired financial assets includes the following observable information:

- The borrower is in significant financial difficulties;
- It is becoming probably that the borrower will enter bankruptcy or other debt restructuring;

(3) Forward-looking information incorporated in the ECL models

The Group has performed historical analysis and identified the key economic variables impacting credit risk and ECL. The impact of these economic variables on the PD and LGD was determined by the Group with reference to external experts' judgement considering the possibility of upside and downside scenarios. Following this assessment, the Group measures ECL as either a 12 month ECL (Stage 1) or a lifetime ECL (Stages 2 and 3).

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(ii) Impairment of financial assets (Continued)

Credit loss allowance

The credit loss allowance recognised in the year is impacted by a variety of factors, as described below:

- Transfers between Stage 1 and Stages 2 or 3 due to loans receivables experiencing significant increases (or decreases) of credit risk or becoming credit-impaired in the year, and the subsequent "step up" (or "step down") between 12-month and Lifetime ECL. Impact on the measurement of ECL due to changes in PDs, EADs and LGDs in the year, arising from regular refreshing of inputs to models;

- Additional allowances for new financial instruments recognised, as well as releases for loans receivables derecognised in the year;

- Loans receivables derecognised and write-offs of allowances related to assets that were written off during the year.

The gross carrying amount of the loans receivables, and thus the maximum exposure to loss, is as follows:

	Stage1 12 months expected credit loss RMB'000	Stage 2 Lifetime expected credit loss RMB'000	Stage 3 Lifetime expected credit loss RMB'000	Total RMB'000
Total gross carrying amount as of 1 April 2019	**1,081,044**	**14,167**	**321,624**	**1,416,835**
Transfers				
Transfer from Stage 1 to Stage 2	**(307,592)**	**307,592**	**—**	**—**
Transfer from Stage 2 to Stage 3	**—**	**(14,167)**	**14,167**	**—**
Changes in PDs/LGDs/EADs	**—**	**—**	**—**	**—**
Derecognised during the year	**(322,213)**	**—**	**(249,937)**	**(572,150)**
New originated	**184,601**	**65**	**439**	**185,105**
Total gross carrying amount as of 31 March 2020	**635,840**	**307,657**	**86,293**	**1,029,790**

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(ii) Impairment of financial assets (Continued)

Credit loss allowance (Continued)

	Stage1 12 months expected credit loss RMB'000	Stage 2 Lifetime expected credit loss RMB'000	Stage 3 Lifetime expected credit loss RMB'000	Total RMB'000
Total gross carrying amount as of 1 January 2018	1,438,597	19,818	5,118	1,463,533
Transfers				
Transfer from Stage 1 to Stage 3	(223,462)	—	223,462	—
Derecognised during the year	(2,128,663)	(7,238)	(5,118)	(2,141,019)
New originated	1,994,572	1,587	98,162	2,094,321
Total gross carrying amount as of 31 March 2019	1,081,044	14,167	321,624	1,416,835

There is no originated credit-impaired loan receivables of the Group during the year ended 31 March 2020 and the fifteen months ended 31 March 2019.

A significant portion of loans receivables has sufficiently low "loan to value ratio" (i.e. sufficient collateral), which results in no provision being recognised. As at 31 March 2020, the carrying amount of such loans receivables with sufficient collateral is RMB1,010,184,000 (As at 31 March 2019: RMB1,397,668,000).

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(ii) Impairment of financial assets (Continued)

Credit loss allowance (Continued)

The following tables explain the changes in the credit loss allowance for loans receivables between the beginning and the end of the year due to these factors. No significant changes to estimation techniques or assumptions were made during the reporting period.

	Stage 1 12 months expected credit loss RMB'000	Stage 2 Lifetime expected credit loss RMB'000	Stage 3 Lifetime expected credit loss RMB'000	Total RMB'000
Loss allowance as of 1 April 2019	**—**	**4,167**	**5,000**	**9,167**
Transfers				
Transfer from Stage 2 to Stage 3	**—**	**(4,167)**	**4,167**	**—**
Changes in PDs/LGDs/EADs	**—**	**—**	**10,000**	**10,000**
New loans receivables originated	**—**	**—**	**439**	**439**
Loss allowance as of 31 March 2020	**—**	**—**	**19,606**	**19,606**

	Stage 1 12 months expected credit loss RMB'000	Stage 2 Lifetime expected credit loss RMB'000	Stage 3 Lifetime expected credit loss RMB'000	Total RMB'000
Loss allowance as of 1 January 2018	—	—	5,118	5,118
Derecognised during the period	—	—	(5,118)	(5,118)
New loans receivables originated	—	4,167	5,000	9,167
Loss allowance as of 31 March 2019	—	4,167	5,000	9,167

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(ii) Impairment of financial assets (Continued)

Collateral and other credit enhancements

The Group uses a series specific policies and practice to reduce credit risk, among which the most widely use is collateral. The following table contains an analysis of collaterals for loans receivables by stage:

	As at 31 March 2020			
	Stage 1 12 months expected credit loss RMB'000	**Stage 2 Lifetime expected credit loss RMB'000**	**Stage 3 Lifetime expected credit loss RMB'000**	**Total RMB'000**
Unsecured	**—**	**—**	**14,606**	**14,606**
Secured by collateral	**635,840**	**307,657**	**71,687**	**1,015,184**
	635,840	**307,657**	**86,293**	**1,029,790**

	As at 31 March 2019			
	Stage 1 12 months expected credit loss RMB'000	Stage 2 Lifetime expected credit loss RMB'000	Stage 3 Lifetime expected credit loss RMB'000	Total RMB'000
Unsecured	—	14,167	—	14,167
Secured by collateral	1,081,044	—	321,624	1,402,668
	1,081,044	14,167	321,624	1,416,835

As at 31 March 2020 and 2019, 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 shares of the Company subscribed by the borrowers (Note 24).

The Group's policy regarding obtaining collateral has not significant changed during the reporting period and there has been no significant change in the overall quality of the collateral held by the Group since the prior period. As at 31 March 2020 and 2019, the fair value of collateral held for loans receivables is RMB1,098 million and RMB1,481 million respectively.

Impairment of other financial assets at amortised cost (other than loans receivables)

For other financial assets at amortised cost such as deposits and advances to employees have a low risk of default, management assessed credit loss and forward-looking factors and made a provision of RMB1,317,000 as at 31 March 2020 (As at 31 March 2019: RMB121,000).

Write-off policy for trade receivables and loans receivables

The Group writes off trade receivables and loans receivables, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include ceasing enforcement activity.

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(iii) Financial assets at fair value through profit or loss

The Group is also exposed to credit risk in relation to debt investments that are measured at fair value through profit or loss, which represent investments in WMPs, private equity fund investments and certain other unlisted investments. The maximum exposure at the end of the reporting period is the carrying amount of these investments.

(c) Liquidity risk

The Group has significant cash and bank balances and investments in treasury products issued by banks with maturity within one year and liquidity risk is considered to be minimal. The Group controls its liquidity risks by maintaining sufficient cash and cash equivalents, which are generated mainly from the operating and investing cash flow.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. Since the Group's financial liabilities are the contractual amounts to be exchanged in derivative financial instruments for which gross net cash flows are exchanged and gross loan commitments, the amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Total contractual cash flows RMB'000	Carrying amount (assets)/ liabilities RMB'000
At 31 March 2020					
Non-derivatives					
Borrowings including interest payable	**246,318**	**—**	**—**	**246,318**	**246,318**
Trade payables (Note 28)	**148,474**	**—**	**—**	**148,474**	**148,474**
Accruals and other payables	**204,215**	**98**	**1,147**	**205,460**	**205,460**
Lease liabilities (Note 16)	**47,956**	**26,455**	**20,229**	**94,640**	**93,101**
Total Non-derivatives	**646,963**	**26,553**	**21,376**	**694,892**	**693,353**
Derivatives	**—**	**—**	**—**	**—**	**—**
At 31 March 2019					
Non-derivatives					
Borrowings including interest payable	561,952	—	—	561,952	561,952
Trade payables (Note 28)	149,406	—	—	149,406	149,406
Accruals and other payables	189,655	5,069	670	195,394	195,394
Total Non-derivatives	901,013	5,069	670	906,752	906,752
Derivatives	—	—	—	—	—

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(c) Liquidity risk (Continued)

As disclosed in Note 29, as at 31 March 2020, the Group had entered certain derivative agreements with investment banks, of which certain quantities of the underlying securities listed on the New York Stock Exchange ("NYSE") and HKSE are agreed to be settled at an agreed price when certain agreed events occurred. Such investments were designated as derivatives and stated at fair value as at 31 March 2020.

In accordance with the price of listed shares in contracts, the maximum possible amount to settle derivatives is Nil (2019: Nil), though the final payout may not be to such extent.

3.2 Capital management

The Group's objectives when managing capital are to

- safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders, and

- maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the balance sheet) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the balance sheet plus net debt. As at 31 March 2020 and 31 March 2019, the Group has no net debt.

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Fair value estimation

(a) *Financial assets and liabilities*

(i) Fair value hierarchy

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

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

At 31 March 2019	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial assets				
Financial assets at fair value through profit or loss (FVPL)				
— Private equity fund investments	—	—	4,369,758	4,369,758
— Other unlisted investments	—	—	104,245	104,245
— Listed equity securities — stock	2,173,186	—	—	2,173,186
— Listed preference shares and perpetual bonds	467,892	—	—	467,892
— Listed debt securities	—	—	—	—
— WMPs	—	—	336,791	336,791
Total financial assets	2,641,078	—	4,810,794	7,451,872
Financial liabilities				
Derivatives	—	—	(41,591)	(41,591)

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Fair value estimation (Continued)

(a) Financial assets and liabilities (Continued)

(i) Fair value hierarchy (Continued)

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

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

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

  As at 31 March 2020 and 2019, the Group's financial assets that are measure at fair value using level 1 inputs mainly include:

  (i) Listed equity securities — stock, representing investments in ordinary shares of a US listed company and certain Hong Kong listed companies, of which the fair values are determined based on the quoted closing stock prices (level 1: quoted price (unadjusted) in active markets) in the respective stock exchanges where such shares are publicly traded, without any deduction for transaction costs; and

  (ii) Listed preference shares and perpetual bonds and listed debt securities, representing investments in perference shares, perpetual bonds and senior notes that are listed on the HKSE or the Singapore Exchange Securities Trading Limited, of which the fair values are determined based on the quoted prices in the respective markets that the Group can access at the reporting date.

- Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

  As at 31 March 2020, the Group's financial assets that are measure at fair value using level 2 inputs represent investments in certain WMPs that are redeemable on demand and with quoted net worth (i.e. the unit return) published by the respective banks on a daily basis. Although the quoted net worth (i.e. the unit return) of these WMPs are considered observable, they are included in level 2 as such WMPs are not traded in an active market.

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

  Further details of the Group's financial assets and financial liabilities that are measure at fair value using level 3 inputs are given in Note 3.3(a)(iii) below.

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Fair value estimation (Continued)

(a) Financial assets and liabilities (Continued)

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

The following table presents the changes in level 3 items for the year ended 31 March 2020 and the fifteen months ended 31 March 2019:

	Financial assets at fair value through profit or loss RMB'000	Derivatives RMB'000	Total RMB'000
Opening balance 1 January 2018	3,009,060	(15,764)	2,993,296
Change in accounting policies	1,089,861	—	1,089,861
Restated opening balance 1 January 2018	4,098,921	(15,764)	4,083,157
Currency translation difference	11,939	(856)	11,083
Acquisitions	2,675,852	—	2,675,852
Reclassification to other financial assets at amortised cost	(100,000)	—	(100,000)
Disposals	(2,524,613)	—	(2,524,613)
Other gain — net*	648,695	(24,971)	623,724
Closing balance 31 March 2019	4,810,794	(41,591)	4,769,203
Opening balance 1 April 2019	**4,810,794**	**(41,591)**	**4,769,203**
Currency translation difference	**49,405**	**(1,820)**	**47,585**
Acquisitions	**3,040,273**	**14,170**	**3,054,443**
Disposals	**(3,464,536)**	**(14,170)**	**(3,478,706)**
Other gain — net*	**78,702**	**13,795**	**92,497**
Closing balance 31 March 2020	**4,514,638**	**(29,616)**	**4,485,022**

* includes unrealised gains or (losses) recognised in profit or loss attributable to balances held at the end of the reporting period

Year ended 31 March 2020	**78,702**	**13,795**	**92,497**
Fifteen months ended 31 March 2019	546,559	(24,971)	521,588

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

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Fair value estimation (Continued)

(a) Financial assets and liabilities (Continued)

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

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

	Fair value at				Range of inputs		
Description	**31 Mar 2020 RMB'000**	31 Mar 2019 RMB'000	**Valuation Technique**	**Significant unobservable inputs***	**For the year ended 31 March 2020**	For the fifteen months ended 31 March 2019	**Relationship of unobservable inputs to fair value**
Financial assets							
Private equity fund investments	**4,314,726**	3,966,879	Net asset value (Note 1)	N/A as quantitative unobservable inputs are not developed by the Group	**n/a**	n/a	n/a
	–	402,879	Discounted cash flow (Note 2)	Discount rate	**–**	7.03%–8.21%	Increased or decreased the discount rate by 1% would decrease or increase FV by nil (2019: RMB1,736,000).
Sub-total	**4,314,726**	4,369,758					
Other unlisted investments (Note 3)	**181,912**	7,688	Market approach	PE. EV/EBIT DLOM	**PE: 15 EV/EBIT: 15.7 DLOM: 20%**	PE: 15 DLOM: 20%	Increased or decreased PE or EV/EBIT by 1 would decrease or increase FV by RMB11,635,000 (2019: RMB513,000). Increased or decreased DLOM by 10% would decrease or increase FV by RMB22,536,000 (2019: RMB769,000).
	–	96,557	Discounted cash flow	Discount rate	**n/a**	11.05%–12.29%	Increased or decreased the discount rate by 1% would decrease or increase FV by nil (2019: RMB288,000).
Sub-total	**181,912**	104,245					
WMPs (Note 4)	**18,000**	336,791	Discounted cash flow	Expected rate of return	**2.0%–2.8%**	2.2%–3.9%	Increased or decreased expected rate of return by 1% would increase or decrease FV by RMB8,000 (2019: RMB400,000).
Total financial assets	**4,514,638**	4,810,794					
Financial liabilities							
Derivatives	**(29,616)**	(41,591)	Binomial model/ Monte-Carlo	N/A as quantitative unobservable inputs are not developed by the Group	**n/a**	n/a	n/a

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Fair value estimation (Continued)

(a) Financial assets and liabilities (Continued)

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

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

Notes:

(1) The Group determines the fair valuation of its private equity fund investments (other than those disclosed in Note 3.3(a)(iii)(2) below) as at the reporting date based on the net asset values of the private equity funds with underlying assets and liabilities measured at fair value as reported by the general partners of the funds.

(2) As at 31 March 2019, the Group had certain investments in private equity funds (including senior tranche of REIT) with determinable contractual cash flows. The fair values of these investments are determined by using discounted cash flow method and the significant unobservable input applied in the valuation technique is the discount rate. Management determines the discount rate based on the market yields of financial instruments with a comparative credit rating and remaining maturity life which are sourced from external parties.

As at 31 March 2020, the Group does not have such investments in private equity funds of which the fair value is determined by using the discounted cash flow method.

(3) For other unlisted investments, the fair values are determined by using the market approach and the significant unobservable inputs include the valuation multiples (such as PE or EV/EBIT ratio) and DLOM. Management determines the valuation multiples with reference to the respective multiples of comparable companies, as adjusted by the lack of marketability that market participants would consider when estimating the fair value of these investments.

(4) Other than the WMPs included in level 2 as disclosed in above Note 3.3(a)(i), the Group also invests in certain short-term WMPs of which the expected rates of return, as provided and periodically updated by the banks, cannot be accessed by the Group at the reporting date. As a result, these WMPs are included in level 3 as the respective rates of return are significant unobservable inputs in determining their fair values.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the group's accounting policies.

Estimates and judgements are continually evaluated. They are based on historical experiences and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

4.1 Fair value of financial assets and derivatives

The fair value of financial instruments and derivatives that are not traded in active markets is determined using valuation techniques. These techniques include the use of the net assets value provided by the respective private equity funds, price of recent investments, discounted cash flow model, etc. To the extent practical, models use observable data. The Group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of the reporting period. The estimated fair value of the Group's financial assets may not be equal to the related actual results. It may cause adjustments to the fair value of the Group's financial assets.

4.2 Income taxes

The Group is mainly subject to income taxes in the PRC and Japan. Judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination may be uncertain during the ordinary course of business. The Group recognises liabilities based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current income tax and deferred income tax assets and liabilities in the period in which such determination is made.

4.3 Sales returns and discounts provision

Depending on agreement between the Groups's certain subsidiaries and their distributors, selected distributors are entitled to return goods or additional sales discounts. Management estimates the amounts of goods returns and additional sales discount based on historical experience and market condition and makes provision accordingly. Revenue is recognised to the extent of goods delivered less estimated goods returns and sales discounts. Management will adjust the provision where actual sales returns or sales discounts are more or less than previously estimated.

4.4 Inventory provision

Inventories are stated at the lower of cost and net realisable value. Management makes provision based on historical experience and on the estimation of future market condition and sales. Management will adjust the provision where actual net realisable value is higher or lower than previously estimated. This requires significant judgement. As at 31 March 2020, the Group made a provision for impairment loss of out-season inventories of RMB150,734,000 (As at 31 March 2019: RMB118,655,000) (Note 17).

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (CONTINUED)

4.5 Impairment of trade receivables and other financial assets at amortised cost

The Group's management determines the provision for impairment of trade receivables and other financial assets at amortised cost. This estimate is based on the credit history of its customers and current market conditions. Management reassesses at each balance sheet date the adequacy of impairment provision on a regular basis by reviewing the individual account based on past credit history and any prior knowledge of debtor insolvency or other credit risk which might not be easily accessible public information and market volatility that might bear a significant impact but might not be easily ascertained. As at 31 March 2020, the Group made a provision for impairment of trade receivables and other financial assets at amortised cost of RMB60,386,000 (As at 31 March 2019: RMB37,378,000) (Note 3.1(b), 18, 19).

4.6 Useful life of trademark

The Group's management determined that the useful life of Kappa, Phenix and other trademarks is 40 years (Note 15). This estimate is based on the management's experiences in the sport apparel industry. The Group will increase or decrease the amortisation charge where useful life is shorter or longer than previously estimated. The estimate of useful life of the trademark and the amortisation charge could change significantly as a result of changes in the sport apparel market, market trend and competition. Management will increase the amortisation charge where useful life is less than the previously estimated, or the trademark asset will be written off or written down to the recoverable amount when there is an indication that the carrying amount is not recoverable.

5. 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, Macau and Japan as well as investment activities in the PRC and abroad.

The Board of Directors reviews the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports. The chief operating decision maker considers and assesses the performance of the investment activities and sportswear business separately, and sportswear business were assessed from a geographic perspective, including China (Mainland of the PRC) and Japan segments as follows:

- China Apparel: includes distribution and retail of sport apparel under Kappa brand and other brands and international business which includes the provision of Kappa brand products in other countries.
- Japan Apparel: includes distribution and retail of sport apparel under Kappa, Phenix and other brands.
- Investment: includes investment in kinds of financial assets and treasury products issued by commercial banks.

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

5. SEGMENT INFORMATION (CONTINUED)

The segment results and other items included in the consolidated statement of comprehensive income provided to the chief operating decision maker for the reportable segments for the year ended 31 March 2020 and the fifteen months ended 31 March 2019, respectively are as follows:

	China — Apparel RMB'000	Japan — Apparel RMB'000	Investment RMB'000	Total RMB'000
Year ended 31 March 2020				
Total revenue before inter-segment elimination	1,599,374	308,418	—	1,907,792
Inter-segment revenue	(58,561)	(7,974)	—	(66,535)
Revenue from external customers	1,540,813	300,444	—	1,841,257
Cost of goods sold	(517,587)	(185,867)	—	(703,454)
Provision for impairment losses of inventories — net	(15,010)	(13,975)	—	(28,985)
Segment gross profit	1,008,216	100,602	—	1,108,818
Other gains, net	59,417	24,720	566,973	651,110
Segment operating (loss)/profit	(18,455)	(46,135)	548,211	483,621
Finance income	8,211	1,847	1,423	11,481
Finance expenses	(3,348)	(1,694)	(13,831)	(18,873)
Share of gain/(loss) of investments accounted for using the equity method	3,196	(349)	(33,628)	(30,781)
(Loss)/profit before income tax	(10,396)	(46,331)	502,175	445,448
Income tax expense	(30,370)	97	(55,428)	(85,701)
(Loss)/profit for the year	(40,766)	(46,234)	446,747	359,747
Material items of income and expense				
Depreciation and amortisation	51,451	23,691	—	75,142
Provision for impairment losses of inventories — net	15,010	13,975	—	28,985
Provision for/(reversal of) impairment losses on financial assets — net	26,175	(2,147)	—	24,028
Advertising and selling expenses	720,737	46,912	—	767,649

5. SEGMENT INFORMATION (CONTINUED)

	China — Apparel RMB'000	Japan — Apparel RMB'000	Investment RMB'000	Total RMB'000
Fifteen months ended 31 March 2019				
Total revenue before inter-segment elimination	1,804,213	403,116	—	2,207,329
Inter-segment revenue	(53,012)	(10,434)	—	(63,446)
Revenue from external customers	1,751,201	392,682	—	2,143,883
Cost of goods sold	(642,054)	(239,629)	—	(881,683)
(Provision for)/reversal of impairment losses of inventories — net	(6,770)	14,739	—	7,969
Segment gross profit	1,102,377	167,792	—	1,270,169
Other gains, net	51,839	3,730	1,053,686	1,109,255
Segment operating profit/(loss)	62,091	(42,169)	1,020,221	1,040,143
Finance income	23,312	1,077	12,418	36,807
Finance expenses	(265)	(2,705)	(26,386)	(29,356)
Share of loss of investments accounted for using the equity method	(10,551)	(6,140)	(5,277)	(21,968)
Profit/(loss) before income tax	74,587	(49,937)	1,000,976	1,025,626
Income tax expense	(31,751)	(1,181)	(133,796)	(166,728)
Profit/(loss) for the period	42,836	(51,118)	867,180	858,898
Material items of income and expense				
Depreciation and amortisation	20,502	6,195	—	26,697
Provision for impairment losses on financial assets — net	3,405	(1,314)	—	2,091
Advertising and selling expenses	716,501	59,157	—	775,658

5. SEGMENT INFORMATION (CONTINUED)

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

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

5. SEGMENT INFORMATION (CONTINUED)

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

As at 31 March 2020, the total non-current assets other than financial assets and deferred tax assets located in the PRC amounted to RMB534,400,000 (As at 31 March 2019: RMB489,247,000) and those located in other countries and regions amounted to RMB65,276,000 (As at 31 March 2019: RMB54,455,000).

6. OTHER GAINS — NET

	For the year ended 31 March 2020 RMB'000	For the fifteen months ended 31 March 2019 RMB'000
Gain on disposal of financial assets at fair value through profit or loss	**25,121**	14,253
Investment income from financial assets at fair value through profit or loss	**93,225**	178,101
Investment income from loans receivables	**59,894**	159,153
Change in fair value of financial instruments at fair value through profit or loss	**378,027**	696,436
Government subsidy income	**50,336**	47,789
Royalty income	**4,916**	4,644
Gain on disposal of joint ventures	**17,159**	—
Others — net	**22,432**	8,879
	651,110	1,109,255

7. EXPENSES BY NATURE

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

	For the year ended 31 March 2020 RMB'000	For the fifteen months ended 31 March 2019 RMB'000
Cost of inventories recognised as cost of sales (Note 17)	**702,428**	880,189
Advertising and selling expenses	**767,649**	775,658
Employee salary and benefit expenses (Note 8)	**192,171**	222,315
Logistic fees	**56,982**	75,046
Provision for/(reversal of) impairment of inventories (Note 17)	**28,985**	(7,969)
Depreciation of right-of-use assets	**54,370**	—
Expenses relating to short-term leases and variable leases	**36,093**	83,519
Product design and development expenses	**41,529**	55,043
Depreciation of property, plant and equipment (Note 13)	**10,643**	13,007
Amortisation of intangible assets and lease prepayment (Note 14)	**10,129**	13,690
Professional expenses	**7,209**	14,914
Travelling expenses	**16,519**	17,127
Auditor's remuneration	**5,586**	5,830
— Audit services	**4,800**	5,400
— Non-audit services	**786**	430
Others	**54,425**	62,535
	1,984,718	2,210,904

8. EMPLOYEE SALARY AND BENEFIT EXPENSES, INCLUDING DIRECTORS' EMOLUMENTS

	For the year ended 31 March 2020 RMB'000	For the fifteen months ended 31 March 2019 RMB'000
Wages and salaries	**122,182**	148,998
Pension costs (Note (a))	**12,716**	18,336
Termination benefits	**11,461**	5,113
Share-based compensation expenses (Note 27(c))	**1,478**	—
Other benefits	**44,334**	49,868
	192,171	222,315

Notes:

(a) Pensions — defined contribution plans

The employees of the Group in the PRC, (including Hong Kong) and Japan participate in defined contribution retirement benefit plans organised by the relevant local governments. The Group is required to make monthly defined contributions to these plans at rates ranging from 13% to 20% (Fifteen months ended 31 March 2019: 13% to 20%) in the PRC and 9.15% (Fifteen months ended 31 March 2019: 9.15%) in Japan of the employees' basic salaries for the year, depending upon the applicable local regulations.

The Group has no other obligations for the payment of retirement and other post-retirement benefits of employees or retirees other than the defined contribution payments as disclosed above.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year ended 31 March 2020 include three (Fifteen months ended 31 March 2019: three) directors whose emoluments are reflected in the analysis shown in Note 38. The emoluments payable to the remaining two (fifteen months ended 31 March 2019: two) individuals during the year/period are as follows:

	For the year ended 31 March 2020 RMB'000	For the fifteen months ended 31 March 2019 RMB'000
Salaries and others	**3,341**	3,584
Pension costs	**122**	70
	3,463	3,654

8. EMPLOYEE SALARY AND BENEFIT EXPENSES, INCLUDING DIRECTORS' EMOLUMENTS (CONTINUED)

Notes: (Continued)

(b) Five highest paid individuals (Continued)

The emoluments fell within the following bands:

	Number of individuals	
	For the year ended 31 March 2020	For the fifteen months ended 31 March 2019
Emolument bands:		
HKD1,000,001 to HKD1,500,000	**—**	1
HKD1,500,001 to HKD2,000,000	**2**	—
HKD2,000,001 to HKD2,500,000	**—**	—
HKD2,500,001 to HKD3,000,000	**—**	1

9. FINANCE (EXPENSES)/INCOME — NET

	For the year ended 31 March 2020 RMB'000	For the fifteen months ended 31 March 2019 RMB'000
Finance income:		
— Foreign exchange gain	**2,894**	15,992
— Interest income	**8,587**	20,815
	11,481	36,807
Finance expenses:		
— Interest expenses on borrowings	**(14,392)**	(26,985)
— Interest expenses on lease liabilities	**(4,046)**	—
— Others	**(435)**	(2,371)
	(18,873)	(29,356)
Finance (expenses)/income — net	**(7,392)**	7,451

10. INCOME TAX EXPENSE

	For the year ended 31 March 2020 RMB'000	For the fifteen months ended 31 March 2019 RMB'000
Current income tax		
— PRC corporate income tax ("CIT")	**20,827**	165,465
— Withholding and remit tax recognised	**33,815**	13,887
— Taxation in Japan	**—**	—
Deferred income tax (Note 17)	**31,059**	(12,624)
	85,701	166,728

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.

Hong Kong profits tax 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 year ended 31 March 2020 (Fifteen months ended 31 March 2019: Nil).

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

According to the PRC New Corporate Income Tax Law ("New CIT Law"), distribution of profits earned by PRC companies since 1 January 2008 to foreign investors is subject to withholding tax of 5% or 10%, depending on the country of incorporation of the foreign investor, upon the distribution of profits to overseas-incorporated immediate holding companies. As at 31 March 2020, the Group had provided a deferred tax liability amounting to RMB148,767,000 (As at 31 March 2019: RMB148,378,000) in relation to the profit of the Group's PRC subsidiaries that will be distributed in the future (Note 17).

The subsidiary incorporated in Japan is subject to income tax and local inhabitant tax. The corporate income tax rate for the year ended at 31 March 2020 applicable to this subsidiary was 15% for the taxable income part less than JPY8,000,000 and 23.4% for the taxable income part over JPY8,000,000 (Fifteen months ended 31 March 2019: 15% or 23.4%) of the assessable profit. The inhabitant tax is determined based on the taxpayer's share capital, operating locations and number of employees and rates on the taxpayer's income tax payable, subject to a certain minimum payment. As there was no assessable profit derived during the year ended at 31 March 2020 (fifteen months ended 31 March 2019: Nil), the subsidiary was subject to the minimum inhabitant tax payments.

10. INCOME TAX EXPENSE (CONTINUED)

The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the statutory tax rate applicable to profits of the consolidated companies as follows:

	For the year ended 31 March 2020 RMB'000	For the fifteen months ended 31 March 2019 RMB'000
Profit before income tax	**445,448**	1,025,626
Tax calculated at tax rates applicable to profits in the respective countries	**52,022**	146,494
Tax effects of:		
— Tax losses and temporary differences for which no deferred income tax asset was recognised	**25,520**	14,208
— Provision for withholding income tax on profits of PRC subsidiaries to be distributed to foreign investors (Note 17)	**190**	26,449
— Expenses or losses not deductible for tax purpose	**1,256**	1,145
— Impact on share of results of joint ventures	**2,448**	2,740
— Utilised previously unrecognised tax losses	**(5,801)**	(26,109)
— Income not subject to tax	**(23,749)**	(17,822)
— Withholding and remit tax recognised	**33,815**	13,887
— Change in tax rates of subsidiaries	**—**	5,736
Income tax expense	**85,701**	166,728

11. EARNINGS PER SHARE

(a) Basic earnings per share

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

	For the year ended 31 March 2020	For the fifteen months ended 31 March 2019
Profit attributable to owners of the Company (RMB'000)	**366,333**	865,852
Weighted average number of ordinary shares in issue less shares held for Restricted Share Award Scheme (thousands)	**5,863,071**	5,808,853
Basic earnings per share (RMB cents per share)	**6.25**	14.91

(b) Diluted earnings per share

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

The computation of diluted earnings per share for the year ended 31 March 2020 did not assume the issuance of any dilutive potential ordinary share since they are antidilutive which would decrease earnings per share (fifteen month ended 31 March 2019: Nil).

12. SUBSIDIARIES AND INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

(a) Subsidiaries

The following is a list of the principal subsidiaries at 31 March 2020:

Name of entity	Place of incorporation and kind of legal entity	Particulars of issued/ registered capital	Principal activities and place of operation	Ownership interest held by the Group As at 31 March 2020 %	Ownership interest held by the Group As at 31 March 2019 %	Ownership interest held by non-controlling interests As at 31 March 2020 %	Ownership interest held by non-controlling interests As at 31 March 2019 %
Hong Kong Dongxiang Sports Development Holdings Limited	Hong Kong, limited liability company	10,000 ordinary shares of HK$1 each	Investment holding, Hong Kong	**100%**	100%	**–**	–
光景集團有限公司 Brilliant King Group Ltd	British Virgin Island, limited liability company	US$1	Investment holding, British Virgin Island	**100%**	100%	**–**	–
明泰企業有限公司 Bright Pacific Enterprises Limited	British Virgin Island, limited liability company	US$100	Investment holding, British Virgin Island	**100%**	100%	**–**	–
Phenix Ski Europe S.A	Swit, limited liability company	CHF 105,000	Retail company for Phenix	**100%**	100%	**–**	–
Achilles Sports Pte. Ltd.	Singapore, limited liability company	100,000 ordinary shares of US$1 each	Owns trademark, Singapore	**100%**	100%	**–**	–
Gaea Sports Limited	Hong Kong, limited liability company	1 ordinary share of HK$1	Investment holding, Hong Kong	**100%**	100%	**–**	–
北京動向體育發展有限公司 Beijing Dongxiang Sports Development Co., Ltd.	The PRC, limited liability company	RMB10,000,000	Design and sales of sport-related footwear, apparel and accessories, PRC	**100%**	100%	**–**	–
上海卡帕體育用品有限公司 Shanghai Kappa Sporting Goods Co., Ltd.	The PRC, limited liability company	RMB100,000,000	Design and sales of sport-related footwear, apparel and accessories, PRC	**100%**	100%	**–**	–
上海泰坦體育用品有限公司 Shanghai Taitan Sporting Goods Co., Ltd.	The PRC, limited liability company	RMB1,500,000	Design, production and sales of sport-related footwear, apparel and accessories, PRC	**100%**	100%	**–**	–
考伊斯體育用品商貿(上海) 有限公司 Coeus Sporting Goods Trading (Shanghai) Co., Ltd.	The PRC, limited liability company	USD50,000,000	Sales of sport-related footwear, apparel and accessories, PRC	**100%**	100%	**–**	–
上海嘉班納體育用品有限公司 Shanghai Gabbana Sporting Goods Co., Ltd.	The PRC, limited liability company	RMB120,000,000	Design and consulting services, PRC	**100%**	100%	**–**	–
上海克瑞斯體育用品有限公司 Shanghai Crius Sporting Goods Co., Ltd.	The PRC, limited liability company	RMB4,000,000	Retail sales of sports-related products, apparel and accessories, imports and exports, PRC	**100%**	100%	**–**	–

12. SUBSIDIARIES AND INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)

(a) Subsidiaries (Continued)

Name of entity	Place of incorporation and kind of legal entity	Particulars of issued/ registered capital	Principal activities and place of operation	Ownership interest held by the Group As at 31 March 2020 %	Ownership interest held by the Group As at 31 March 2019 %	Ownership interest held by non-controlling interests As at 31 March 2020 %	Ownership interest held by non-controlling interests As at 31 March 2019 %
哈爾濱克瑞斯體育用品有限公司 Haerbin Crius Sporting Goods Co., Ltd.	The PRC, limited liability company	RMB3,000,000	Retail sales of sports-related products, apparel and accessories, imports and exports, PRC	**100%**	100%	**–**	–
Hebe Fashions Pte., Ltd.	Singapore, limited liability company	Singapore Dollar 1	Investment holding, Singapore	**100%**	100%	**–**	–
Cronus Sports Pte., Ltd.	Singapore, limited liability company	Singapore Dollar 1	Investment holding, Singapore	**100%**	100%	**–**	–
Phenix Co., Ltd.	Japan, limited liability company	JPY99,000,000	Brand development, design and sales of sport- related apparel, Japan	**91%**	91%	**9%**	9%
北京快樂運動體育用品有限公司 Beijing Happy Sporting Goods Co., Ltd.	The PRC, limited liability company	RMB3,000,000	Retail sales of sports-related products, apparel and accessories, imports and exports, PRC	**100%**	100%	**–**	–
大連克瑞斯體育用品有限公司 Dalian Crius Sporting Goods Co., Ltd.	The PRC, limited liability company	RMB3,000,000	Retail sales of sports-related products, apparel and accessories, imports and exports, PRC	**100%**	100%	**–**	–
深圳克瑞斯特體育用品有限公司 Shenzhen Criust Sporting Goods Co., Ltd.	The PRC, limited liability company	RMB3,000,000	Retail sales of sports-related products, apparel and accessories, imports and exports, PRC	**100%**	100%	**–**	–
鄭州克瑞斯體育用品有限公司 Zhengzhou Crius Sporting Goods Co., Ltd.	The PRC, limited liability company	RMB3,000,000	Retail sales of sports-related products, apparel and accessories, imports and exports, PRC	**100%**	100%	**–**	–
武漢克瑞斯體育用品有限公司 Wuhan Crius Sporting Goods Co., Ltd.	The PRC, limited liability company	RMB3,000,000	Retail sales of sports-related products, apparel and accessories, imports and exports, PRC	**100%**	100%	**–**	–

12. SUBSIDIARIES AND INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)

(a) Subsidiaries (Continued)

Name of entity	Place of incorporation and kind of legal entity	Particulars of issued/ registered capital	Principal activities and place of operation	Ownership interest held by the Group As at 31 March 2020 %	Ownership interest held by the Group As at 31 March 2019 %	Ownership interest held by non-controlling interests As at 31 March 2020 %	Ownership interest held by non-controlling interests As at 31 March 2019 %
湖南克瑞斯體育用品有限公司 Hunan Crius Sporting Goods Co., Ltd.	The PRC, limited liability company	RMB3,000,000	Retail sales of sports-related products, apparel and accessories, imports and exports, PRC	100%	100%	–	–
上海動向體育用品有限公司 Shanghai Dongxiang Sporting Goods Co., Ltd.	The PRC, limited liability company	RMB20,000,000	Design, sales of sports-related products, apparel and accessories, imports and exports, PRC	100%	100%	–	–
杭州克雷斯體育用品有限公司 Hangzhou Crius Sporting Goods Co., Ltd.	The PRC, limited liability company	RMB3,000,000	Retail sales of sports-related products, apparel and accessories, imports and exports, PRC	100%	100%	–	–
天津克瑞斯體育用品有限公司 Tianjin Crius Sporting Goods Co., Ltd.(i)	The PRC, limited liability company	RMB3,000,000	Retail sales of sports-related products, apparel and accessories, imports and exports, PRC	100%	100%	–	–
南京克瑞特斯體育用品有限公司 Nanjing Curetes Sporting Goods Co., Ltd.	The PRC, limited liability company	RMB3,000,000	Retail sales of sports-related products, apparel and accessories, imports and exports, PRC	100%	100%	–	–
北京克瑞特斯體育用品有限公司 Beijing Curetes Sporting Goods Co., Ltd. (i)	The PRC, limited liability company	RMB3,000,000	Retail sales of sports-related products, apparel and accessories, imports and exports, PRC	100%	100%	–	–
太倉泰坦體育用品有限公司 Taicang Taitan Sporting Goods Co., Ltd.	The PRC, limited liability company	RMB1,500,000	Design, production and sales of sports-related footwear, apparel and accessories, PRC	100%	100%	–	–
上海卡帕動力兒童體育用品有限公司 Shanghai Kappa Kinetic Kids Sporting Goods Co., Ltd.	The PRC, limited liability company	RMB1,000,000	Design, sales of children's clothing	100%	100%	–	–
西藏普魯都斯投資管理有限公司 Tibet Plutus Investment Management Co., Ltd.	The PRC, limited liability company	RMB10,000,000	Investment	100%	100%	–	–
西藏佑德投資管理有限公司 Tibet Youde Investment Management Co., Ltd.	The PRC, limited liability company	RMB2,000,000	Investment	100%	100%	–	–

12. SUBSIDIARIES AND INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)

(a) Subsidiaries (Continued)

Name of entity	Place of incorporation and kind of legal entity	Particulars of issued/ registered capital	Principal activities and place of operation	Ownership interest held by the Group As at 31 March 2020 %	Ownership interest held by the Group As at 31 March 2019 %	Ownership interest held by non-controlling interests As at 31 March 2020 %	Ownership interest held by non-controlling interests As at 31 March 2019 %
西藏雷澤資本投資有限公司 Tibet Leize Capital Investment Co., Ltd.	The PRC, limited liability company	RMB10,000,000	Investment	**100%**	100%	**–**	–
西藏瑞亞體育用品有限公司 Tibet Rhea Sporting Goods Co., Ltd.	The PRC, limited liability company	RMB5,000,000	Purchase for children's garments	**100%**	100%	**–**	–
西藏赫拉體育用品有限公司 Tibet Hera Sporting Goods Co., Ltd.	The PRC, limited liability company	RMB2,000,000	Purchasing company	**100%**	100%	**–**	–
上海特提斯體育用品有限公司 Shanghai Tethys Sporting Goods Co., Ltd.	The PRC, limited liability company	RMB20,000,000	Sales company	**100%**	100%	**–**	–
天津邁盛悅合體育用品有限公司 Tianjin Mai Sheng Yue He Sporting Goods Co., Ltd.	The PRC, limited liability company	RMB5,000,000	Retail sales of sports-related products, apparel and accessories, PRC	**77%**	77%	**23%**	23%
昆明赫提体育用品有限公司 (i)	The PRC, limited liability company	RMB300,000	Retail sales of sports-related products, apparel and accessories, imports and exports, PRC	**100%**	–	**–**	–
上海鎔富投資管理中心(有限合夥) Shanghai Rongfu Investment	The PRC, limited partnership	RMB500,000,000	Investment	**100%**	100%	**–**	–
CPE Assets Allocation Fund D, L.P.	Cayman Islands, limited partnership	USD53,066,885	Investment	**100%**	100%	**–**	–

Note:

(i) These group entities are newly established during the year ended 31 March 2020.

(b) Non-controlling interests

The total non-controlling interests as at 31 March 2020 amounted to RMB4,204,000 (As at 31 March 2019: RMB10,790,000). No subsidiary has non-controlling interests that are material to the Group.

12. SUBSIDIARIES AND INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)

(c) Investments accounted for using the equity method

(i) Interests in associates and joint ventures accounted for using the equity method

Set out below are the associates and joint ventures of the Group as at 31 March 2020 which, in the opinion of the directors, are immaterial to the Group. The entities listed below have share capital consisting solely of ordinary shares, which are held directly by the Group. The country of incorporation or registration is also their principal place of business, and the proportion of ownership interest is the same as the proportion of voting rights held.

Name of entity	Place of business/ country of incorporation	% of ownership interest		Nature of relationship	Measurement method	Carrying amount	
		As at 31 March 2020 %	As at 31 March 2019 %			**As at 31 March 2020 RMB'000**	As at 31 March 2019 RMB'000
Shanghai Phenix Apparel Co., Ltd.	PRC	**—**	38%	Joint Venture	Equity method	**—**	9,185
Mai Sheng Yue He Sporting Goods Co., Ltd Group ("MSYH")	PRC	**30%**	30%	Joint Venture	Equity method	**47,562**	41,280
Shanghai Shengyong Enterprise Management Partnership (Limited Partnership) (i)	PRC	**49%**	49%	Joint Venture	Equity method	**26,863**	40,000
Boundary Bay Investment LLC	US	**35%**	35%	Associate	Equity method	**38,784**	56,391
Yueshang (Tianjin) Apparel Co., Ltd.	PRC	**25%**	25%	Associate	Equity method	**3,964**	4,816
Chengdu RenYi Yue Li Tech Co, Ltd.	PRC	**—**	20%	Associate	Equity method	**—**	8
Total equity accounted investments						**117,173**	151,680

12. SUBSIDIARIES AND INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)

(c) Investments accounted for using the equity method (Continued)

(i) Interests in associates and joint ventures accounted for using the equity method (Continued)

The Group uses the equity method to account for these investments. The table below provides the aggregate carrying amount information.

	For the year ended 31 March 2020 RMB'000	For the fifteen months ended 31 March 2019 RMB'000
At beginning of the year/period	**151,680**	120,703
Addition	**—**	45,000
Disposal	**(8,603)**	—
Share of loss for the year/period	**(30,781)**	(21,968)
Share of other comprehensive income	**—**	731
Elimination of unrealised profit	**3,087**	7,932
Acquired as a subsidiary	**—**	(2,480)
Currency translation difference	**1,790**	1,762
At ending of the year/period	**117,173**	151,680

13. PROPERTY, PLANT AND EQUIPMENT

	Freehold land RMB'000	Buildings RMB'000	Office furniture and equipment RMB'000	Vehicles RMB'000	Leasehold improvements RMB'000	Construction in-progress RMB'000	Total RMB'000
At 1 January 2018							
Cost	26,315	74,934	70,804	2,172	11,823	13,563	199,611
Accumulated depreciation	—	(36,475)	(57,562)	(1,453)	(6,953)	—	(102,443)
Net book amount	26,315	38,459	13,242	719	4,870	13,563	97,168
For the fifteen months ended 31 March 2019							
Opening net book amount	26,315	38,459	13,242	719	4,870	13,563	97,168
Additions	—	99	7,337	5	9,406	10,304	27,151
Disposals	—	—	(1,979)	(36)	(112)	—	(2,127)
Depreciation (Note 7)	—	(4,463)	(5,689)	(216)	(2,639)	—	(13,007)
Currency translation difference	808	205	423	—	248	199	1,883
Closing net book amount	27,123	34,300	13,334	472	11,773	24,066	111,068
At 31 March 2019							
Cost	27,123	75,367	69,328	1,692	20,317	24,066	217,893
Accumulated depreciation	—	(41,067)	(55,994)	(1,220)	(8,544)	—	(106,825)
Net book amount	27,123	34,300	13,334	472	11,773	24,066	111,068
For the year ended 31 March 2020							
Opening net book amount	**27,123**	**34,300**	**13,334**	**472**	**11,773**	**24,066**	**111,068**
Changes in accounting policies (Note 2.2)	**—**	**—**	**—**	**—**	**(3,729)**	**—**	**(3,729)**
Transfer	**2,700**	**22,832**	**—**	**—**	**—**	**(25,532)**	**—**
Additions	**—**	**—**	**1,839**	**—**	**969**	**210**	**3,018**
Disposals	**(5,979)**	**—**	**(765)**	**(2)**	**(376)**	**—**	**(7,122)**
Depreciation (Note 7)	**—**	**(3,176)**	**(4,763)**	**(151)**	**(2,553)**	**—**	**(10,643)**
Currency translation difference	**1,393**	**322**	**516**	**—**	**905**	**1,256**	**4,392**
Closing net book amount	**25,237**	**54,278**	**10,161**	**319**	**6,989**	**—**	**96,984**
At 31 March 2020							
Cost	**25,237**	**98,748**	**68,330**	**1,650**	**17,429**	**—**	**211,394**
Accumulated depreciation	**—**	**(44,470)**	**(58,169)**	**(1,331)**	**(10,440)**	**—**	**(114,410)**
Net book amount	**25,237**	**54,278**	**10,161**	**319**	**6,989**	**—**	**96,984**

13. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Depreciation expenses have been charged to the consolidated statement of comprehensive income as follows:

	For the year ended 31 March 2020 RMB'000	For the fifteen months ended 31 March 2019 RMB'000
Administrative expenses	**5,207**	6,074
Manufacturing overheads included in cost of goods sold	**971**	1,548
Distribution expenses	**4,465**	5,385
	10,643	13,007

There is no pledge of property, plant and equipment of the Group as at 31 March 2020 and at 31 March 2019.

The Group owns freehold land and buildings located in Japan and the US.

The Group also owns buildings on land with land use right term within 50 years located in Beijing and Jiangsu province, the PRC.

14. LEASE PREPAYMENTS

	Lease prepayments for land use rights
	RMB'000
At 1 January 2018	
Cost	14,262
Accumulated amortisation	(3,396)
Net book amount	10,866
For the fifteen months ended 31 March 2019	
Opening net book amount	10,866
Amortisation charge (Note 7)	(357)
Closing net book amount	10,509
At 31 March 2019	
Cost	14,262
Accumulated amortisation	(3,753)
Net book amount	10,509
For the year ended 31 March 2020	
Opening net book amount	**10,509**
Changes in accounting policies (Note 2.2)	**(10,509)**
Closing net book amount	—
At 31 March 2020	
Cost	—
Accumulated amortisation	—
Net book amount	—

Lease prepayments for land use rights represent the Group's interests in land in the PRC and held on leases within 50 years. As at 31 March 2020, the remaining lease periods of the land use right are from 36 to 37 years.

From 1 April 2019, lease prepayments are presented as right-of-use assets in the balance sheet (Note 16). Refer to Note 2.2 for details about the changes in accounting policy.

15. INTANGIBLE ASSETS

	KAPPA trademarks RMB'000	Phenix trademark RMB'000	Computer software RMB'000	Total RMB'000
At 1 January 2018				
Cost	381,362	8,605	71,546	461,513
Accumulated amortisation	(171,220)	(1,648)	(66,582)	(239,450)
Net book amount	210,142	6,957	4,964	222,063
For the fifteen months ended 31 March 2019				
Opening net book amount	210,142	6,957	4,964	222,063
Additions	—	—	4,442	4,442
Amortisation charge (Note 7)	(9,410)	(269)	(3,654)	(13,333)
Currency translation difference	693	—	19	712
Closing net book amount	201,425	6,688	5,771	213,884
At 31 March 2019				
Cost	386,537	8,605	76,430	471,572
Accumulated amortisation	(185,112)	(1,917)	(70,659)	(257,688)
Net book amount	201,425	6,688	5,771	213,884
For the year ended 31 March 2020				
Opening net book amount	**201,425**	**6,688**	**5,771**	**213,884**
Additions	**—**	**—**	**764**	**764**
Amortisation charge (Note 7)	**(7,567)**	**(215)**	**(2,347)**	**(10,129)**
Currency translation difference	**1,037**	**—**	**24**	**1,061**
Closing net book amount	**194,895**	**6,473**	**4,212**	**205,580**
At 31 March 2020				
Cost	**386,537**	**8,605**	**77,194**	**472,336**
Accumulated amortisation	**(191,642)**	**(2,132)**	**(72,982)**	**(266,756)**
Net book amount	**194,895**	**6,473**	**4,212**	**205,580**

15. INTANGIBLE ASSETS (CONTINUED)

The KAPPA trademarks represent the perpetual rights of the use of KAPPA trademarks in the PRC, Macau and Japan. The KAPPA trademarks for the PRC and Macau were purchased by the Group from a third party in 2006 at a consideration of USD35,000,000 (equivalent to approximately RMB280,994,000). The Phenix trademark for Japan were obtained in the acquisition of Phenix Co., Ltd. ("Phenix") in April 2008. The KAPPA and Phenix trademarks are subject to amortisation on a straight-line basis over an estimated useful life of 40 years.

Amortisation expenses in relation to trademarks have been charged to distribution expenses and those in relation to computer software have been charged to administrative expenses in the consolidated statement of comprehensive income.

16. LEASES

(i) Amounts recognised in the balance sheet

The balance sheet shows the following amounts relating to leases:

	As at 31 March 2020 RMB'000	As at 31 March 2019 RMB'000
Right-of-use assets		
Lease prepayments	**10,224**	—
Restoration costs	**2,703**	—
Offices, warehouses and retail stores	**87,234**	—
	100,161	—
Lease Liabilities		
Current	**44,516**	—
Non-current	**48,585**	—
	93,101	—

Additions to the right-of-use assets during the year ended 31 March 2020 were RMB67,537,000.

16. LEASES (CONTINUED)

(ii) Amounts recognised in the statement of comprehensive income

The statement of profit or loss shows the following amounts relating to leases:

	For the year ended 31 March 2020 RMB'000
Depreciation charge of right-of-use assets	
Lease prepayments	**285**
Restoration costs	**1,026**
Offices, warehouses and retail stores	**53,059**
	54,370
Interest expense (included in finance cost)	**4,046**
Expense relating to short-term leases (included in distribution expenses and administrative expenses)	**33,593**
Expense relating to variable leases (included in distribution expenses)	**2,500**

The total cash outflow for leases for the year ended 31 March 2020 was RMB73,278,000.

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

The Group leases various offices, warehouses and retail stores. Rental contracts are typically made for fixed periods of 2 to 3 years.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

(iv) Variable lease payments

Some property leases contain variable payment terms that are linked to sales generated from a store. For individual stores, up to 100% of lease payments are on the basis of variable payment terms with percentages ranging from 10% to 22% of sales. Variable payment terms are used for a variety of reasons, including minimising the fixed costs base for newly established stores. Variable lease payments that depend on sales are recognised in profit or loss in the period in which the condition that triggers those payments occurs.

A 10% increase in sales across all stores in the Group with such variable lease contracts would increase total lease payments by approximately RMB250,000.

17. DEFERRED INCOME TAX

a. Deferred tax assets

The balance comprises temporary differences attributable to:

	As at 31 March 2020 RMB'000	As at 31 March 2019 RMB'000
Provision for impairment of trade receivables and other financial assets at amortised cost	**15,195**	13,138
Provision for impairment of inventories	**24,920**	21,412
Provision for sales returns/rebates	**5,391**	7,980
Tax losses	**91,631**	114,354
Elimination for inventory	**47,922**	84,961
Lease liabilities	**14,251**	—
Other accrued expenses	**2,902**	10,841
Total deferred tax assets	**202,212**	252,686
Set-off of deferred tax liabilities pursuant to set-off right-of-use assets	**(13,871)**	—
Net deferred tax assets	**188,341**	252,686

Movements	Provision for sales returns/ rebates RMB'000	Provision for impairment of inventories RMB'000	Provision for impairment of trade receivables and other financial assets at amortised cost RMB'000	Fair value changes of investments in financial assets RMB'000	Elimination for inventory RMB'000	Lease liabilities RMB'000	Other accrued expenses RMB'000	Tax losses RMB'000	Total RMB'000
At 1 January 2018	11,481	19,720	24,435	373	57,398	—	24,791	—	138,198
(Charged)/credited to profit or loss (Note 10)	(3,501)	1,692	(11,297)	(373)	27,563	—	(13,950)	114,354	114,488
At 31March 2019	7,980	21,412	13,138	—	84,961	—	10,841	114,354	252,686
(Charged)/credited to profit or loss (Note 10)	(2,589)	3,508	2,057	—	(37,039)	14,251	(7,939)	(22,723)	(50,474)
At 31 March 2020	**5,391**	**24,920**	**15,195**	**—**	**47,922**	**14,251**	**2,902**	**91,631**	**202,212**

17. DEFERRED INCOME TAX (CONTINUED)

a. Deferred tax assets (Continued)

As at 31 March 2020, deferred income tax assets of RMB25,520,000 (As at 31 March 2019: RMB14,208,000) have not been recognised in respect of the tax losses amounting to RMB110,323,000 (As at 31 March 2019: RMB262,154,000) which can be carried forward against future taxable income. The tax losses mainly resulted from accumulated operating losses of the subsidiaries of the Group.

b. Deferred tax liabilities

The balance comprises temporary differences attributable to:

	As at 31 March 2020 RMB'000	As at 31 March 2019 RMB'000
Withholding income tax on profit distribution of PRC subsidiaries	**148,568**	148,378
Fair value changes of investments in financial assets	**78,736**	110,612
Right-of-use assets	**13,871**	—
Others	**4,561**	6,161
Total deferred tax liabilities	**245,736**	265,151
Set-off of deferred tax liabilities pursuant to set-off right-of-use assets	**(13,871)**	—
Net deferred tax liabilities	**231,865**	265,151

Movements	**Withholding income tax on profit distribution of PRC subsidiaries** RMB'000	**Fair value changes of investments in financial assets** RMB'000	**Right-of-use assets** RMB'000	**Others** RMB'000	**Total** RMB'000
At 1 January 2018	121,929	28,869	—	12,489	163,287
Charged/(credited) to profit or loss (Note 10)	26,449	81,743	—	(6,328)	101,864
At 31 March 2019	148,378	110,612	—	6,161	265,151
Charged/(credited) to profit or loss (Note 10)	190	(31,876)	13,871	(1,600)	(19,415)
At 31 March 2020	**148,568**	**78,736**	**13,871**	**4,561**	**245,736**

17. DEFERRED INCOME TAX (CONTINUED)

b. Deferred tax liabilities (Continued)

According to the New CIT Law, distribution of profits earned by PRC companies since 1 January 2008 to foreign investors is subject to withholding tax of 5% or 10%, depending on the country of incorporation of the foreign investor, upon the distribution of profits to overseas-incorporated immediate holding companies. During the year ended 31 March 2020, the Group anticipated to distribute the profit of the PRC subsidiaries in the future to foreign investors. Therefore, deferred tax liabilities in respect of those profits of RMB190,000 (Fifteens months ended 31 March 2019: RMB26,449,000) were recognised.

18. INVENTORIES

	As at 31 March 2020 RMB'000	As at 31 March 2019 RMB'000
Finished goods	**589,531**	557,161
Raw materials	**2,914**	3,894
Work in progress	**15,706**	12,964
Less: provision for inventories	**(150,734)**	(118,655)
	457,417	455,364

The cost of inventories recognised as cost of sales amounted to approximately RMB702,428,000 (Fifteen months ended 31 March 2019: RMB880,189,000) (Note 7) for the year ended 31 March 2020.

For the year ended 31 March 2020, the Group made a provision for impairment losses of out-season inventories of RMB28,985,000 (Fifteen months ended 31 March 2019: reversal of impairment losses of out-season inventories of RMB7,969,000).

19. TRADE RECEIVABLES

	As at 31 March 2020 RMB'000	As at 31 March 2019 RMB'000
Trade receivables		
— Third parties	**146,623**	170,702
— Related parties (Note 36(b))	**33,903**	31,850
	180,526	202,552
Less: provision for impairment	**(39,463)**	(28,090)
Trade receivables, net	**141,063**	174,462

19. TRADE RECEIVABLES (CONTINUED)

The Group's sales are mainly made on credit limits and the Group would deny credit sales to customers if the trade receivables of these customers exceeded their credit limits. Customers are normally granted credit terms within 90 days. The aging analysis of trade receivables as at 31 March 2020 and 31 March 2019 was as follows:

`	**As at 31 March 2020 RMB'000**	As at 31 March 2019 RMB'000
Within 30 days	**67,874**	110,146
31 to 180 days	**90,827**	74,214
Over 180 days	**21,825**	18,192
	180,526	202,552

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

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. Note 3.1(b) provides for details about the calculation of the allowance.

Information about the impairment of trade receivables and the Group's exposure to credit risk, foreign currency risk and interest rate risk can be found in Note 3.1.

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

	For the year ended 31 March 2020 RMB'000	For the fifteen months ended 31 March 2019 RMB'000
As beginning of the year/period	**28,090**	65,196
Impairment provision	**14,806**	—
Reversal of impairment losses of receivables	**(2,559)**	(4,211)
Written off impairment losses of receivables	**(874)**	(32,895)
As ending of the year/period	**39,463**	28,090

20. OTHER FINANCIAL ASSETS AT AMORTISED COST

	As at 31 March 2020 RMB'000	As at 31 March 2019 RMB'000
Current portion:		
Loans receivable (a)	**573,126**	897,284
Loans to related parties (Note 36(b))	**14,606**	20,325
Others	**97,988**	66,553
Less: provision for impairment	**(20,922)**	(9,288)
— Stage 1	**(1,316)**	(121)
— Stage 2	**—**	(4,167)
— Stage 3	**(19,606)**	(5,000)
	664,798	974,874
Non-current portion:		
Loans receivable (a)	**97,954**	173,057
Loans to management personnel and employees (b)	**344,104**	326,169
Less: provision for impairment	**—**	—
	442,058	499,226

Notes:

(a) Due to the short-term nature of the other current receivables, their carrying amount is considered to be the same as their fair value. For the majority of the non-current receivables, the fair values are also reasonable approximate with their carrying amounts.

As at 31 March 2020, loans receivables due from third parties summed up to RMB666,081,000 (As at 31 March 2019: 1,070,341,000) with the interest rate in the range of 8% to 15% (As at 31 March 2019: 6.5% to 15%) per annum. The amount of each loan receivables varies from RMB5,000,000 to RMB204,214,000 (As at 31 March 2019: RMB5,000,000 to RMB204,172,000).

The maturity period of each loan receivables varies with the range from 12 to 60 months. Majority of these loans receivables were secured by the respective pledge. Detail of the credit risk assessment of loan receivables is disclosed in Note 3.1.

(b) The balance represented loans to certain management personnel and employees, which bear interest at one month HIBOR+1% per annum and have a maturity of 5 years. All the shares subscribed by the borrowers were pledged as the collateral of these loans (Note 24).

21. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

(i) Classification of financial assets at fair value through profit or loss

The Group classifies the following financial assets at fair value through profit or loss (FVPL):

- debt investments that do not qualify for measurement at either amortised cost or FVOCI,
- equity investments that are held for trading, and
- equity investments for which the entity has not elected to recognise fair value gains and losses through OCI.

Financial assets mandatorily measured at FVPL include the following:

	As at 31 March 2020 RMB'000	As at 31 March 2019 RMB'000
Non-current portion		
— Private equity fund investments	**3,058,369**	3,597,609
— Listed equity securities — stock	**—**	1,720,980
— Listed preference shares and perpetual bonds	**418,669**	467,892
— Other unlisted investments	**181,912**	104,245
— Listed debt securities	**29,113**	—
	3,688,063	5,890,726
Current portion		
— Private equity fund investments	**1,256,357**	772,149
— Listed equity securities — stock	**1,738,637**	452,206
— WMPs	**262,919**	336,791
	3,257,913	1,561,146

Further details of financial assets at FVPL are given in Note 3.3.

(ii) Amounts recognised in profit or loss

During the year/period, the following gains were recognised in profit or loss:

	For the year ended 31 March 2020 RMB'000	For the fifteen months ended 31 March 2019 RMB'000
Fair value gains on private fund investments	**214,846**	659,639
Fair value gains on listed equity securities — stock	**283,473**	—
Fair value losses on other unlisted investments	**(50,618)**	(17,459)
Fair value gains on listed preference shares and perpetual bonds	**21,351**	182,418
Fair value gains/(losses) on listed debt securities	**(15)**	24,394
Fair value gains on WMPs	**13,449**	17,716

22. CASH AND BANK BALANCES

	As at 31 March 2020 RMB'000	As at 31 March 2019 RMB'000
Restricted cash — restricted bank deposits (a)	—	285,581
Term deposits with initial term over three months and within one year (b)	**37,738**	104,904
Cash and cash equivalents (c)	**2,063,150**	766,722
	2,100,888	1,157,207

Notes:

(a) The restricted bank deposits as at 31 March 2020 are fully due. The balance as at 31 March 2019 mainly comprised deposits held in bank accounts for issuing letters of credit for a subsidiary of the Group and deposits held in bank accounts as pledge for the Company's bank loan. The average interest rate on the restricted bank deposits was 4.01% for the fifteen months ended 31 March 2019 per annum.

(b) The interest rates on term deposits with initial term over three months and within one year as at 31 March 2020 was 2.29% (As at 31 March 2019: from 2.30% to 2.32%) per annum. The deposits earn interests at fixed rates based on prevailing market rates.

(c) Cash and cash equivalents include current deposits and term deposits with initial term within three months.

(d) As at 31 March 2020 and 31 March 2019, the cash and bank balances were denominated in the following currencies:

	As at 31 March 2020 RMB'000	As at 31 March 2019 RMB'000
RMB	**676,982**	821,023
USD	**1,227,320**	200,221
HKD	**169,571**	114,350
JPY	**21,119**	17,104
Others	**5,896**	4,509
	2,100,888	1,157,207

RMB is currently not a freely convertible currency in the international market. The conversion of RMB into foreign currency and remittance of RMB out of the PRC are subject to the rules and regulations of exchange controls promulgated by the PRC authorities.

23. OTHER ASSETS

	As at 31 March 2020 RMB'000	As at 31 March 2019 RMB'000
Current portion:		
Prepayments	**55,967**	34,063
Value added tax recoverable	**42,495**	86,388
Right to returned goods	**4,519**	5,891
Others	**9,995**	25,367
	112,976	151,709
Non-current portion:		
Prepayments (a)	**106,958**	22,509
Others	**9,123**	23,243
	116,081	45,752

(a) As at 31 March 2020, the amount of non-current prepayments mainly include prepayment for other unlisted investment of RMB62,610,000 and prepayment for private equity fund investment of RMB11,834,000.

24. SHARE CAPITAL AND SHARE PREMIUM ACCOUNT

	Number of issued ordinary shares at par of each value HKD0.01	**Nominal value of issued ordinary shares** HKD'000	**Equivalent nominal value of issued ordinary shares** RMB'000	**Share premium account** RMB'000	**Total** RMB'000
As at 1 January 2018	5,674,811,025	56,749	54,768	806,397	861,165
Issuance of ordinary shares (Note a)	211,310,000	2,113	1,698	227,142	228,840
As at 31 March 2019	5,886,121,025	58,862	56,466	1,033,539	1,090,005
As at 1 April 2019 and 31 March 2020	**5,886,121,025**	**58,862**	**56,466**	**1,033,539**	**1,090,005**

24. SHARE CAPITAL AND SHARE PREMIUM ACCOUNT (CONTINUED)

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

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

Ms. Chen Chen has paid all of her consideration and other subscribers'consideration was settled through a loan from Bright Pacific, a wholly-owned subsidiary of the Company, to the subscribers with the interest rate of one month HIBOR plus 1% per annum. All the shares subscribed and acquired was pledged as the collateral of these loans (Note 19). They need to comply with the lock-up request of the subscription agreement.

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

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

25. SHARES HELD FOR EMPLOYEE SHARE SCHEME

	As at 31 March 2020 Number of shares	At as 31 March 2019 Number of shares	**As at 31 March 2020 RMB'000**	At as 31 March 2019 RMB'000
Shares held for employee share scheme	**23,050,071**	23,050,071	**196**	196

These shares are held by the Group's Trust for the purpose of issuing shares under the Group's employee share scheme (see Note 26 for further information). Shares issued to employees are recognised on a first-in-first-out basis.

26. RESERVES

The following table shows a breakdown of the balance sheet line item 'reserves' and the movements in these reserves during the year/period. A description of the nature and purpose of each reserve is provided below the table.

	Capital reserve (note a) RMB'000	Share-based compensation reserve RMB'000	Statutory reserve RMB'000	Exchange reserve RMB'000	Fair value reserve RMB'000	Shares held for Restricted Share Award Scheme RMB'000	Retained earnings RMB'000	Total RMB'000
At 1 January 2018	283,522	9,021	59,643	(303,608)	—	(66,755)	8,742,572	8,724,395
Profit for the period	—	—	—	—	—	—	865,852	865,852
Foreign currency translation reserve (Note (b))	—	—	—	99,388	—	—	—	99,388
Dividends (Note 33)	—	—	—	—	—	—	(528,483)	(528,483)
Appropriation to statutory reserves (Note (c))	—	—	4,705	—	—	—	(4,705)	—
Disposal of a subsidiary	—	—	(2,331)	—	—	—	2,331	—
At 31 March 2019	283,522	9,021	62,017	(204,220)	—	(66,755)	9,077,567	9,161,152

	Capital reserve (note a) RMB'000	**Share-based compensation reserve RMB'000**	**Statutory reserve RMB'000**	**Exchange reserve RMB'000**	**Fair value reserve RMB'000**	**Shares held for Restricted Share Award Scheme RMB'000**	**Retained earnings RMB'000**	**Total RMB'000**
At 1 April 2019	**283,522**	**9,021**	**62,017**	**(204,220)**	**—**	**(66,755)**	**9,077,567**	**9,161,152**
Profit for the year	**—**	**—**	**—**	**—**	**—**	**—**	**366,333**	**366,333**
Foreign currency translation reserve (Note (b))	**—**	**—**	**—**	**230,567**	**—**	**—**	**—**	**230,567**
Dividends (Note 33)	**—**	**—**	**—**	**—**	**—**	**—**	**(238,210)**	**(238,210)**
Appropriation to statutory reserves (Note (c))	**—**	**—**	**30,304**	**—**	**—**	**—**	**(30,304)**	**—**
Disposal of a subsidiary	**—**	**—**	**521**	**—**	**—**	**—**	**—**	**521**
Value of service provided under share option scheme	**—**	**1,478**	**—**	**—**	**—**	**—**	**—**	**1,478**
At 31 March 2020	**283,522**	**10,499**	**92,842**	**26,347**	**—**	**(66,755)**	**9,175,386**	**9,521,841**

Notes:

(a) The capital reserve represents mainly the difference between the fair value of shares of the Company issued and the carrying amount of the net assets of the subsidiaries acquired under common control combination upon group reorganisations in the year 2007.

(b) Foreign currency translation reserve represents the difference arising from the translation of the financial statements of companies within the Group that have a functional currency different from the presentation currency of RMB for the financial statements of the Company and the Group.

(c) The Company's subsidiaries incorporated in the PRC are required to make appropriations to statutory reserves from their profit for the year after offsetting accumulated losses carried forward from prior years as determined under the PRC accounting regulations and before distribution to equity holders. The percentages to be appropriated to such statutory reserve are determined according to the relevant regulations in the PRC, and further appropriation is optional when the accumulated fund is 50% or more of the registered capital of the subsidiaries.

27. SHARE BASED COMPENSATION SCHEMES

(a) Restricted Share Award Scheme

The Company adopted the Restricted Share Award Scheme (Note 2.18) on 10 December 2010. The objective of the Restricted Share Award Scheme is to encourage and retain selected participants including directors and employees of the Group, to work with the Group and to provide additional incentive for them to achieve performance goals. Under the scheme, the China Dongxiang (Group) Co., Ltd. Restricted Share Award Scheme Trust (the "Trust") was established in Hong Kong and purchased 30,000,000 shares of the Company from the open market in December 2010. No further purchase of shares of the Company has been made since December 2010. The total amount of RMB87,138,000 paid to acquire the shares was financed by the Company by way of contributions made to the Trust. As the financial and operational policies of the Trust are governed by the Group and the Group benefits from the Trust's activities, the Trust is consolidated in the Group's financial statements as a special purpose entity.

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

During the year ended 31 March 2020, no shares out of the 30,000,000 shares purchased from the open market in 2010 as described above, were granted to senior management under the Restricted Share Award Scheme (Fifteen months ended 31 March 2019: Nil).

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

As mentioned in Note 24, on 27 April 2018, the Company allotted and issued 211,310,000 new ordinary shares to directors and management personnel of the Company, no share based payment expense was recognised in the consolidated statement of the comprehensive income during the fifteen months ended 31 March 2019.

(c) The 2019 share option scheme

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

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

27. SHARE BASED COMPENSATION SCHEMES (CONTINUED)

(c) The 2019 share option scheme (Continued)

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

(i) the closing price of the shares as stated in the Stock Exchange's daily quotation sheets on the offer date;

(ii) the average of the closing prices of the shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the offer date; and

(iii) the nominal value of the shares.

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

The fair values of the options granted pursuant to the 2019 Share Option Scheme during the year ended 31 March 2020 are as below:

Grant date	**Fair value** RMB'000
16 September 2019	4,388
7 January 2020	321

The fair value of options granted on 16 September 2019 determined using the binomial model by independent valuer was HK$0.292 per option for management personnel and HK$0.211 per option for employees. The subjectivity and uncertainty of the values of options are subject to a number of assumptions and the limitation of the model. The significant inputs into the model were spot price of HK$0.820 at the grant date, exercise price of HK$0.854, volatility of 39%, expected dividend yield of 2.45%, a contractual option life of ten years, and an annual risk-free interest rate of 1.36%.

The fair value of options granted on 7 January 2020 determined using the binomial model by independent valuer was HK$0.232 per option for management personnel and HK$0.227 per options for employees. The subjectivity and uncertainty of the values of options are subject to a number of assumptions and the limitation of the model. The significant inputs into the model were spot price of HK$0.850 at the grant date, exercise price of HK$0.860, volatility of 38%, expected dividend yield of 5.26%, a contractual option life of ten years, and an annual risk-free interest rate of 1.66%.

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

27. SHARE BASED COMPENSATION SCHEMES (CONTINUED)

(c) The 2019 share option scheme (Continued)

For the year ended 31 March 2020, value of employee services provided under the 2019 Share Option Scheme recognised in the consolidated statement of comprehensive income was RMB111,000.

Movements in the number of share options outstanding during the year ended 31 March 2020 under this scheme and their weighted average exercise prices are as follows:

	Weighted average exercise price (per share) HK$	Number of share options (thousands)
As at 1 April 2019	—	—
Granted	**0.854**	**19,860**
Exercised	—	—
Lapsed	—	—
As at 31 March 2020	**0.854**	**19,860**
Exercisable as at 31 March 2020	—	—

28. TRADE PAYABLES

The ageing analysis of trade payables based on goods receipt date as at 31 March 2020 and 31 March 2019 was as follows:

	As at 31 March 2020 RMB'000	As at 31 March 2019 RMB'000
Within 30 days	**76,338**	85,844
31 to 180 days	**61,738**	38,229
Over 180 days	**10,398**	25,333
	148,474	149,406

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

29. ACCRUALS AND OTHER PAYABLES

	As at 31 March 2020 RMB'000	As at 31 March 2019 RMB'000
Current portion:		
Salary and welfare payable	**19,615**	16,159
Other taxes and levies payable	**9,215**	14,213
Refund liabilities	**24,371**	14,599
Suppliers' deposits	**73,087**	67,472
Due to related parties (Note 36(b))	**37,620**	27,164
Payables for marketing expenses	**38,286**	29,525
Payables for logistics fees	**12,205**	15,051
Payables for professional expense	**5,842**	8,472
Others	**37,185**	41,971
	257,426	234,626
Non-current portion:		
Other payables	**1,245**	5,739

The carrying amounts of accruals and other payables approximated their fair values as at the balance sheet dates.

30. DERIVATIVES

	As at 31 March 2020 RMB'000	As at 31 March 2019 RMB'000
Derivatives	**29,616**	41,591

During the year ended 31 March 2020, the Group entered certain derivative agreements with investment banks, of which certain quantities of the underlying securities listed on the NYSE and HKSE are agreed to be settled at an agreed price when certain agreed events occurred. Such investments were designated as derivatives and stated at fair value as at 31 March 2020.

31. BORROWINGS

	As at 31 March 2020 RMB'000	As at 31 March 2019 RMB'000
Bank Loans		
— Pledged (a)	**196,647**	480,439
Loans from a company		
— Unsecured and interest free (b)	**49,661**	47,197
	246,308	527,636

Notes:

a. As at 31 March 2020, the outstanding loans due to Morgan Stanley Asia International Limited at the prevailing interest rate were HKD174,455,484 (equivalent to approximately RMB159,448,457), JPY 552,115,071 (equivalent to approximately RMB36,070,620), which was secured by an equivalent value of shares held by banks as collateral.

And the outstanding loans due to Julius Bar at the prevailing interest rate were HKD1,234,238 (equivalent to approximately RMB1,128,066), which was secured by an equivalent value of shares held by banks as collateral.

In May 2018, the Group borrowed an amount of HKD230,000,000 (equivalent to RMB197,305,000) from Industrial Bank Co., Ltd Hong Kong Branch at an interest rate of 3 month Hibor +1.95% per annum with maturity of 12 months. The borrowing was secured by the Group's bank deposits of RMB220,000,000 in Industrial Bank Co., Ltd Beijing Branch.

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

As at 31 March 2020, the Group's borrowings were repayable as follows:

	Bank loans		Other loans	
	As at 31 March 2020 RMB'000	As at 31 March 2019 RMB'000	As at 31 March 2020 RMB'000	As at 31 March 2019 RMB'000
Within 1 year	**196,647**	480,439	**49,661**	47,197

Bank borrowings mature until 2020 and bear floating interest rate based on Hibor (2019: 3 month Hibor plus 1.95% annually).

32. CONTRACT LIABILITIES

	As at 31 March 2020 RMB'000	As at 31 March 2019 RMB'000
Advance from customers	**23,436**	29,595

(i) Revenue recognised in relation to contract liabilities

The following table shows how much of the revenue recognised in the current reporting period relates to carried-forward contract liabilities.

	For the year ended 31 March 2020 RMB'000	For the fifteen months ended 31 March 2019 RMB'000
Revenue recognised that was included in the contract liability balance at the beginning of the year/period	**25,755**	50,773

33. DIVIDENDS

	For the year ended 31 March 2020 RMB'000	For the fifteen months ended 31 March 2019 RMB'000
Interim dividend paid of RMB0.96 cent (2019: RMB2.45 cent) per share	**56,507**	144,210
Interim special dividend paid of RMB0.65 cent (2019: RMB2.45 cent) per share	**38,260**	144,210
Proposed final dividend of RMB0.91 cent (2019: RMB1.96 cent) per share	**53,564**	115,368
Proposed final special dividend of RMB1.84 cent (2019: RMB0.49 cent) per share	**108,305**	28,842
	256,636	432,630

The total dividends paid for the year ended 31 March 2020 amounted to RMB238,977,000 or RMB4.06 cents per share (Fifteen months ended 31 March 2019: RMB530,561,000 or RMB9.16 cents per share) comprising final and final special dividends of RMB144,210,000 for the fifteen months ended 31 March 2019 and interim and interim special dividends of RMB94,767,000 for the six months ended 30 September 2019, of which RMB921,000 (Fifteen months ended 31 March 2019: RMB2,078,000) were paid to the shares held for Restricted Share Award Scheme.

Pursuant to a resolution passed on 17 June 2020, the board of directors of the Company proposed a final dividend and final special dividend of RMB0.91 cents and RMB1.84 cents per ordinary share of the Company, amounting to RMB53,564,000 and RMB108,305,000 for the year ended 31 March 2020 from the Company's retained earnings account, respectively. The final dividend and final special dividend are to be proposed for approval by the shareholders of the Company at the annual general meeting to be held on 19 August 2020.

The aggregate amounts of the dividends paid for the year ended 31 March 2020 and fifteen months ended 31 March 2019 have been disclosed in the consolidated statement of changes in equity in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

34. CASH USED IN/GENERATED FROM OPERATIONS

	For the year ended 31 March 2020 RMB'000	For the fifteen months ended 31 March 2019 RMB'000
Profit before income tax for the year/period	**445,448**	1,025,626
Adjustments for:		
— Depreciation of property, plant and equipment (Note 13)	**10,643**	13,007
— (Gain)/loss on disposal of property, plant and equipment	**(835)**	913
— Amortisation of lease prepayments (Note 14)	**—**	357
— Amortisation of right-of-use assets (Note 14)	**33,383**	—
— Amortisation of intangible assets (Note 15)	**10,129**	13,333
— Provision for/(reversal of) impairment losses of inventories (Note 7)	**28,985**	(7,969)
— Provision for impairment of financial assets — net	**24,028**	2,091
— Share of loss of joint ventures and associates (Note 12)	**30,781**	21,968
— Elimination of unrealised profit of joint ventures	**(3,087)**	(7,932)
— Interest income from bank deposits	**(8,587)**	(20,815)
— Interest expenses on borrowings	**14,392**	26,985
— Investment income from financial assets through profit or loss	**(93,225)**	(178,101)
— Interest from other financial assets at amortised cost	**(59,894)**	(159,153)
— Foreign exchange gains, net (Note 9)	**(2,894)**	(15,992)
— Share option scheme	**1,478**	—
— Loss from disposal of subsidiaries	**521**	—
— Gain from disposal of joint ventures	**(17,159)**	—
— Gain on disposal of financial assets at fair value through profit or loss	**(25,121)**	(14,253)
— Change in fair value of financial instruments at fair value through profit or loss	**(378,027)**	(696,436)
	10,959	3,629
Changes in working capital:		
— Increase in inventories	**(31,038)**	(102,057)
— Decrease/(increase) in trade receivables, other financial assets at amortised cost and other assets	**15,696**	(19,383)
— Increase/(decrease) in trade payables, provisions, contract liabilities and accruals and other payables	**26,805**	(116,431)
Cash generated/(used in) from operations	**22,422**	(234,242)

34. CASH USED IN/GENERATED FROM OPERATIONS (CONTINUED)

In the consolidated cash flow statement, the proceeds from sales of property, plant and equipment comprise:

	For the year ended 31 March 2020 RMB'000	For the fifteen months ended 31 March 2019 RMB'000
Net book amount (Note 13)	**7,122**	2,127
Gain/(Loss) on disposal of property, plant and equipment	**835**	(913)
Proceeds from disposal of property, plant and equipment	**7,957**	1,214

Non-cash investing and financing activities are set below:

	For the year ended 31 March 2020 RMB'000	For the fifteen months ended 31 March 2019 RMB'000
Acquisition of right-of-use assets (Note 16)	**67,537**	—

This section sets out an analysis of net debt and the movements in net debt for each of the periods presented.

Net debt	For the year ended 31 March 2020 RMB'000	For the fifteen months ended 31 March 2019 RMB'000
Cash and cash equivalents (Note 21)	**2,063,150**	766,722
Liquid investments (i)	**1,738,637**	2,173,186
Lease liabilities	**(93,101)**	—
Borrowings — repayable within one year (Note 30)	**(246,308)**	(527,636)
Net debt	**3,462,378**	2,412,272
Cash and liquid investments	**3,801,787**	2,939,908
Gross debt — fixed interest rates	**(142,762)**	(47,197)
Gross debt — variable interest rates	**(196,647)**	(480,439)
Net debt	**3,462,378**	2,412,272

34. CASH USED IN/GENERATED FROM OPERATIONS (CONTINUED)

	Other assets		Liabilities from financing activities			
	Cash and cash equivalents	Liquid investments (i)	Borrowings due within 1 year	Borrowings due after 1 year	Lease liabilities	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Net debt as at 1 January 2018	1,051,865	217,616	(228,697)	(274,497)	—	766,287
Cash flows	(324,220)	(454,413)	(245,842)	235,672	—	(788,803)
Foreign exchange adjustments	39,077	83,870	(5,900)	(8,372)	—	108,675
Other non-cash movements	—	2,326,113	(47,197)	47,197	—	2,326,113
Net debt as at 31 March 2019	766,722	2,173,186	(527,636)	—	—	2,412,272
Recognised on adoption of IFRS 16	**—**	**—**	**—**	**—**	**(75,767)**	**(75,767)**
Cash flows	**1,254,008**	**(843,199)**	**309,393**	**—**	**48,672**	**768,874**
Acquisition — lease	**—**	**—**	**—**	**—**	**(63,506)**	**(63,506)**
Foreign exchange adjustments	**42,420**	**120,798**	**(28,065)**	**—**	**(2,500)**	**132,653**
Other non-cash movements	**—**	**287,852**	**—**	**—**	**—**	**287,852**
Net debt as at 31 March 2020	**2,063,150**	**1,738,637**	**(246,308)**	**—**	**(93,101)**	**3,462,378**

(i) Liquid investments comprise current investments that are traded in an active market, being the Group's level 1 financial assets held at fair value through profit or loss.

35. COMMITMENTS

The Group had the following commitments as at 31 March 2020:

Operating lease commitments — Group as lessee

From 1 April 2019, the Group has recognised right-of-use assets and lease liabilities for non-cancellable operating leases, except for short-term leases (see Note 2.2 for further information). The operating leases commitments as of 31 March 2020 as disclosed below are all related to short-term leases which are exempted from recognising the related right-of-use assets and lease liabilities under IFRS 16.

	As at 31 March 2020	As at 31 March 2019
	RMB'000	RMB'000
No later than 1 year	**25,525**	74,714
Later than 1 year and no later than 5 years	**—**	90,251
	25,525	164,965

In June 2017, the Group entered into a limited partnership agreement with Shanghai Xianghe Chongyuan Equity Investment Fund Partnership (Limited Partnership) (上海祥禾涌原股權投資合夥企業(有限合夥)), with a total capital commitment of RMB20 million. As at 31 March 2020, the Group paid a capital contribution of RMB14 million with remaining balance of RMB6 million unpaid.

35. COMMITMENTS (CONTINUED)

Operating lease commitments — Group as lessee (Continued)

In August 2017, the Group entered into a limited partnership agreement with Hangzhou Hanyun Xinling Investment LLP. (杭州瀚雲新領股權投資基金合夥企業(有限合夥)), with a total capital commitment of RMB300 million. As at 31 March 2020, the Group paid a capital contribution of RMB171 million with remaining balance of RMB129 million unpaid.

In February 2018, the Group entered into a limited partnership agreement with Yunfeng Fund III (雲鋒基金III), with a total capital commitment of US$20 million. As at 31 March 2020, the Group paid a capital contribution of US$15 million with remaining balance of US$5 million (equivalent to approximately RMB38 million) unpaid.

36. RELATED PARTY TRANSACTIONS

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

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

(a) Transactions with related parties

During the year ended and as at 31 March 2020 and the fifteen months ended and as at 31 March 2019, in addition to those disclosed elsewhere in the financial statements, the Group had the following transactions and balances with related parties:

	For the year ended 31 March 2020 RMB'000	For the fifteen months ended 31 March 2019 RMB'000
Sales of goods to:		
— Joint ventures of the Group	**7,240**	219,234
Interest income		
— Joint ventures of the Group	**318**	1,688
— Management personnel	**15,448**	8,524
	15,766	10,212
Commissions		
— Joint ventures of the Group	**82,331**	—
Guarantee provided		
— A joint venture of the Group (i)	**—**	250,000

(i) On 30 September 2019, the Group entered into contracts to terminate the guarantee provided to a joint venture.

36. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Balances with related parties

	As at 31 March 2020 RMB'000	As at 31 March 2019 RMB'000
Trade receivables (Note 19):		
— Joint ventures of the Group	**33,903**	31,850
Other financial assets at amortised cost (Note 20):		
Current portion		
— Joint ventures of the Group	**14,606**	20,325
— Provision	**(14,606)**	(4,167)
Non-current portion		
— Management personnel	**344,104**	326,169
	344,104	342,327
Accruals and other payables (Note 29)		
— Joint ventures of the Group	**37,620**	27,164

Notes:

(i) The transactions with related companies are conducted based on mutual agreements.

(ii) The above balances with related parties except loans to management personnel as mentioned in Note 19(b) were unsecured, non-interest bearing and collectable per demand.

(c) Key management compensation

	For the year ended 31 March 2020 RMB'000	For the fifteen months ended 31 March 2019 RMB'000
Salaries, bonus and other welfares	**11,496**	12,502
Pension — defined contribution plans	**181**	176
	11,677	12,678

37. EVENTS OCCURRING AFTER THE REPORTING PERIOD

(a) Equity transactions

Pursuant to the "2019 Share Option Scheme", the Group granted 2,400,000 share options to the management with an exercise price at HK$0.670. The vesting period for the options granted is from 1 April 2020 to 31 March 2023.

These options are subject to a vesting scale in tranches of one-third each on 31 March 2021, 31 March 2022 and 31 March 2023 respectively with their respective fair values charged to the consolidated income statement over the above vesting period.

38. BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

Balance Sheet of the Company

	As at 31 March 2020 RMB'000	As at 31 March 2019 RMB'000
ASSETS		
Non-current assets		
Interests in subsidiaries	**10,232,790**	10,240,192
Financial assets at fair value through profit or loss	**69,722**	161,351
Amounts due from subsidiaries — non-current portion	**428,613**	1,096,341
	10,731,125	11,497,884
Current assets		
Trade receivables	**33,805**	32,127
Other financial assets at amortised cost	**787**	9,914
Amounts due from subsidiaries	**30,722**	32,649
Cash and bank balances	**438,415**	32,040
	503,729	106,730
Total assets	**11,234,854**	11,604,614
EQUITY		
Equity attributable to owners of the Company		
Share capital (Note 23)	**1,090,005**	1,090,005
Reserves (Note (a))	**9,704,613**	9,968,781
Total equity	**10,794,618**	11,058,786
LIABILITIES		
Current liabilities		
Borrowings	**36,070**	197,305
Amounts due to subsidiaries	**402,180**	346,406
Accruals and other payables	**1,986**	2,117
Total liabilities	**440,236**	545,828
Total equity and liabilities	**11,234,854**	11,604,614

The balance sheet of the Company was approved by the Board of Directors on 17 June 2020 and was signed on its behalf:

CHEN YI HONG
Executive Director & Chairman

ZHANG ZHIYONG
Executive Director

38. BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY (CONTINUED)

Note (a) Reserve movement of the Company

	Capital reserves RMB'000	Share-based compensation reserve RMB'000	Exchange reserve RMB'000	Retained earnings RMB'000	Total RMB'000
At 1 January 2018	10,056,741	1,342	(562,077)	498,055	9,994,061
Profit for the period	—	—	—	483,510	483,510
Foreign currency translation reserve	—	—	21,771	—	21,771
Dividends	—	—	—	(530,561)	(530,561)
At 31 March 2019	10,056,741	1,342	(540,306)	451,004	9,968,781
At 1 April 2019	**10,056,741**	**1,342**	**(540,306)**	**451,004**	**9,968,781**
Profit for the period	**—**	**—**	**—**	**(67,002)**	**(67,002)**
Foreign currency translation reserve	**—**	**—**	**36,726**	**—**	**36,726**
Dividends received from restricted shares	**3,200**	**—**	**—**	**—**	**3,200**
Share option scheme	**—**	**1,119**	**—**	**—**	**1,119**
Dividend paid	**—**	**—**	**—**	**(238,210)**	**(238,210)**
At 31 March 2020	**10,059,941**	**2,461**	**(503,580)**	**145,792**	**9,704,614**

39. BENEFIT AND INTERESTS OF DIRECTORS

a. Directors' emoluments

The remuneration of each director of the Company is set out below:

For the year ended 31 March 2020:

Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking.

Name of Director	Fees RMB'000	Salary RMB'000	Discretionary bonuses RMB'000	Estimated money value of other benefits RMB'000	Employer's contributions to a retirement benefit scheme RMB'000	Total RMB'000
Year ended 31 March 2020						
Mr. Chen Yihong	**177**	**2,325**	**59**	**673**	**—**	**3,234**
Ms. Chen Chen	**177**	**1,495**	**49**	**76**	**43**	**1,840**
Mr. Zhang Zhiyong	**177**	**2,894**	**54**	**—**	**16**	**3,141**
Mr. Chen Guogang	**201**	**—**	**—**	**—**	**—**	**201**
Mr. Gao Yu	**201**	**—**	**—**	**—**	**—**	**201**
Mr. Liu Xiaosong (ii)	**201**	**—**	**—**	**—**	**—**	**201**
	1,134	**6,714**	**162**	**749**	**59**	**8,818**

Name of Director	Fees RMB'000	Salary RMB'000	Discretionary bonuses RMB'000	Estimated money value of other benefits RMB'000	Employer's contributions to a retirement benefit scheme RMB'000	Total RMB'000
Fifteen months ended 31 March 2019						
Mr. Chen Yihong	205	2,228	252	22	18	2,725
Ms. Chen Chen	205	1,839	143	88	70	2,345
Mr. Zhang Zhiyong	205	3,575	157	—	19	3,956
Mr. Chen Johnny	225	—	—	—	—	225
Mr. Chen Guogang	233	—	—	—	—	233
Mr. Gao Yu	233	—	—	—	—	233
Mr. Liu Xiaosong (ii)	8	—	—	—	—	8
	1,314	7,642	552	110	107	9,725

39. BENEFIT AND INTERESTS OF DIRECTORS (CONTINUED)

a. Directors' emoluments (Continued)

Notes:

i. Mr. Chen Johnny has tendered his resignation as an independent non-executive director with effect from 27 March 2019.

ii. Mr. Liu Xiaosong was appointed as an independent non-executive director with effect from 27 March 2019.

iii. Mr. Zhang Zhiyong was appointed as an executive Director and the chief executive officer of the Company for a term of three years with effect from 10 October 2017.

iv. No directors of the Company waived any emoluments and no emoluments were paid by the Group to any of the directors of the Company as an inducement to join or upon joining the Group or as a compensation for loss of office as director.

b. Directors' retirement benefits

No retirement benefits were paid in the year ended 31 March 2020 to or receivable by any directors in respect of their other services in connection with the management of the affairs of the Company or its subsidiary undertaking (Fifteen months ended 31 March 2019: Nil).

c. Directors' termination benefits

No payment was made to directors as compensation for the early termination of the appointment during the year ended 31 March 2020 (Fifteen months ended 31 March 2019: Nil).

d. Consideration provided to third parties for making available directors' services

No payment was made to the former employer of directors for making available the services of them as a director of the Company during the year ended 31 March 2020 (Fifteen months ended 31 March 2019: Nil).

e. There is a loan in favour of Mr. Zhang Zhiyong, the CEO, during the year ended 31 March 2020 and the fifteen months ended 31 March 2019, respectively.

f. Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the period or at any time during the year ended 31 March 2020 (Fifteen months ended 31 March 2019: Nil).

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Review of Annual Results

The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a review of the consolidated financial statements for the twelve months ended 31 March 2020.

Final Dividend and Final Special Dividend

The Company has paid an interim dividend and interim special dividend for the six months ended 30 September 2019 of RMB0.96 cent and RMB0.65 cent per ordinary share, respectively, with a total amount of RMB94,767,000.

The Board of the Company has recommended the distribution of a final dividend and a final special dividend of RMB0.91 cents and RMB1.84 cents per ordinary share, respectively (totalling RMB2.75 cent per ordinary share) for the twelve months ended 31 March 2020.

The final dividend and final special dividend, subject to approval by the shareholders of the Company at the annual general meeting to be held on 19 August 2020, will be paid in Hong Kong Dollars based on the rate of HKD1.00 = RMB0.91293 being the official exchange rate of Hong Kong dollars against Renminbi as quoted by the People's Bank of China on 16 June 2020. The dividend will be paid on or about 8 September 2020 to shareholders whose names appear on the register of members of the Company on 27 August 2020.

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

The Register of Members of the Company will be closed from 25 August 2020 to 27 August 2020 (both days inclusive), for the purpose of determining shareholders' entitlements to the 2019/2020 final dividend and final special dividend. In order to qualify for the 2019/2020 final dividend and final 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 24 August 2020.

Annual General Meeting ("AGM")

The AGM of the Company will be held in Hong Kong on 19 August 2020. Notice of the AGM will be issued and disseminated to shareholders in due course.

To ascertain shareholders' eligibility to attend and vote at the annual general meeting, the register of members will be closed from 14 August 2020 to 19 August 2020 (both days inclusive), during which period no transfer of shares will be registered. In order to qualify to attend and vote at the annual general meeting, 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, no later than 4:30 p.m. on 13 August 2020.

Publication of Results Announcement

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

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

17 June 2020

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