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)

2022/2023 ANNUAL RESULTS ANNOUNCEMENT

The Board of Directors (the "Board") of China Dongxiang (Group) Co., Ltd. (the "Company") hereby presents the audited results of the Company and its subsidiaries (together referred to as the "Group") for the twelve months ended 31 March 2023. This announcement, containing the full text of the 2022/2023 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 2022/2023 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 12 July 2023.

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ANNUAL REPORT 2022/2023

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Kappa phenix

CONTENTS

MISSION

Helping consumers to boost their self-confidence and experience the delight of being themselves as well as a healthy lifestyle with quality.

VISION

To become the first name that comes to mind in any discussion of fashionable sportswear in China.

KAPPA


Kappa
DAILY

CORPORATE INFORMATION

Executive Directors	Mr. Chen Yihong (Chairman) Ms. Chen Chen (Co-Chairman and Co-President) Mr. Zhang Zhiyong (Chief Executive Officer and President) Mr. Lyu Guanghong (Chief Financial Officer)
Independent Non-Executive Directors	Dr. Chen Guogang Mr. Gao Yu Mr. Liu Xiaosong
Auditor	PricewaterhouseCoopers Certified Public Accountants and Registered PIE Auditor
Legal Advisers	Norton Rose Fulbright Hong Kong Conyers Dill & Pearman (Cayman) Limited Zhong Lun (Shanghai) Law Firm, Beijing
Authorised Representatives	Mr. Gao Yu Ms. Wai Pui Man
Company Secretary	Ms. Wai Pui Man
Principal Share Registrar and Transfer Office	Suntera (Cayman) Limited Suite 3204, Unit 2A, Block 3, Building D, P.O. Box 1586, Gardenia Court, Camana Bay, Grand Cayman, KY1-1100, Cayman Islands
Hong Kong Branch Share Registrar and Transfer Office	Computershare Hong Kong Investor Services Limited Shops 1712–1716, 17/F Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong
Registered Office	Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands
Principal Place of Business in Hong Kong	Office Unit 7, 13/F, Tower One, Lippo Centre, No. 89 Queensway, Hong Kong
Head Office in People's Republic of China	Building 21, No. 2 Jingyuanbei Street, Beijing Economic-Technological Development Area, Beijing 100176, People's Republic of China
Principal Bankers	Morgan Stanley Asia International Limited Industrial and Commercial Bank of China
Website	www.dxsport.com


ITALIA
Kappa
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ITALIA

FIVE-YEAR FINANCIAL HIGHLIGHTS

(All amounts in Renminbi million unless otherwise stated)

	Note	**For the twelve months ended 31 March 2023**	For the twelve months ended 31 March 2022	For the twelve months ended 31 March 2021	For the twelve months ended 31 March 2020	For the fifteen months ended 31 March 2019
Revenue		**1,679**	1,916	1,970	1,541	2,144
Operating profit/(loss)	3	**138**	(1,786)	2,030	556	1,061
Profit/(loss) before income tax from continuing operations		**174**	(1,800)	1,974	529	1,047
Profit/(loss) attributable to owner of the Company		**115**	(1,783)	1,755	403	888
Gross profit margin (%) (before reversal of/(provision for) impairment of inventories)		**61.2**	63.9	65.6	66.4	58.9
Net profit/(loss) margin (%)		**6.8**	(93.1)	89.1	28.7	41.1
Earnings/(losses) per share for profit/(loss) attributable to owners of the Company for the year — basic/diluted (RMB cents)	3	**1.96**	(30.41)	29.94	6.87	15.29

	Note	**As at 31 March 2023**	As at 31 March 2022	As at 31 March 2021	As at 31 March 2020	As at 31 March 2019
Non-current assets		**5,808**	5,211	6,153	4,954	7,176
Current assets		**4,769**	5,274	6,485	6,735	4,475
Current liabilities		**568**	790	721	792	1,118
Net current assets		**4,201**	4,484	5,764	5,943	3,357
Total assets		**10,577**	10,485	12,638	11,689	11,650
Total assets less current liabilities		**10,009**	9,695	11,917	10,897	10,532
Equity attributable to owners of the Company		**9,665**	9,351	11,533	10,612	10,251
Total assets per share (RMB cents)	1	**180.36**	178.80	215.55	199.37	200.56
Net assets per share (RMB cents)	1	**164.80**	159.46	196.70	180.99	176.47
Debt to equity ratio	2	**0.09**	0.12	0.10	0.10	0.14

Notes:

(1) The number of ordinary shares used in the calculation for the twelve months ended 31 March 2023, for the twelve months ended 31 March 2022, for the twelve months ended 31 March 2021, for the twelve months ended 31 March 2020 as well as for the fifteen months ended 31 March 2019, are 5,864,511,000 shares, 5,864,168,000 shares, 5,863,072,000 shares, 5,863,071,000 shares and 5,805,853,000 shares, which were the weighted average number of ordinary shares in issue less shares held for Restricted Shares Award Scheme for the periods.

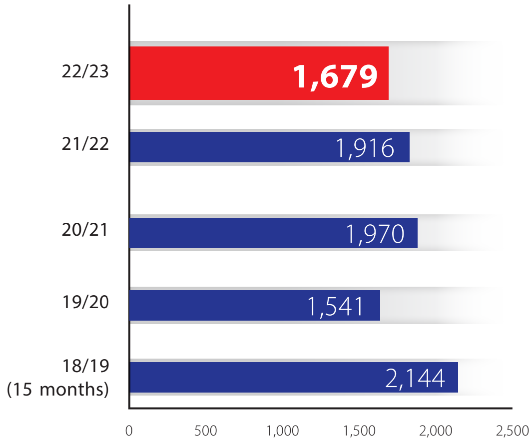
(2) The debt to equity ratio is calculated based on total liabilities of the Group divided by equity attributable to owners of the Company as at the reporting date.

(3) During the year, the Company's functional currency has been changed from United States dollars ("USD") to RMB. The voluntary change in the Company's functional currency has been applied for retrospectively and details have been disclosed in Note 2.2 and Note 25 to consolidated financial statements.

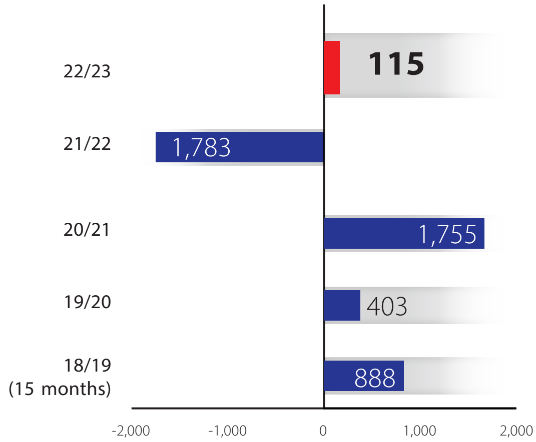
FIVE-YEAR FINANCIAL HIGHLIGHTS

(All amounts in Renminbi million unless otherwise stated)

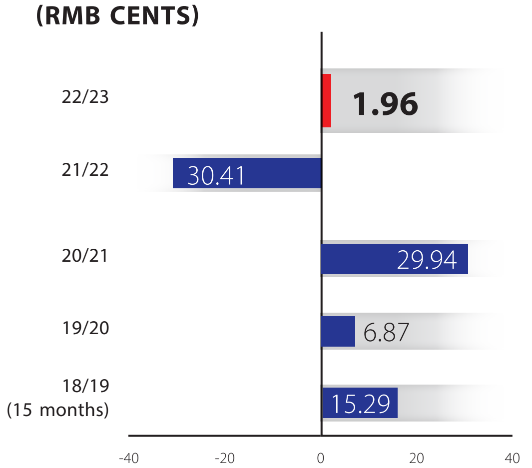
REVENUE



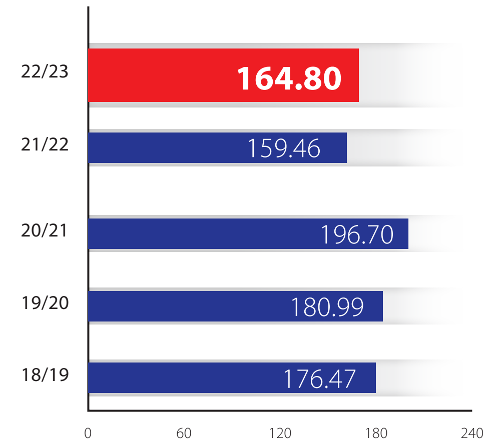
PROFIT/(LOSS) ATTRIBUTABLE TO OWNER'S OF THE COMPANY



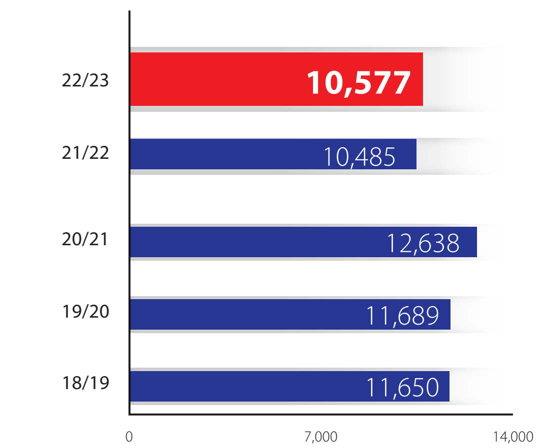
EARNINGS/(LOSSES) PER SHARE — BASIC (RMB CENTS)



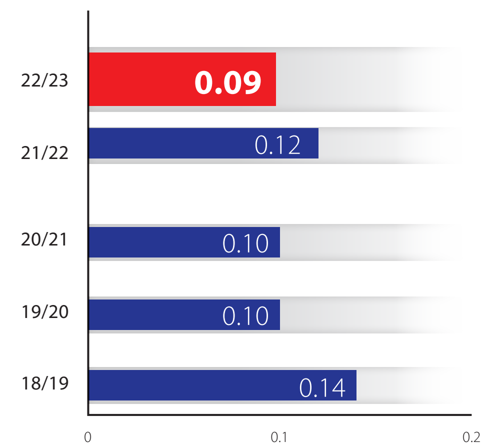
NET ASSETS PER SHARE (RMB CENTS)



TOTAL ASSETS



DEBT TO EQUITY RATIO (TIMES)



Note: 22/23, 21/22, 20/21 and 19/20 are the financial data for the 12 months ended 31 March, 18/19 is the financial data for the 15 months ended 31 March.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CHAIRMAN'S STATEMENT

Dear Shareholders,

I am pleased to present on behalf of the Board our annual results for the twelve months ended 31 March 2023 (the "Reporting Period").

During the 2022/23 financial year, the global economy remained in doldrums with little improvements in terms of economic recovery as the world entered the post-pandemic era, despite the gradual easing of anti-pandemic measures by Western countries to encourage economic activities. Heightened geopolitical tensions and a contractionary U.S. monetary policy coupled with successive interest rate hikes by leading central banks have triggered global inflation. The butterfly effect of interlinked factors has sent the world economy onto a roller coaster as stock markets have been subject to significant volatility. In China, there were gradual improvements in previously distressed economic sentiments as the consumer market experienced a rapid rebound after the government announced the optimisation of anti-pandemic policies towards the end of 2022. In future, national policies will continue to steer towards the expansion of domestic demand and the recovery and expansion of consumer spending will be prioritised.

While disrupting the retail market for leisure sportswear, the pandemic has also catalysed the change of its sales pattern. During the period, the leisure sportswear sector was subject to enormous challenges in terms of supply chain, product shipment and offline retail apparel sales. The apparel sector of China was consistently adjusting its operational capabilities to actively seize potential business opportunities presented by the online market, such that the industry was able to find a way forward amidst adverse conditions, as the size of online consumer spending continued to grow with novel e-commerce platforms and livestreaming marketing becoming dominant channels for consumer spending, thereby accelerating the digitalised transformation of the industry. Since the commencement of the "14th Five Year Period", the sporting industry of China has undergone rapid development and achieved leapfrog results in terms of industry scale and mix. In light of new business forms and models developed in the industry coupled with the driving force afforded by favourable national policies, the future development goals of China Dongxiang have become clearer. As a leading brand in fashionable sportswear in China, Kappa will continue to focus on the fashionable sports sector in close tandem with market trends and the pace of economic recovery, advancing and accelerating development in full swing in terms of trendiness, product creativity, functionality and sustainability to tap into broader customer bases and procure a greater scope for development and growth.

The Group registered revenue of RMB1,679 million for the Reporting Period, decreasing by 12.4% compared to last year, while profit attributable to equity holders of the Group amounted to RMB115 million versus loss attributable to equity holders of RMB1,783 million for the same period last year. Basic and diluted earnings per share was RMB1.96 cents, representing a significant improvement compared to basic and diluted loss per share of RMB30.41 cents for the Comparative Period. To reward shareholders for their longstanding support, the Board of Directors has proposed to distribute 85% of net profit attributable to the owners of the Group as annual dividend for the twelve months ended 31 March 2023.

DEEP INTEGRATION OF DIGITALISATION + FASHIONABLE SPORTS DRIVING COMPREHENSIVE TRANSFORMATION OF THE INDUSTRY

Given the lightspeed development of technologies in industrial digitalisation, the Group has continued to implement digitalisation and omni-channel as its core strategic objectives. By converting and improving the data systems of various business regimes in tandem with avant-garde online marketing strategies, resource integration and omni-channel management of commodities were facilitated on a one-stop basis. In view of the thriving development of novel livestream sales platforms such as Douyin and Xiaohongshu, among others, we have also actively established the online presence of our brand name to keep up with the new generation's pattern of consumer spending. Meanwhile, we have enhanced effective cross-regional and cross-boundary connection of online and offline operations in a significant improvement of the Group's operational efficiency, ensuring our brand's ability to closely align with popular perceptions and consumer needs on a consistent basis and bring about new, refreshing consumer experience.

As at 31 March 2023, the Group had a total of 1,025 Kappa stores (excluding Kappa Kid's stores), representing a net decrease of 158 stores as compared to that as at 31 March 2022.

UPHOLDING OUR BRAND PHILOSOPHY WHILST IMPARTING YOUTHFUL ENERGY

True to its passionate, sexy and vanguard character and deep-rooted in the youthful culture, the Group's Kappa brand launched a number of collaborative projects with young idols during the Reporting Period. Kappa has also organised a host of events to maintain interaction and deep engagement with the youth community and impart more freshness and energy into the brand. Talking points created through these activities have become top picks in search engines, giving substantial media exposure that has further enhanced our brand popularity. On top of the above, Kappa has also joined forces with a virtual idol to draw the brand closer with young consumers and comprehensively enhance brand goodwill among young consumers. In future, the Group will continue to forge ahead with consumers and extend its market presence by offering more interactive consumer experience in a collective attempt to build a vanguard brand philosophy.

BRAND NEW INTERPRETATION OF BRAND CULTURE THROUGH FASHIONABLE RETRO STYLES

The Group launched the Kappa 1916 Series during the Reporting Period on the back of a soul-searching look at the century-old history of the Kappa brand for design inspirations, incorporating a range of brand elements such as Italy and Turin to reshape classic suits and herald a new generation of Blokecore retro sportswear mix-and-match that traces back to glorious times. Moreover, the Group has developed the marketing theme of "Playfulness Unlimited" for the Kappa brand with the launch of the brand new Kappa Player Series during the Reporting Period that has presented a brand new interpretation integrating the most popular fashionable sports culture with the historic DNA of the Kappa brand to propagate the streetwear fashion and youthful culture. The Group has also enhanced the Kappa Sports Series which featured a combination of functional technologies and fashionable designs, bringing sports products with superior texture and fashion elements to consumers with the application of integrated technologies and state-of-the-art technological materials.

Positioned as a supplier of high-end professional ski products, the Group's phenix brand launched a reboot of the retro X-niX Single-board Series during the Reporting Period which integrated retro elements, high-end technologies and skiing mix-match options to create highly personalised styles for consumers. phenix has also launched a series of new products in collaboration with renowned Japanese fashion brand #FR2 to help consumers embrace fashions and trends under the brand new interpretation of phenix.

COMMITMENT TO SUSTAINABILITY AND LONG-TERM VALUE

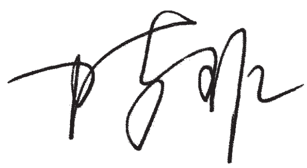
On top of business development, the Group is also committed to fulfilling its responsibilities as a corporate citizen, as it drives green development and formulates for the Company an environmental, social and governance (ESG) strategy for sustainable corporate development to reward the society whilst delivering value. In recent years, the Group has added recyclable and bio-based fabric in its product R&D, such that its products could be effectively recycled. In addition to contributing to the cause of green and environmental protection, we are also introducing a quality healthy lifestyle to consumers. Meanwhile, the Group places a strong emphasis on green management in the process of the manufacturing and sales of its leisure outfit and sportswear, such that the sustainability strategy is implemented at every step in fulfilment of the Group's long-term philosophy. In future, the Group will continue to deepen its ESG practices to fulfill the principle of sustainability and drive long-term development of the industry for the benefit of the public.

SOLID ADHERENCE TO A PRAGMATIC INVESTMENT APPROACH AMIDST GLOBAL ECONOMIC VULNERABILITY

Against the backdrop of significant volatilities in global economies and stock markets, the Group has effectively controlled its risks within a reasonable range during the Reporting Period. As at 31 March 2023, the Group reported a net asset value of RMB8,741 million for its investment segment, representing year-on-year growth of 3.0%. The Group will continue to optimise its investment asset portfolio, strengthen cooperation with its investment project managers, advance new project investment in a prudent manner and facilitate timely and reasonable divestments of invested projects based on prudent principles to generate long-term and stable return for shareholders.

APPRECIATION

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



Chen Yihong
Chairman

21 June 2023

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.

Kappa

- **An Italian brand originated in 1916**
- **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**

Kappa Kids

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

phenix

- **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, and the 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

In retrospect of the 2022/23 financial year, the global economy experienced frequent volatility under the combined effect of multiple factors, such as the ongoing contractionary monetary policy of the United States Federal Reserve Board and additional interest rate hikes by leading central banks to counter inflation, resulting in a negative impact on economic growth, international trade and global supply chain. In addressing global economic risks and challenges, China demonstrated stronger resilience, potential and capacity for development compared to major Western economies.

With epidemic control measures changing gear in a swift yet stable manner, economic activities have been restored and production demands have stabilised and resumed growth, as the Chinese market has become the main engine driving the global economy. According to data released by the National Bureau of Statistics, China registered GDP growth of 4.5% for the first quarter of 2023 as compared to the same period of 2022, which was higher than the rates recorded for the fourth quarter of 2022 and the full year of 2022. Total retail sales of consumer goods grew by 5.8%, year-on-year, reflecting a sound first quarter for China's economic performance and noticeable rebound in consumer spending.

Moreover, the Chinese government has set the GDP growth target for 2023 at around 5%, as various agencies are holding optimistic views on China's economic growth for the new year. In the meantime, principles laid down at the 20th National Congress of the Communist Party of China and the Central Economic Work Meeting emphasise ongoing recovery and increment of consumer spending, indicating the priority of focused effort on expanding domestic demand in economic development. Looking to future periods, although the Chinese economy will be facing unfavourable factors such as the decline in international demand and tightened monetary policy in major economies, the trait of the domestic demand dominating the national economic cycle will become increasingly prominent.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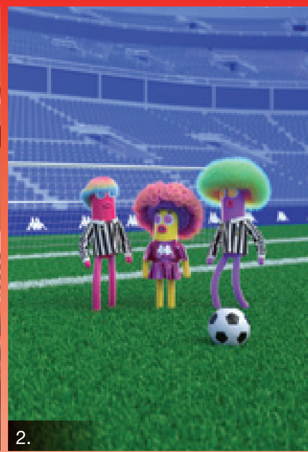
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1. **Livestreamed "Kappa Club House Party" under the theme of "Shoulder to Shoulder"**
2. **Kappa x Nobody Sausage Magic Dance video**
3. **Kappa x #FR2 Co-branded Series**
4. **Kappa 2023 Chinese New Year Limited Series**
5. **Kappa Store, Pavilion, Dalian**
6. **Kappa Store, Dream Plaza, Hubei**
7. **Phenix x #FR2 Co-branded Series — offline event at Beidahu**


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#FR2KAPPA
SPORTSWEAR
BRAND
1967

INDUSTRY REVIEW

In 2022, the apparel industry in China was generally showing a trend of continuous slowdown, as the industry faced opportunities as well as challenges. Affected by risk factors such as weakened demand in the domestic and international markets, high raw material costs and an intriguing international trade environment, the pressure against industrial and economic performance had significantly increased. Meanwhile, the domestic consumer market was expanding with ongoing upgrades in consumer demand. Baptised by the pandemic, the apparel industry underwent an accelerated process of digitalised transformation as green and sustainable development was enhanced. Aided by multiple factors such as policy support, picking up of consumer spending in the market and escalating industry competition, the industry as whole has achieved stable development.

Driven by national policy, the trend of integrated development for the outdoor sports sector alongside related sectors such as tourism, culture and sports was becoming more prominent. With the development goals and pathways for China's outdoor sports industry elucidated in "Development Planning for the Outdoor Sports Industry (2022–2025)" jointly published by eight ministries and commissions including the General Administration of Sports, National Development and Reform Commission, Ministry of Industry and Information Technology and Ministry of Culture and Tourism, the size of the outdoor sports industry is expected to further expand, giving rise to more new scenarios and sub-segment markets. By 2025, the market size of China's outdoor sports industry will exceed RMB 3trillion with the ongoing addition of new outdoor sports venues and facilities in the country, substantially enhanced popularity of sporting activities and growing number of people participating.

The year 2023 started well with the offline retail market recovering at a pace faster than expected with the benefit of the holiday effect afforded by the dual festive occasions of the New Year and the Spring Festival, as the overall growth in end retail sales in the first quarter for the leisure sportswear industry returned to an optimistic level. The recovery in online retail sales of footwear and apparel products outpaced the overall recovery of online retail sales, as we actively developed a sales model utilising content output-oriented social media platforms such as Xiaohongshu and Douyin to provide the enterprise with a new channel for expansion.

Against the backdrop of more demanding requirements for brand differentiation on the part of consumers, the leisure sportswear industry in China has undergone structural changes in recent years. Brand, design and product innovation have been important factors affecting consumers' decision to spend. In addition, digital technologies and information technologies have continued to empower the development of the leisure sportswear sector, allowing fast creation of new scenarios for outfitting in a major drive towards digitalisation of the sector. Meanwhile, the enterprise has applied new technologies, materials and process techniques in the development of innovative products, implementing the sustainability principle in every step of the process to enhance the performance and added value of products, while optimising and empowering supply-chain management, marketing and user experience with the aid of intelligent technologies to enhance overall competitiveness.

BUSINESS REVIEW

During the 2022/23 financial year, the pandemic dealt a blow to the overall retail market as never seen before. Coupled with factors such as meagre market demand and fluctuating high cost for raw materials, this has resulted in a slowdown in the development of the industry. Nevertheless, with the measures for optimising pandemic control successively launched by the Chinese government in late 2022 and the orderly reopening of the borders in the first quarter of 2023, the recovery of offline customer traffic and the consumer market was gaining pace, as the leisure sportswear industry resumed growth in terms of end retail sales. Despite the volatility in market performance during the past year, the Group continued to seize market opportunities and improve its efficiency and business performance by enhancing omni-channel deployment, optimising its business regime on an ongoing basis and accelerating its digitalisation process. The Group continued to devote strong efforts to product R&D with ongoing launch of brand new products for a number of its brand series on the back of revamped product designs, materials and functions to further strengthen its market competitiveness.

In terms of brand promotion, the Group's Kappa brand continued to express the brand philosophy of being "passionate, sexy and vanguard", as we embarked on collaboration with young brand ambassadors, young idols and cyber virtual idols during the Reporting Period and created popular talking points through a variety of innovative and interactive initiatives such as stage play, livestreamed parties and dance challenge, to name but a few, to attract young customers to follow the brand, such that the brand remained in tandem with the young generation in ongoing enhancement of its brand image and market popularity.

Brand-building and promotion

Kappa brand

True to its passionate, sexy and vanguard character, Kappa brand launched a number of collaborative projects with young idols during the Reporting Period to foster a celebrity effect ensuring continuous following of the brand by fans. Teaming up with young brand ambassadors Mika Hashizume and Daniel Zhou, members of INTO1, Kappa produced a "Kappa Club House Party" livestreaming event under the theme of "Shoulder to Shoulder" to maintain deep engagement with the present-day youth community and impart more freshness and energy into the brand. Talking points created on the day of livestreaming became top picks in search engines, giving substantial media exposure that further enhanced our brand popularity.

On top of joint efforts with young idols, Kappa has also continued to deepen cross-sector collaboration. Picking up from the World Cup frenzy, Kappa joined forces with Japanese fashion brand #FR2 during the Reporting Period to launch a new fashionable creation for Fall and Winter 2022 — the Football Club Series that blended Kappa's deep immersion in football and #FR2's carefree styles of design and incorporated elements of football club jersey emblems to relive the hot-blooded sentiments and passion on the pitch to spark off a sporting rage. Furthermore, Kappa joined forces with Nobody Sausage, a top virtual idol on the Internet, to create the magic dance video and launch a "Nobody Sausage Dance" challenge, encouraging young ones to actively participate in the challenge and interaction to draw the brand closer with young consumers.

In December 2022, Kappa launched the 2023 Chinese New Year Limited Series to add to the festive joy of welcoming the Year of the Rabbit with a blend of Italian styles and oriental aesthetics underpinned by the traditional Chinese red colour as the main tone complemented by Khaki with a sophisticated texture. The Midas touch was provided by a special-edition back-to-back Kappa logo appearing in a form signifying the Year of the Rabbit in an innovative design that conveys to customers the unique aura of Chinese New Year. Moreover, the Group presented details and interactive elements that relived Chinese New Year festive scenes under the theme of "Reunion Play", as Mika Hashizume and Daniel Zhou, Kappa young brand ambassadors and members of INTO1, were invited to record videos of new year greetings with reunion themes while featuring in a short stage play titled "Reunion Theatre" in association with artists from Mahua Fun Age. Customers fondly resonated with and actively shared the act on social media, contributing to greater exposure of the brand in Chinese New Year marketing activities.

In the new year, Kappa will continue to dig deep to identify brand themes that strike a chord with young consumer groups, such as "Don't Shy Away from Fashion", under which a classic retro series known as Kappa 1916 has been launched to convey the vanguard spirit of the brand to customers and remould the retro fashion style. Meanwhile, through innovative breakthroughs in product design, as well as more interactive consumer experience and a continuously expanding market presence, we will continue to maintain an open-minded attitude underpinned by the vanguard spirit seeking to broaden boundaries and ready to break conventions.

phenix brand

Founded in 1952 in Japan as a brand of functional outfit for the skiing sport, phenix owns a range of professional ski products in the Chinese market, including the PST Series and MISS Series for double-board skiing and the SP27 and X-niX Series for single-board skiing, among which the SP27 Series has been hugely popular among avid skiers. On top of the professional skiing lines, the brand has also developed the urban functional ALK Walking Series for its daily-use product line.

During the Reporting Period, phenix launched a reboot of the retro X-niX Single-board Series of the 90s. Among brands dominated by high-standard double-board products, the X-niX Single-board Series has emerged with a unique appearance and style while retaining quality fabric and tech-savvy functional details consistently present in the phenix brand. On top of the original retro elements, the series has also integrated the single-board skiing mix-match style favored by present-day youngsters to offer highly personalised appearances for single-board skiers. During the Reporting Period, phenix also launched a co-branded series with renowned Japanese fashion brand #FR2 under the theme of "The Year Of The RABBIT" which incorporated the classic tones and logos of #FR2 in addition to an interpretation of phenix signature standalone products and defining elements in an eye-catching new appearance.

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

Kappa Apparel Series

During the Reporting Period, Kappa was engaged in in-depth consumer research with a view to optimising the positioning of its product series. Full upgrades were introduced to the product lines as the Kappa 1916 Series inheriting brand classics and retro sporting elements, the Kappa Player Series targeted at new-generation trendy consumers, and the Kappa Sports Series integrating technical functions into fashionable sportswear were launched. Meanwhile, the standalone combat pant series, an all-time best-seller, was relaunched with full upgrades, including a mixed patch-up of 22 cut-out pieces highlighting Kappa's attention to quality details.

Kappa 1916 Series

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

Kappa Player Series

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

Kappa Sports Series

The Kappa Sports Series is underpinned by the combination of functional technology with fashionable design which enhances its core competitiveness. K-TECH, the new technology platform launched by the brand, has continued to incorporate integrated technologies into Kappa sporting products. The application of K-FLEX, K-BREATH and K-ICE KOOL technologies in combination with advanced HEAT RETENTION and PRIMALOFT technologies has brought sporting products with a strong sense of substance and fashion to consumers, such that fashion comes with extra comfort in testimony to Kappa's premium quality.

Shoes Series

During the Reporting Period, Kappa footwear continued to focus on the forging of fashionable sports products with meticulous efforts in the four principal core categories of retro running shoes, fashion running shoes, lightweight running shoes and sneakers. Through an innovation strategy characterised by style consistency in differentiated categories, consumers at different levels were covered with an emphasis on the blending of brand assets with products, enrichment of product lines with trendy designs and the strategy of brand sustainability. For the fourth quarter of 2022, we reported growth in the order volumes for the two main categories of retro running shoes and fashion running shoes. In the first quarter of 2023, the performance of sneakers was satisfactory. Moreover, our products gained continuous exposure in the market thanks to a diversified marketing approach, as we consistently raised their profiles through collaboration with vanguard and fashionable brands, metaverse digital marketing and popular timings afforded by traditional Chinese festive seasons, among others, in order to focus on trendy stuff followed by young consumers and further enlarge our customer groups.

Accessories Series

During the Reporting Period, the Kappa accessory department actively advanced product R&D and reforms in its channel strategy in tandem with the stable development of the accessories segment. In connection with products, differentiation in selling points and practical functionality were identified as core tasks for the brand, while the fashionable elements and creativity of products were consistently enhanced to highlight the character of Kappa as a fashionable as well as sporting brand to complement the Group's product transformation strategy and emphasis on brand DNA discovery and expression. To enhance the compatibility of our outfit and accessories, the Group will closely monitor changes in the outfit series. In terms of products and sales approach, our offline stores will continue to improve the operation and management of accessory products, enhance inventory management, develop a unique accessories retail strategy and further master the challenges and requirements of store sales. In the meantime, the Group will continue to expand the business of online brand stores and procure standalone development and supply of accessory products catered to the demands and marketing formats of online platforms, in a bid to create promotional product packages available exclusively on e-commerce platforms, so as to attract and win new customers through both sales records and word-of-mouth marketing, thereby achieving parallel growth in sales volume.

Omni-channel Retail Network

During the Reporting Period, the Group continued to focus on the omni-channel model and optimisation of single-store efficiency to speed up the efficient turnover of merchandise through omni-channels. As at 31 March 2023, the Group had a total of 1,025 Kappa stores (excluding Kappa Kid's stores), a net decrease by 158 stores (excluding Kappa Kid's stores) compared to that as at 31 March 2022.

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

PRUDENT INVESTMENT STRATEGY

During the 2022/23 financial year, against the backdrop of counter-cyclicality, economies and stock markets were experiencing significant volatility. The Group's investments include mainly equity investment, stock investment, fixed income and cash management. The diversity in investment distribution affords strong resilience against risks and ensures the safety and effectiveness of investment. As at 31 March 2023, the Group reported a net asset value of RMB8,741 million for its investment segment, representing year-on-year growth of 3%. The Group's net investment gains for the Reporting Period amounted to RMB131 million. The Group will continue to optimise its investment asset portfolio, strengthen cooperation with its investment project managers, advance new project investment in a prudent manner and facilitate timely and reasonable divestments of invested projects based on prudent principles to generate long-term and stable return for shareholders.

OUTLOOK

Looking to the future, given the resilience of the Chinese economy and the assurance afforded by macro-economic policies of the government, the overall economic conditions will steadily steer towards recovery. The government has commenced development planning for the national sporting sector, which is expected to drive the rapid development of industries relating to sports and outdoor activities, and the penetration rate of sectors such as the Group's leisure sportswear and sporting goods business is expected to further increase. The Group holds an optimistic view on the prospect of China's leisure sportswear industry with the conviction that China's sports market holds out considerable potential for development. In future, the Group will seize market opportunities and bring about more quality experience for customers on the back of products with innovative designs and functions, in a bid to enhance brand competitiveness. In the meantime, the Group will continue to stand in solidarity with the young community and make Kappa the first name that comes to mind in any discussion of fashionable sportswear with the vanguard spirit of an open mind constantly striving to broaden boundaries and ready to break conventions.

In connection with the sports business and marketing, the Group will continue to engage closely with young consumer groups and step up with brand interaction with young customers by hosting a variety of innovative brand promotion activities, launching co-branded product series and cross-sector collaborations, whilst enhancing the core brand competitiveness of the brand by driving sales of brand series and procuring a louder brand voice. In the meantime, the Group will continue to invigorate brand development through product innovation and application of state-of-the-art technologies. On the other hand, in the wake of the pandemic which has lasted for three years, the pattern of consumer spending has undergone significant change, as omni-channel digitalisation has become an increasingly indispensable aspect in business development. In view thereof, the Group will continue to optimise omni-channel management and promote coordinated development of online and offline operations, in an effort to seize opportunities arising from the post-pandemic new pattern of consumer spending and enhance its business competence and sales performance.

Meanwhile, as environmental, social and governance ("ESG") requirements are becoming a predominant trend, the Group will also be committing further resources to sustainable development to drive sustainability of the Group's business, in a bid to contribute to environmental protection whilst bringing a healthy, quality life to consumers. The Group will utilise more eco-friendly and recyclable materials in product R&D and incorporate environmental technologies in products in an effort to fulfill the goal of corporate sustainability, protect the ecological environment and social welfare and build a better world with collaborative endeavours.

In connection with investment, the Group will continue to optimise its investment asset portfolio, strengthen close cooperation with its investment project managers, advance new project investment in a prudent manner and facilitate timely and reasonable divestments of invested projects to generate long-term and stable return for 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 the medium to long term, 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 sectors, operational failure of investee projects, default by partners or exchange fluctuation. The Group will emphasise on risk aversion by strictly following established procedures and policies on investment decision and post-investment management, however there is no assurance that the risks will not materialise.

Environmental policies and performance

As a well-known sportswear brand in China, 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. To further enhance our commitment in adherence to the environmental and social responsibilities, we have set up an environmental, social and governance committee to oversee the implementation of our policies in this regard.

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 to be published on the Exchange's website and the Company's website.

Legal Compliance

Based on the best knowledge of Directors and management, we are not aware of any material non-compliance of laws and regulations which will have an adverse effect on the business of the Group.

Account for 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.

As at 31 March 2023, the Group had 471 employees (31 March 2022: 627 employees), among which 319 were at the Group's headquarters (31 March 2022: 343 employees), and 152 employees were at subsidiaries (31 March 2022: 284 employees).

(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 "Product Quality Law of the People's Republic of China", 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

The sales of the Group for the twelve months ended 31 March 2023 (the "Reporting Period") decreased by 12.4% to RMB1,679 million from RMB1,916 million for the twelve months ended 31 March 2022 ("Comparative Period"). Profit attributable to owners of the Company for the Reporting Period amounted to RMB115 million (Comparative Period: loss attributable to owners of the Company of RMB1,783 million).

Sales Analysis

During the financial year, the Group's sales decreased year-on-year as the number of visiting customers declined and Kids' apparel business was changed to licensing owing to the outbreak of COVID−19 in certain parts of China.

Sales analysed by business and product categories

	For the twelve months ended 31 March						
	2023			2022			
	RMB million	**% of product/ brand mix**	**% of the Group's sales**	RMB million	% of product/ brand mix	% of the Group's sales	**Change**
Kappa Brand							
Apparel	**1,200**	**77.8%**	**71.5%**	1,275	77.0%	66.6%	−5.9%
Footwear	**281**	**18.2%**	**16.7%**	338	20.4%	17.6%	−16.9%
Accessories	**61**	**4.0%**	**3.6%**	43	2.6%	2.2%	41.9%
Kappa Brand Total	**1,542**	**100.0%**	**91.8%**	1,656	100.0%	86.4%	−6.9%
Other businesses	**137**		**8.2%**	260		13.6%	−47.3%
Total	**1,679**		**100.0%**	1,916		100.0%	−12.4%

Total sales of the Kappa brand business, the core business of the Group, for the Reporting Period decreased by RMB114 million to RMB1,542 million as compared to RMB1,656 million for the Comparative Period.

During the Reporting Period, the Group continued to consolidate the business models of "brand + product" and "brand + direct operation" in a bid to further enhance our brand value and create our solid brand influence by blending our brand culture in our continuously refined and upgraded products on the one hand and continue to optimise and improve the new operation model in control and management, optimise the networking of direct operation, enhance store efficiency and expand the e-commerce operations on the other, so that demands from end customers are better accommodated and satisfied. Meanwhile, the Group has also continued to conduct adjustments and optimisation of its directly operated stores, resulting in 1,025 Kappa stores in total.

Sales of Kappa brand analysed by sales channels

	For the twelve months ended 31 March				
	2023		2022		
	Sales RMB million	**% of sales of Kappa brand**	Sales RMB million	% of sales of Kappa brand	**Change**
Non directly-operated	**597**	**38.7%**	612	37.0%	−2.5%
Directly-operated	**945**	**61.3%**	1,044	63.0%	−9.5%
Total of Kappa brand	**1,542**	**100.0%**	1,656	100.0%	−6.9%

Note: Excluding Kappa Kids' apparel business.

Sales of Kappa brand via non directly-operated channel decreased by RMB15 million to RMB597 million for the Reporting Period from RMB612 million for the Comparative Period, representing 38.7% of the total sales of the Group's Kappa brand business (Comparative Period: 37.0%).

As at 31 March 2023, the number of directly-operated retail and distribution stores under Kappa brand operated by our subsidiaries reached 580. Sales via directly operated channel decreased by RMB99 million to RMB945 million for the Reporting Period from RMB1,044 million for the Comparing Period, representing 61.3% of the total sales of Group's Kappa brand business (Comparative Period: 63.0%).

Cost of Sales and Gross Profit

Cost of sales of the Group decreased by RMB39 million to RMB652 million for the Reporting Period (Comparative Period: RMB691 million).

The gross profit of the Group before provision for impairment of inventories decreased by RMB198 million to RMB1,027 million (Comparative Period: RMB1,225 million). The Group's overall gross profit margin before provision for impairment of inventories for the Reporting Period decreased by 2.7 percentage points to 61.2% from 63.9% for the Comparative Period. The decrease in gross profit margin was mainly attributable to an increase in retail discount resulting from promotion and clearance sales activities under the impact of the COVID–19 pandemic.

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

	For the twelve months ended 31 March		
	2023 Gross profit margin	2022 Gross profit margin	Change in % pts
Kappa Brand:			
Apparel	**68.0%**	70.4%	−2.4
Footwear	**51.5%**	55.9%	−4.4
Accessories	**72.0%**	69.0%	3.0
Kappa Brand in total	**65.2%**	67.4%	−2.2
Other businesses	**16.3%**	42.2%	−25.9
OVERALL	**61.2%**	63.9%	−2.7

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

Gross profit margin of Kappa brand business for the Reporting Period decreased by 2.2 percentage points to 65.2% to 67.4% for the Comparative Period. Such decrease in gross profit margin was principally due to an increase in retail discounts offered in promotional and clearance activities.

Other gains/(losses) — net

Other gains — net for the Reporting Period was RMB157 million (Comparative Period: other losses — net of RMB1,496 million), which includes the net amount of investment gains of RMB131 million contributed by the investment segment, government subsidy income of RMB10 million and franchise fee income of RMB12 million.

Investment segment

Gain from investment segment of the Group for the Reporting Period was RMB131 million (Comparative Period: investment loss of RMB1,503 million), comprising mainly gain from fair value change of financial assets of RMB15 million, income from distribution of financial assets of RMB14 million, and interest income from external borrowings of RMB62 million.

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

	Twelve months ended 31 March	
Investment category	**2023 Gain/(loss) from Investment segment RMB million**	**2022 Gain/(loss) from Investment segment** RMB million
Equity	**(31)**	(470)
Private-equity funds	**46**	(252)
Equity funds	**(47)**	(546)
Single equity investments	**63**	(303)
Debts, bonds, debt funds	**67**	102
Others	**33**	(34)
Total	**131**	(1,503)

Distribution Expenses and Administrative Expenses

Distribution expenses and administrative expenses mainly comprised employee salary and benefit expenses, selling and advertising expenses, logistic fees and product design and development expenses. Total distribution expenses and administrative expenses for the Reporting Period was RMB1,137 million (Comparative Period: RMB1,375 million), constituting 67.7% of the Group's total revenue and 4.1 percentage points lower than that for the Comparative Period. The Group continued to further optimise various resource allocations and improve its cost structure, in a bid to enhance production efficiency subject to reasonable cost control. In order to minimise the potential pressure on the Group arising from the COVID-19 pandemic, the Group has strictly controlled various expenditures through effective management measures.

During the Reporting Period, the Group optimised and adjusted the internal organizational structure to further enhance the motivation of all staff members. Employee salary and benefit expenses decreased by RMB46 million, year-on-year, to RMB122 million for the Reporting Period (Comparative Period: RMB168 million).

Advertising and selling expenses of the Group decreased by RMB130 million to RMB788 million for the Reporting Period from RMB918 million for the Comparative Period, which was principally due to the decrease in relevant selling expenses in tandem with the decrease in sales as well as measures to control marketing expenses during the period.

Logistic fees for the Reporting Period amounted to RMB39 million (Comparative Period: RMB46 million), a decrease by RMB7 million versus the Comparative Period, which was due to the decrease in the logistic fees in line with the decrease in revenue versus the Comparative Period.

For the Reporting Period, the Group continued to adopt a more cautious but effective approach in investment in product R&D, as our design and product development expenses decreased by RMB12 million over the Comparative Period to RMB37 million (Comparative Period: RMB49 million).

Operating Profit/(Loss)

For the Reporting Period, operating profit of the Group was RMB138 million (Comparative Period: operating loss of RMB1,786 million). The operating profit margin was 8.2% for the Reporting Period (Comparative Period: operating loss margin of 93.2%). Operating loss excluding that of investment segment was RMB15 million (Comparative Period: operating loss of RMB215 million).

Finance Income/(Expenses) — Net

For the Reporting Period, net finance income of the Group amounted to RMB40 million (Comparative Period: net finance expense of RMB14 million), which mainly consisted of interest income from bank deposit of RMB23 million (Comparative Period: RMB2 million), interest expenses for loans of RMB7 million (Comparative Period: RMB7 million); interest expense of lease liabilities of RMB3 million (Comparative Period: RMB4 million) during the Reporting Period. Exchange gain of RMB29 million (Comparative Period: exchange loss of RMB4 million) was also generated during the Reporting Period.

Taxation

For the Reporting Period, income tax expense of the Group amounted to RMB59 million, which arose mainly from certain profit-making subsidiaries. In addition, the Group did not recognise deferred income tax assets in respect of continuous loss-making subsidiaries for the period (Comparative Period: income tax credit of RMB34 million). The effective tax rate was 33.9% (Comparative Period: 1.9%).

Profit/(Loss) and Net Profit/(Loss) Margin Attributable to Owners of the Company

Profit attributable to owners of the Company for the Reporting Period was RMB115 million (Comparative Period: loss attributable to owners of the Company of RMB1,783 million), and the net profit margin was 6.8% (Comparative Period: net loss margin of 93.1%).

Earnings/(Losses) Per Share

The basic and diluted earnings per share for profit attributable to owners of the Company were both RMB1.96 cents for the Reporting Period. The basic and diluted losses per share was RMB30.41 cents for the Comparative Period.

The basic earnings per share are calculated by dividing the profit for the period attributable to owners of the Company by the weighted average number of ordinary shares in issue less shares held under restricted share award scheme during the period. As at 31 March 2023, the total number of ordinary shares of the Group was 5,887,561,025 shares.

Final Dividend

The Company has paid an interim dividend for the six months ended 30 September 2022 of RMB1.17 cent per ordinary share, with a total amount of RMB68,884,000.

The Board of the Company has recommended the distribution of a final dividend of RMB0.49 cent per ordinary share for the twelve months ended 31 March 2023.

The final dividend subject to approval by the shareholders of the Company at the annual general meeting to be held on 16 August 2023, will be paid in Hong Kong Dollars based on the rate of HKD1.00 = RMB0.91610 being the official exchange rate of Hong Kong dollars against Renminbi as quoted by the People's Bank of China on 20 June 2023. The dividend will be paid on or about 7 September 2023 to shareholders whose names appear on the register of members of the Company on 25 August 2023.

Closure of Register of Members for the Entitlement of Final Dividend

The Register of Members of the Company will be closed from 23 August 2023 to 25 August 2023 (both days inclusive), for the purpose of determining shareholders' entitlements to the 2022/2023 final dividend. In order to qualify for the 2022/2023 final 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 22 August 2023.

Annual General Meeting ("AGM")

The AGM of the Company will be held on 16 August 2023. 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 11 August 2023 to 16 August 2023 (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 10 August 2023.

Issue of New Shares to Management Personnel

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

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

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

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

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

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

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

Restricted Share Award Scheme

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

Details of the Company's restricted share award scheme can be found in the "Report of the Directors — Restricted share award scheme" section set out on pages 61 to 73 of this annual report.

Share Option Scheme

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

Details of the Company's Share Option Scheme can be found in the "Report of the Directors — Share Option Scheme" section set out on pages 61 to 73 of this annual report.

FINANCIAL POSITION

Working capital efficiency ratios

Average trade receivable turnover days for the Reporting Period and the Comparative Period were 33 days and 31 days, respectively.

Average trade payable turnover days for the Reporting Period and the Comparative Period were 108 days and 94 days, respectively.

Average inventory turnover days for the Reporting Period and the Comparative Period were 206 days and 203 days, respectively.

Liquidity and financial resources

As at 31 March 2023, cash and bank balances of the Group amounted to RMB2,558 million, an increase of RMB1,006 million as compared to a balance of RMB1,552 million as at 31 March 2022, which was mainly due to:

1) Payment of dividends during the Reporting Period for an amount of equivalent to approximately RMB69 million;

2) Net cash inflow from operating activities of approximately RMB102 million;

3) Outflows from repayment of bank borrowings of an amount of RMB244 million and cash inflows from proceeds from bank borrowings of RMB69 million;

4) Cash outflows for investment in financial assets of approximately RMB2,424 million, cash inflow from partial disposal of financial assets and dividend distribution of some financial assets of approximately RMB3,572 million, and cash inflow from interest income from loans to external parties of RMB57 million;

5) Others of an aggregate outflows amount of RMB57 million.

As at 31 March 2023, net asset value attributable to owners of the Company was RMB9,665 million (31 March 2022: RMB9,351 million). The Group's current assets exceeded current liabilities by RMB4,201 million (31 March 2022: RMB4,484 million). The Group also had a very strong liquidity position. The current ratio as of 31 March 2023 was 8.4 times (31 March 2022: 6.7 times).

Investments in financial assets

As at 31 March 2023, the Group's current and non-current proportion of financial assets at fair value through profit or loss amounted to RMB5,869 million in aggregate, which included the following:

Listed securities:

Name	Fair value as at 31 March 2023 RMB million	Fair value as at 31 March 2022 RMB million
Alibaba	564	603
Other listed securities	400	469
Total	964	1,072

Other unlisted investments:

Investments	Fair value as at 31 March 2023 RMB million	Fair value as at 31 March 2022 RMB million
CPE Yuanfeng Fund RMB III	509	452
Jiashi Investment Preferred Cornerstone	355	354
Guotiao Hongtai Fund	226	231
Yunfeng Fund RMB IV	198	196
Jiashi Investment Preferred II	176	169
CPE Global Opportunities Fund, L.P	166	185
CPE Yuanfeng New Fund RMB	155	149
CPE Greater China Enterprises Growth Fund	135	434
Boyu USD Fund	132	148
Yunfeng Fund USD III	126	146
Panfeng Value Private Equity Securities Investment Fund Tranche C	111	116
Yunfeng Fund RMB III	107	128
CPE Global Opportunities Fund II, L.P.	100	94
Yunfeng Fund USD II	73	166
Others	2,336	2,685
Total	4,905	5,653

Loan Receivables

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

As at 31 March 2023, the Company had loan receivables of an aggregated carrying amount of RMB936 million (31 March 2022: RMB975 million), including loans of an aggregated carrying amount of RMB711 million (31 March 2022: RMB733 million) to the Borrowers and loan receivables of an aggregated carrying amount of RMB225 million (31 March 2022: RMB242 million) to the Management Borrowers.

The total number of Borrowers under the Lending Arrangement was eleven as at 31 March 2023. The aggregated carrying amount of loan receivables due from the largest Borrower was RMB317 million, whereas the aggregated carrying amount of loan receivables due from the five largest Borrowers was RMB633 million, representing approximately 33.9% and 67.6% of the aggregated carrying amount of loan receivables of the Company as at 31 March 2023, respectively.

The amount of provision for impairment in respect of the loan receivables of the Company as at 31 March 2023 was approximately RMB26 million, as compared to approximately RMB108 million as at 31 March 2022, representing a decrease of approximately 75.9%. The decrease was primarily attributable to the repayment by a Borrower during the period of overdue interest accruals for the previous period amounting to RMB14 million, as well as the provision of additional collaterals ("Collaterals") through the Company's negotiations with such Borrower to ensure the recovery of the relevant loans. According to valuations by an independent valuer, the value of the additional Collaterals and existing collaterals almost covered the total outstanding amount of relevant loans due for repayment. Therefore, most of the impairment provision for the relevant loans was reversed as at 31 March 2023.

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

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

Pledge of assets

As at 31 March 2023, the Group had no pledged assets (as at 31 March 2022: assets with a value equivalent to approximately RMB260 million at banks as collateral for bank borrowings and approximately RMB28 million of restricted deposits at banks subject to bank acceptance bills).

Capital commitments

In January 2021, the Group entered into a limited partnership agreement with CPE Global Opportunities Fund II, with a total capital commitment of US$30 million. As at 31 March 2023, the Group had paid a capital contribution of US$15 million with a remaining balance of US$15 million (equivalent to approximately RMB106 million) as capital commitments.

In February 2021, the Group entered into a limited partnership agreement with Yunfeng Fund IV (雲鋒基金IV), with a total capital commitment of US$20 million. As at 31 March 2023, the Group paid a capital contribution of US$8 million with a remaining balance of US$12 million (equivalent to approximately RMB79 million) as capital commitments.

In September 2020, the Group entered into a limited partnership agreement with Xiamen Yuanfeng Investment LLP., with a total capital commitment of RMB200 million. As at 31 March 2023, the Group had paid a capital contribution of RMB130 million with a remaining balance of RMB70 million as capital commitments.

Foreign Exchange Risk

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

Significant Investments and Acquisitions

As at 31 March 2023, the external investments were mainly the financial assets at fair value through profit or loss with a fair value of RMB5,869 million. Details of the significant investments are set out as follows:

			As at 31 March 2023		
Name of company	**Number of shares held**	**Percentage of holding**	**Investment cost RMB million**	**Fair value RMB million**	**Size of fair value relative to the Group's total assets**
Alibaba Group Holding Ltd. — SW (09988. HK)	6,390,194	0.030%	802	561	5.3%
Total			802	561	5.3%

Alibaba Group Holding Ltd. is a holding company that provides the technology infrastructure and marketing platform to help merchants, brands and other businesses to leverage new technology to engage with their users and customers in operation. The company provides corporate clients with state-of-the-art cloud facilities and services and stronger competence in work coordination to enhance corporate efficiency and growth. Alibaba's business covers China and international commerce in a diversified matrix built around its platforms that forms a business covering consumers, merchants, brands, retailers, third-party service providers, strategic partners and other enterprises.

As at 31 March 2023, the fair value Alibaba Hong Kong shares held by the Group was RMB561 million, accounting for 5.3% of the total assets of the Group. During the period, the Company recognised loss from change in the fair value of Alibaba shares of RMB68 million and gain from the disposal of Alibaba shares of RMB23 million. During the period, no dividend was paid in respect of the Alibaba shares.

With Alibaba's ongoing business expansion from commercial development to a variety of other sectors such as cloud, digital media and entertainment, Alibaba has evolved into a unique, vibrant and innovative company engaged in the digital economy. The Group is optimistic about the prospect of its future economic development and anticipates benefits from the growing value of Alibaba stocks in the future to generate stable income for shareholders.

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 FY2022/23 as below:

1. Results announcement and investment summits:

The Company published its annual results announcement for FY2021/22 and its interim results announcement for FY2022/23 in June and November 2022, 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 FY2022/23, 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 FY2022/23, 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.

- ***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.

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)	65	Chairman and Executive Director
Ms. Chen Chen (陳晨)	36	Co-Chairman, Co-President and Executive Director
Mr. Zhang Zhiyong (張志勇)	54	Chief Executive Officer, President and Executive Director
Mr. Lyu Guanghong (呂光宏)	44	Chief Financial Officer and Executive Director
Dr. Chen Guogang (陳國鋼)	63	Independent Non-Executive Director
Mr. Gao Yu (高煜)	49	Independent Non-Executive Director
Mr. Liu Xiaosong (劉曉松)	57	Independent Non-Executive Director

EXECUTIVE DIRECTORS

Mr. Chen Yihong (陳義紅), aged 65, 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.

Ms. Chen Chen (陳晨), aged 36, is the co-chairman, 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 the apparel design department and the vice president of the brand department in 2013. Prior to her appointment as the co-president of the Company since 9 February 2018, Ms. Chen has been appointed as the executive director and a member of the executive committee of the Company since 4 December 2014. Ms. Chen obtained her bachelor degree in Fashion Design Technology — Surface Textiles from University of the Arts — London College of Fashion, London, the United Kingdom in 2010.

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

Mr. Zhang Zhiyong (張志勇), aged 54, 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 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 30 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.

Mr. Lyu Guanghong (呂光宏), aged 44, is the chief financial officer and executive director 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 63, 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 Cofco Trust Co., Ltd. (中糧信託有限責任公司) and Allinpay Network Services Co., Ltd. (通聯支付網絡服務有限公司) respectively. Dr. Chen joined Shenzhen Qianhai Financial Assets Exchange Ltd. (深圳前海金融交易所有限公司) as the president in September 2018 and resigned in July 2021. Dr. Chen has resigned as 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) with effect from June 2021. 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 China Minsheng Investment Corp., Ltd. (中國民生投資股份有限公司) as the vice president in 2015. 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 49, is the independent non-executive director of the Company and joined the Company in July 2007. Mr. Gao has been working in the Morgan Stanley group of companies from August 2005 to July 2022 and was a managing director of the Private Credit and Equity Division, the co-chief investment officer of Private Equity Asia and head of China Investment business, the chairman of RMB Fund's investment committee of Morgan Stanley Asia Limited as well as the member of Morgan Stanley's China Management Committee. He is an independent non-executive director of New Sparkle Roll International Group Ltd. (新耀萊國際集團有限公司) and a non-executive director of China Feihe Limited (中國飛鶴有限公司), both 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. Mr. Gao has resigned in July 2022 as a non-executive director and chairman of Home Control International Limited, which is listed on the main board of Hong Kong 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 57, 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 is also an non-executive director of Inke Limited, a company listed on the Main Board of the Stock Exchange (Stock Code: 3700.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, Ms. Chen Chen, Mr. Zhang Zhiyong 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 all the Code Provisions set out in the CG Code as contained in Appendix 14 of The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") for the twelve months ended 31 March 2023 ("twelve months Period").

The Company has applied the principles of the Corporate Governance Code to its corporate governance structure and practices as described in this report. 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 2023.

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 specific enquiries of all the directors and all the directors confirmed that they have complied with the required standards set out in the Model Code for the twelve months ended 31 March 2023.

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 in the"Environmental, Social and Governance Report" of the Company. The ESG report will be presented in a separate report which will be published on the Exchange's website at www.hkexnews.hk and the Company's website at www.dxsport.com in due course.

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 53 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.

It is the Board's role to foster a corporate culture to guide the behaviours of its employees, and ensure that the Company's vision, mission, values and business strategies are aligned to it.

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)*
Ms. Chen Chen *(Co-Chairman and Co-President)*
Mr. Zhang Zhiyong *(Chief Executive Officer and President)*
Mr. Lyu Guanghong *(Chief Financial Officer)*

Independent Non-Executive Directors:

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

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. Save as aforesaid, none of the members of the Board is related to one another.

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 either entered into service contracts or formal letter of appointment with each Directors setting out the key terms and conditions of his/her employment or appointment. Each of the executive Directors has entered into a service contract with the Company for a term of three years, and each of the independent non-executive Directors is appointed for a specific term of 1 year. The appointment of the independent non-executive Directors shall automatically renew at the expiry and shall continue for further successive periods of one year, subject to a maximum of three years.

In order to ensure that independent views and input of the independent non-executive directors are made available to the Board, the Nomination Committee and the Board are committed to assessing the Directors' independence annually with regards to all relevant factors related to the Independent Non-executive Directors professional advice. The Company has received annual confirmation from each independent non-executive Director about his independence under Rule 3.13 of the Listing Rules, and continues to consider each of them to be independent.

All Directors have disclosed to the Company the number and nature of offices they held in other public companies or organisations and other significant commitments, with the identity of the public companies or organisations, and an indication of the time involved. They are also reminded to notify the Company and confirm to the Company any change of such information in a timely manner pursuant to the disclosure requirements of the Listing Rules. The Board is of the view that each Director has given sufficient time and attention to the affairs of the Company for the year under review.

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.

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

Mr. Lyu Guanghong (re-elected as an executive Director on 17 August 2022), Mr. Zhang Zhiyong (re-elected as an executive Director on 18 August 2021), Mr. Gao Yu (re-elected as an independent non-executive director on 17 August 2022)and Mr. Liu Xiaosong (re-elected as an independent non-executive director on 17 August 2022) shall hold office until they are required to retired in accordance with the Company's articles of association.

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 Code Provision C.1.4 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	√	√
Chen Chen	√	√
Zhang Zhiyong	√	√
Lyu Guanghong	√	√
Independent Non-executive Directors		
Chen Guogang	√	√
Gao Yu	√	√
Liu Xiaosong	√	√

BOARD AND COMMITTEES MEETINGS

During the twelve months Period, the Board held 12 meetings. The attendance of the directors at Board meetings, principal Board Committee meetings, Annual General Meeting ("AGM") on 17 August 2022 Extraordinary General Meeting ("EGM") on 28 September 2022 held is set out in the table below.

	Attendance of						
	Board meetings	**Audit committee meetings**	**Remuneration committee meeting**	**Nomination committee meeting**	**The Environmental, Social and Governance committee meetings**	**AGM***	**EGM**
Executive Directors							
Chen Yihong	12/12	N/A	1/1	1/1	N/A	1/1	0/1
Chen Chen	12/12	N/A	N/A	N/A	2/2	1/1	1/1
Zhang Zhiyong	12/12	N/A	N/A	N/A	N/A	1/1	0/1
Lyu Guanghong	12/12	N/A	N/A	N/A	2/2	1/1	1/1
Independent Non-Executive Directors							
Chen Guogang	12/12	3/3	1/1	N/A	2/2	1/1	1/1
Gao Yu	12/12	3/3	N/A	1/1	N/A	1/1	1/1
Liu Xiaosong	12/12	3/3	1/1	1/1	N/A	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, Executive Committee and Environmental, Social and Governance 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 2022, interim financial statements for the six months ended 30 September 2022;

(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 remuneration 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, assessing performance of executive directors, approving the terms of executive directors' service contract, and reviewing and approving performance-based remuneration by reference to the Company's goals and objectives.

The Remuneration Committee met once during 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 2023, reviewing matters relating to share schemes under Chapter 17 of the Listing Rules.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

Remuneration of the members of the senior management by band for the year ended 31 March 2023 is set out below:

Remuneration bands	Number of persons
HK$100,000 to HK$1,000,000	3
HK$1,000,001 to HK$2,000,000	2
HK$2,000,001 to HK$3,000,000	3
HK$3,000,001 to HK$4,000,000	—

Further particulars regarding Directors' remuneration and the five highest paid employees as required to be disclosed pursuant to Appendix 16 to the Listing Rules are set out in note 8 and note 39 to the financial statements, respectively.

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 once 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, selecting and recommending candidates for directorship during the year. Having reviewed the Board composition, the Nomination Committee recognises the importance and benefits of the gender diversity among the Board members for the Group's strategic and sustainable development.

The Nomination Committee was also satisfied with the Board diversity in terms of independence, skills, industry and professional experiences, gender and age cultural and educational background as well as length of services of the Board members. The Nomination Committee will review the Board diversity from time to time.

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.

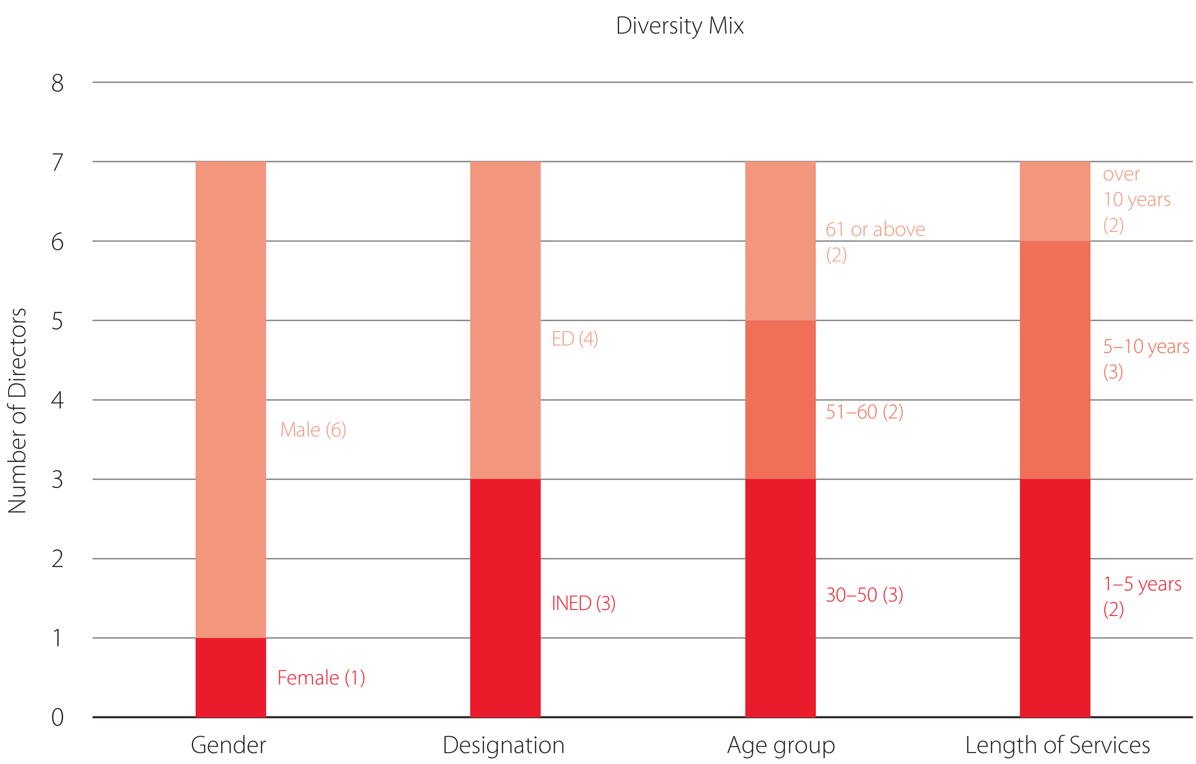
Directors' Remuneration Policy

The Board will conduct a regular review with reference to companies with comparable business or scale and recommend Directors' remuneration adjustments to the Board, if appropriate. Directors' remuneration was determined by reference to his/her duties and responsibilities, experience, performance and market conditions.

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.

As at the date of this report, the Board's diversified composition was summarized in the following chart:



Remarks:
INED – Independent non-executive Director
ED – Executive Director

The Company has also taken, and continues to take steps to promote diversity at all levels of its workforce. As of 31 March 2023, our total workforce comprised approximately 67.1% female and 32.9% male. Further details of the Group's inclusive policy, please refer to "Compliance and Equality in Employment" section of 2022/2023 ESG Report.

EXECUTIVE COMMITTEE

Members: Mr. Chen Yihong (Chairman), Ms. Chen Chen (Co-Chairman and Co-President), Mr. Zhang Zhiyong (Chief Executive Officer and President) and Mr. Lyu Guanghong (Chief Financial Officer). All of them are executive directors.

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.

THE ENVIRONMENTAL, SOCIAL AND GOVERNANCE COMMITTEE (THE "ESG COMMITTEE")

Members: Ms. Chen Chen (chairman), Mr. Lyu Guanghong and Dr. Chen Guogang. Among the three members, Ms. Chen Chen and Mr. Lyu Guanghong are executive Directors and the remaining member is independent non-executive Directors.

The Environmental, Social and Governance Committee (the "ESG Committee"), established on 10 March 2021, will assist the Board to meet its oversight responsibilities in relation to the Company's environmental, social and governance policies and practices. The ESG Committee met twice during the twelve months Period.

The duties of the ESG Committee include reviewing, and making recommendations to the Board on, the Company's policy and performance in relation to the environmental, social and governance relations.

Under its Terms of Reference, the principal responsibilities of the ESG Committee is to make recommendations to the Board regarding:

1) The Group's ESG-related risk and opportunities;

2) The appropriateness and effectiveness of the Group's ESG risk management and internal control systems;

3) The Group's ESG management approach, strategy, priorities and objectives;

4) Progress in achieving the Group's ESG-related goals and targets; and

5) Disclosures in the Group's ESG report.

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.

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.

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 2023.

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 with 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 2023, 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 and system 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 and in anonymity. The identity of the whistle-blower and the relevant records of the whistle-blowing are strictly confidential.

Anti-corruption

The Company has formulated the *China Dongxiang (Group) Co., Ltd. System for the Management of Non-productive Procurement and China Dongxiang (Group) Co., Ltd. Anti-corruption and Anti-bribery Reporting and Reward System* and updated *China Dongxiang (Group) Co., Ltd. System Against Improper Competition and Business Bribery* 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* to safeguard the systematic development of our Group's business and establish a business image of integrity and probity.

All employees are required to follow the principles of probity and integrity and act in line with business ethics in our daily operations. We encourage and support all employees to report any incidents of improper competition or business bribery. An employee may choose to report such incident to his/her immediate supervisor in the unit where he/she works, or directly to the Group's internal audit department. The interests of any employee who voluntarily exposes and reports any improper conduct will be rigorously protected by the Group. The Group's internal audit department will carry out rigorous screening of the reported incidents. The Group 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. During the reporting period, there was no litigation cases on corruption against the Group or its employees for which trial had been concluded.

During the year, the Group required all staff at the managerial grade or above to sign a confirmation to ensure that members of the Group management have sufficient knowledge of and comply the *System Against Improper Competition and Business Bribery, Reward and Penalty System, Employee Turnover Management System, Measures for the Administration and Use of Seals, Cash Expenditure Regulation, Confidentiality Agreement, Undertaking of Confidentiality of Salary* and other internal management system of the Group. Through training and propagation in this manner, the probity awareness of Group Directors and management members has been enhanced and the Group's management system for integrity and probity has been further implemented.

Audits on subsidiaries and departments are conducted on a regular basis. During the audit period, training and promotion on anti-corruption, anti-bribery and anti-money laundering are held for principals and staffers of the audited departments to enhance staff knowledge of the Group's internal culture of probity. During the reporting period, the Group conducted 2 hours of anti-corruption training for all Directors and the principals and staff of subsidiaries and departments, fostering a sound corporate culture of probity.

Equally concerned with probity in procurement, we have established an open, fair and impartial procurement procedures, standards and regulations for the admission of suppliers, and relevant assessment procedures and supervisory mechanism. We have formulated the Cash Expenditure Regulation and the Gift Management Regulation which sets out our Group's standards and approval process for gifts. Employees are required to avoid the development of any relationships involving personal interests with third parties which are engaged in business with the Group. In the event that such relationships are formed, the employee concerned is required to inform his/her immediate supervisor and avoid any direct or indirect involvement in any business activities with the said entities. During the year, we collected personal information from the middle and senior management members of the Group to examine whether they were involved in related transactions with suppliers, so as to avoid abuse of office for personal gains.

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 2023 as required under principle D.2 of the CG Code, 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, budget, staff qualifications, experience and training programs of the Group's internal audit staff and accounting and financial reporting staff as well as those relating to the Company's ESG performance and reporting 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	4,200
Non-audit services	505
Total	4,705

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 74 to 79.

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.

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 39 to 40 to provide a more comprehensive overview of the work performed by the IR Department during the twelve months Period. During the period under reviewed, the Board considered the shareholders' communication policy conducted is effective.

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 1712–1716, 17th Floor, Hopewell Center, 183 Queen's Road East, Hong Kong.

CONSTITUTIONAL DOCUMENTS

The Group confirmed that there was not any change on the Memorandum and Articles of Association of the Company during the twelves months Period.

REPORT OF THE DIRECTORS

The directors hereby presents to the shareholders their report together with the audited consolidated financial statements for the twelve months ended 31 March 2023.

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 148 to 154 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 16 to 38 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 OR LOSS

The Group's profit or loss for the twelve months ended 31 March 2023 is set out in the consolidated statement of profit or loss and other comprehensive income on pages 80 to 81 of this annual report.

DIVIDENDS

An interim dividend of RMB1.17 cents, per ordinary share in respect of the six months ended 30 September 2022 were declared to Shareholders on 23 November 2022 and paid in December 2022.

The Board of the Company has recommended the distribution of a final dividend of RMB0.49 cents per ordinary share of the Company, amounting to approximately RMB28,849,000, subject to approval by the Shareholders of the Company at the AGM to be held on 16 August 2023 and are payable in Hong Kong Dollars based on the rate of HKD1.00 = RMB0.91610 being the official exchange rate of Hong Kong dollars against Renminbi as quoted by the People's Bank of China on 20 June 2023.

The Company is not aware of any arrangement under which a shareholder of the Company has waived or agreed to waive any dividends.

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 30 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 23 to the consolidated financial statements.

RESERVES

Movements in reserves of the Group and the Company during the year are set out in Note 25 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

Distributable reserves of the Company as at 31 March 2023 amounted to approximately RMB8,921,382,000.

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)*
Ms. Chen Chen *(Co-Chairman and Co-President)*
Mr. Zhang Zhiyong *(Chief Executive Officer and President)*
Mr. Lyu Guanghong *(Chief Financial Officer)*

Independent Non-Executive Directors:

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

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

Mr. Lyu Guanghong (re-elected as an executive Director on 17 August 2022), Mr. Zhang Zhiyong (re-elected as an executive Director on 18 August 2021), Mr. Gao Yu (re-elected as an independent non-executive director on 17 August 2022) and Mr. Liu Xiaosong (re-elected as an independent non-executive director on 17 August 2022) 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", 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 or an entity connected with a director 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 2023 and up to and including the date of this report.

TAX RELIEF AND EXEMPTION

The Directors are not aware of any tax relief and exemption available to the Shareholders by reason of their holding of the Company's securities.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

As of 31 March 2023, none of the Company, controlling Shareholders of the Company or the companies under the same controlling Shareholders with the Company was a party to any arrangement to entitle the Company's Directors or their respective spouse or children under 18 years of age to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate.

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 41 to 44 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. Participant(s) refers to any individual being a director (including executive and non-executive director), employee, officer, agent or consultant of the Company or any of its subsidiaries.

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

An administration committee (comprising the remuneration committee and certain senior management of the Company which shall include the chief executive officer of the Board) (the "Administration Committee") may, subject always to the Scheme Rules, from time to time, determine the number of Restricted Shares to be granted and at its absolute discretion select any selected participant (excluding any excluded employee of the Group as provided under the Scheme Rules) to be a selected participant under the Share Award Scheme. Pursuant to the Share Award Scheme, there is no amount payable on application, grant or acceptance of an award and no purchase price of Restricted Shares awarded. Accordingly, the basis of determining the purchase price of Restrictive Shares awarded is not applicable.

In addition, the maximum number of Restricted Shares which may be granted to a selected participant at any one time or in aggregate may not exceed 1% of the issued share capital of the Company as at 10 December 2010, being 56,664,010 Shares.

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

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

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

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

Pursuant to the Scheme Rules, Restricted Shares held by the Trustee which are referable to a selected participant shall not vest in the selected participant if the employment contract of the selected participant has been terminated by the Company or any of its subsidiary because of, amongst others, (i) dishonesty or serious misconduct; (ii) incompetence or negligence in the performance of his duties; (iii) becoming bankrupt; and (iv) being convicted for any criminal offence involving his integrity or honesty etc. In the event that the Restricted Shares do not vest, the grant shall automatically lapse and all the Restricted Shares shall not vest on the relevant vesting date in accordance with the vesting schedule pursuant to the Scheme Rules but shall become unvested Shares.

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

For the financial year ended 31 March 2023, none of the Restricted Shares were granted to any eligible participant pursuant to the Restricted Share Award Scheme. None of the Restricted Shares were vested, cancelled or lapsed during the period. As at 1 April 2022 and 31 March 2023, there was no unvested Restricted Shares. As at 31 March 2023, the number of Restricted Shares granted under the Scheme amounted to 7,081,000 Shares since the adoption of the Share Award Scheme, representing approximately 0.12% of the issued shares as at the Adoption Date. In 2016, 131,071 granted Restricted Shares was lapsed. As at 1 April 2022 and 31 March 2023, 23,050,071 Restricted Shares were available for grant under the Share Award Scheme. As at the date of this report, 23,050,071 Restricted Shares were available for grant under the Share Award Scheme, representing 0.39% of the issued shares of the Company as at the date of this report. The remaining life of the Share Award Scheme is approximately over seven years.

Further details of the Share Award Scheme are set out in Note 26 to the consolidated financial statements.

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

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

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

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

(iii) the nominal value of the shares.

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

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. During the financial year ended 31 March 2023, no share options were granted, exercised or cancelled under the Share Option Scheme. As at 1 April 2022 and 31 March 2023 the share options available for granted under the scheme mandate is 397,492,102 and 446,612,102 respectively.

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

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

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

As at the date of this report, 373,352,102 share options are available for issue under the Share Option Scheme which represents approximately 6.34% of the issued shares as at the date of the annual report. Further details of the share option scheme are set out in Note 26 to the consolidated financial statements of this report.

The table below sets out the details of the movements in the share options granted to the Grantees under the Share Option Scheme as at 31 March 2023:

Category	Date of grant	Number of share options: Outstanding as at 1 April 2022	Number of share options: Granted during the financial year ended 31 March 2023[9][12]	Number of share options: Exercised during the financial year ended 31 March 2023[10]	Number of share options: Lapsed during the financial year ended 31 March 2023	Number of share options: Cancelled during the financial year ended 31 March 2023[10]	Number of share options: Outstanding as at financial year ended 31 March 2023	Exercise period	Exercise price per share (HK$)	Closing price immediately before the date of grant (HK$)	Fair value of the options at the date of grant during the financial year ended 31 March 2023 and the accounting standard and policy adopted[12]	Weighted average closing price of the options exercised immediately before the date of such options were exercised during the financial year ended 31 March 2023[10]	Exercise price of the options cancelled during the financial year ended 31 March 2023[10]	Vesting period
Directors														
Ms. Chen Chen[5]	15/04/2021	23,000,000	—	—	—	—	23,000,000	15/04/2021–14/04/2031	0.94	0.92	—	—	—	On or after 14/04/2024[I]
Mr. Zhang Zhiyong[5]	15/04/2021	36,000,000	—	—	—	—	36,000,000	15/04/2021–14/04/2031	0.94	0.92	—	—	—	On or after 14/04/2024[I]
Mr. Lyu Guanghong[5]	15/04/2021	6,000,000	—	—	—	—	6,000,000	15/04/2021–14/04/2031	0.94	0.92	—	—	—	On or after 14/04/2024[I]
Employees														
—	16/09/2019[1]	12,600,000	—	—	6,160,000	—	6,440,000	16/09/2019–15/09/2029	0.854	0.82	—	—	—	16/09/2019–15/09/2022[II]
—	07/01/2020[2]	1,080,000	—	—	360,000	—	720,000	07/01/2020–06/01/2030	0.86	0.82	—	—	—	07/01/2020–06/01/2023[II]
—	01/04/2020[3]	—	—	—	—	—	—	01/04/2020–31/03/2030	0.67	0.64	—	—	—	01/04/2020–31/03/2023[II]
—	01/09/2020[4]	1,200,000	—	—	1,200,000	—	—	01/09/2020–31/08/2030	1.09	0.99	—	—	—	01/09/2020–31/08/2023[II]
—	15/04/2021[5]	106,200,000	—	—	39,900,000	—	66,300,000	15/04/2021–14/04/2031	0.94	0.92	—	—	—	On or after 14/04/2024[I]
—	02/07/2021[6]	1,500,000	—	—	1,500,000	—	—	02/07/2021–01/07/2031	1.36	1.34	—	—	—	On or after 01/07/2024[I]
—	28/01/2022[7]	1,500,000	—	—	—	—	1,500,000	28/01/2022–27/01/2032	0.676	0.67	—	—	—	On or after 27/01/2025[I]
—	17/03/2022[8]	600,000	—	—	—	—	600,000	17/03/2022–16/03/2032	0.459	0.435	—	—	—	On or after 16/03/2025[I]
	Total	**189,680,000**	**—**	**—**	**49,120,000**	**—**	**140,560,000**							

* Further details of the share options are set out in note 26 to the consolidated financial statement on pages 172 to 174 of this final report.

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

[II] Vesting period of share options as below:

Vesting schedule	Vesting portion
First (1st) anniversary of the grant date	1/3 of the share options
Second (2nd) anniversary of the grant date	an additional 1/3 of the share options (i.e. up to 2/3 of the share options in total)
Third (3rd) anniversary of the grant date	an additional 1/3 of the share options (i.e. up to 100% of the share options in total)

Notes:

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

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

3. On 1 April 2020, the Company granted an aggregate of 2,400,000 options to certain management staff of the Company to subscribe for a total of 2,400,000 ordinary shares of HK$0.01 each in the share capital of the Company, representing approximately 0.04% of the issued share capital of the Company as at the date of grant, pursuant to the Share Option Scheme. Please refer to the announcement of the Company dated 1 April 2020 for details.

4. On 1 September 2020, the Company granted an aggregate of 1,200,000 options to certain management staff of the Company to subscribe for a total of 1,200,000 ordinary shares of HK$0.01 each in the share capital of the Company, representing approximately 0.02% of the issued share capital of the Company as at the date of grant, pursuant to the Share Option Scheme. Please refer to the announcement of the Company dated 1 September 2020 for details.

5. On 15 April 2021, the Company granted an aggregate of 189,400,000 options to certain management staff and employees of the Company, including three executive directors of the Company (namely Mr. Zhang Zhiyong, Ms. Chen Chen and Mr. Lyu Guanghong), to subscribe for a total of 189,400,000 ordinary shares of HK$0.01 each in the share capital of the Company, representing approximately 3.22% of the issued share capital of the Company as at the date of grant, pursuant to the Share Option Scheme. Please refer to the announcement of the Company dated 15 April 2021 for details.

6. On 2 July 2021, the Company granted an aggregate of 3,500,000 options to certain management staff and employees of the Company to subscribe for a total of 3,500,000 ordinary shares of HK$0.01 each in the share capital of the Company, representing approximately 0.06% of the issued share capital of the Company as at the date of grant, pursuant to the Share Option Scheme. Please refer to the announcement of the Company dated 2 July 2021 for details.

7. On 28 January 2022, the Company granted an aggregate of 1,500,000 options to certain management staff and employees of the Company to subscribe for a total of 1,500,000 ordinary shares of HK$0.01 each in the share capital of the Company, representing approximately 0.025% of the issued share capital of the Company as at the date of grant, pursuant to the Share Option Scheme. Please refer to the announcement of the Company dated 28 January 2022 for details.

8. On 17 March 2022, the Company granted an aggregate of 600,000 options to certain management staff and employees of the Company to subscribe for a total of 600,000 ordinary shares of HK$0.01 each in the share capital of the Company, representing approximately 0.01% of the issued share capital of the Company as at the date of grant, pursuant to the Share Option Scheme. Please refer to the announcement of the Company dated 17 March 2022 for details.

9. Subsequent to the financial year ended 31 March 2023, on 18 April 2023, the Company granted an aggregate of 76,860,000 share options to certain management staff and employees of the Company, including Mr. Lyu Guangdong, being an executive director of the Company (3,900,000 share options granted) and Mr. Men Xiaochen, being an associate (3,900,000 share options granted) of Ms. Chen Chen, an executive director of the Company, to subscribe for a total of 76,860,000 ordinary shares of HK$0.01 each in the share capital of the Company, representing approximately 1.31% of the issued share capital of the Company as at the date of grant, pursuant to the Share Option Scheme. Please refer to the announcement of the Company dated 18 April 2023 for details.

10. For the financial year ended 31 March 2023, no share options were exercised or cancelled. The weighted average closing price for exercised share options and the exercise price of the cancelled share options are not applicable. 49,120,000 share options have lapsed during the financial year ended 31 March 2023.

11. There are no participants with options granted in excess of the individual limit and no grants to suppliers of goods and services.

12. For the financial year ended 31 March 2023, no share options were granted. So the fair value of shares at the date of grant during the financial year ended 31 March 2023 and its accounting standard and policy adopted is not applicable.

13. Save as disclosed above, no other share options were granted, exercised, lapsed or canceled for the financial year ended 31 March 2023.

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 2023, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

REMUNERATION OF DIRECTORS, SENIOR MANAGEMENT AND FIVE INDIVIDUALS WITH HIGHEST EMOLUMENTS

Details of the emoluments of the Directors and five individuals with highest emoluments are set out in note 8 and note 39 to the consolidated financial statements.

DIRECTORS' INTERESTS IN SECURITIES

As at 31 March 2023, the interests and short positions of the directors and chief executives of the Company in the Shares, underlying Shares and debentures of the Company and its associated corporations, within the meaning of Part XV of the Securities and Futures Ordinance ("SFO"), which have been notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 & 8 Part XV of the SFO, including interests and short positions which the directors and chief executive of the Company are taken and deemed to have under such provisions of the SFO, or which are required to be and are recorded in the register required to be kept pursuant to section 352 of the SFO or as otherwise required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Model Code contained in the Listing Rules are as follows:

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

		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]	2,359,936,000 shares	—	40.08%
	Interest of a controlled corporation[3]	312,090,025 shares	—	5.3%
Ms. Chen Chen	Interest of a controlled corporation[2]	177,998,730 shares	—	3.02%
	Beneficial owner	44,500,000 shares[5]	—	0.76%
	Interest of spouse	320,000 shares[7]	—	0.005%
Mr. Zhang Zhiyong	Beneficial owner[3]	202,120,025 shares[4]	—	3.43%
Mr. Lyu Guanghong	Beneficial owner[3]	16,000,000 shares[6]	—	0.27%

Notes:

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

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

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

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

(5) It included Ms. Chen Chen's interests in 21,500,000 shares and share options to subscribe for 23,000,000 shares pursuant to the share options granted by the Company on 15 April 2021 under the share option scheme adopted by the Company on 8 August 2019 at an exercise price of HK$0.94 each.

(6) It included Mr. Lyu Guanghong's interests in 10,000,000 shares and share options to subscribe for 6,000,000 shares pursuant to the share options granted by the Company on 15 April 2021 under the share option scheme adopted by the Company on 8 August 2019 at an exercise price of HK$0.94 each. Subsequent to the financial year ended 31 March 2023, on 18 April 2023, share options were granted by the Company to Mr. Lyu Guanghong to subscribe for 3,900,000 shares at an exercise price of HK$0.33 each.

(7) It included share options of Mr. Men Xiaochen, who is the spouse of Ms. Chen Chen to subscribe for 320,000 shares pursuant to the share options granted by the Company on 16 September 2019 under the share option scheme adopted by the Company on 8 August 2019 at an exercise price of HK$0.854 each. Subsequent to the financial year ended 31 March 2023, on 18 April 2023, share options were granted by the Company to Mr. Men Xiaochen to subscribe for 3,900,000 shares at an exercise price of HK$0.33 each.

Save as disclosed above, as at 31 March 2023, none of the directors and chief executives of the Company had or was deemed to have any interests or short position in the Shares, underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which had been recorded in the register maintained by the Company pursuant to section 352 of the SFO or which had been notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS

As at 31 March 2023, other than the interests and short positions as disclosed above, the following persons have interests or short positions in the Shares, underlying Shares and debentures of the Company which fall to be disclosed to the Company under Divisions 2 & 3 of Part XV of the SFO as recorded in the register required to be kept by the Company under Part XV (s.336) of the SFO, or otherwise known to the directors:

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

Notes:

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

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

Save as disclosed above, as at 31 March 2023, the Directors are not aware of any other person or corporation (who were not Directors or chief executive of the Company) having an interest or short position in Shares and underlying Shares of the Company representing 5% or more of the issued share capital of the Company.

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 2023, 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 30 June 2020, Shanghai Kappa Sporting Goods Co., Ltd. ("Shanghai Kappa"), an indirect wholly-owned subsidiary of the Company, entered into the 2020 renewed framework agreement (the "2020 Renewed Framework Agreement") with Mai Sheng Yue He Sportswear Company Limited ("Mai Sheng Yue He"), in relation to the supply and sale of sport-related products by Shanghai Kappa to Mai Sheng Yue He. Mai Sheng Yue He is an associate of Mr. Chen Yihong, the chairman and an executive Director of the Company, as it is a majority-controlled company (as defined under the Listing Rules) held by Chen Co., which is a company owned by Mr. Chen Yiliang, Mr. Chen Yiyong and Mr. Chen Yizhong, each being a brother of Mr. Chen Yihong. Mai Sheng Yue He is hence a connected person of the Company under Chapter 14A of the Listing Rules, and the transactions contemplated under the 2020 Renewed Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. The 2020 Renewed Framework Agreement shall be valid from 1 April 2021 to 31 March 2024 and transaction amount between Mai Sheng Yue He and Shanghai Kappa for the supply and sale of goods under the 2020 Renewed Framework Agreement shall be subject to the annual caps of RMB94,000,000, RMB113,000,000 and RMB130,000,000 (each the "2020 renewed Mai Sheng Yue He Annual Cap") for the financial year ended 31 March 2022, financial year ending 31 March 2023 and the financial year ending 31 March 2024, respectively. Please refer to the announcement of the Company dated 30 June 2020 and the circular of the Company dated 4 August 2020 for further details. For the financial year ended 31 March 2023, the transactions conducted pursuant to the arrangement under the 2020 Renewed Framework Agreement amounted to RMB59,771,000.

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 2020 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 2020 Renewed Framework Agreement; (3) were in accordance with the pricing policies of the Company; and (4) did not exceed the Mai Sheng Yue He Annual Cap for the financial year ended 31 March 2023.

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 2023, the purchases from the largest supplier and the aggregated purchases from the largest five suppliers amounted for 12% and 33% of the Group's total purchases, and the sales to the largest customer and the aggregated sales to the largest five customers amounted for 2.0% and 4.8% of the Group's total sales, respectively. To the best knowledge of the Directors, at no time during the financial year have the Directors, their associates or any shareholder of the Company (own more than 5% of the number of issued Shares) had any interest in these major customers and suppliers.

MATERIAL ACQUISITIONS AND DISPOSAL AND SIGNIFICANT INVESTMENTS

Save as mentioned in the this report, the Group did not have any other material investments or acquire any material capital assets, or make any material acquisitions or disposals of subsidiaries and associated companies, or significant investments for the year ended 31 March 2023.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save as disclosed in this report, the Company has no plan for any material investments or additions of capital assets as at the date of this report.

CORPORATE GOVERNANCE

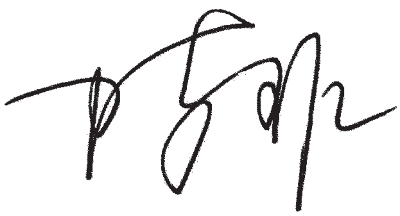
Throughout the twelve months ended 31 March 2023, the Company has complied with all the Code Provisions of the Corporate Governance Code contained in Appendix 14 to the Listing Rules. Principal corporate governance practices adopted by the Company are set out in the Corporate Governance Report on pages 45 to 60 of this report.

EVENTS SUBSEQUENT TO 31 MARCH 2023

There was no other significant event occurred subsequent to 31 March 2023 and up to the date 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

21 June 2023

INDEPENDENT AUDITOR'S REPORT

pwc

羅兵咸永道

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"), which are set out on pages 80 to 188, comprise:

- the consolidated balance sheet as at 31 March 2023;
- the consolidated statement of profit or loss and other 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 significant accounting policies and other explanatory information.

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 2023, 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.

Independence

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

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T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

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.

The key audit matter identified in our audit is related to 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 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 RMB5,869 million as at 31 March 2023 and among which, amount of RMB4,800 million is classified as level 3 in fair value hierarchy. These level 3 financial assets represent 45.4% of the total assets value of the Group as at 31 March 2023. These level 3 financial assets at fair value through profit or loss include private equity fund investments, other unlisted equity investments and knock out notes. 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 understood and evaluated the relevant management's internal controls and 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, and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors such as complexity, subjectivity, changes and susceptibility to management bias or fraud. 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 equity investments, market approach is used, where valuation multiples (such as price to sales/earnings before interest and tax multiple) of comparable companies and discount for lack of marketability ("DLOM") are used to determine the fair values of these unlisted equity investments; 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 equity 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 other unlisted equity investments. 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 evidence 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 the 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, actions taken to eliminate threats or safeguards applied.

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, 21 June 2023

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2023

	Note	For the year ended 31 March 2023 RMB'000	For the year ended 31 March 2022 RMB'000
Continuing operations			
Revenue	5	**1,678,916**	1,915,735
Cost of sales	7	**(651,947)**	(690,541)
Reversal of/(provision for) impairment of inventories — net	7	**36,575**	(103,019)
Gross profit		**1,063,544**	1,122,175
Distribution expenses	7	**(1,030,035)**	(1,210,802)
Administrative expenses	7	**(106,613)**	(164,432)
Reversal of/(provision for) impairment of financial assets — net		**54,349**	(36,866)
Other gains/(losses) — net	6	**156,603**	(1,496,291)
Operating profit/(loss)		**137,848**	(1,786,216)
Finance income	9	**51,682**	2,406
Finance expenses	9	**(11,677)**	(16,396)
Finance income/(expenses) — net	9	**40,005**	(13,990)
Share of post-tax (loss)/profit of joint ventures and associates accounted for using the equity method	12(c)	**(3,851)**	405
Profit/(loss) before income tax		**174,002**	(1,799,801)
Income tax (expense)/credit	10	**(59,005)**	34,097
Profit/(loss) from continuing operations		**114,997**	(1,765,704)
Loss from discontinued operations	33	**—**	(19,497)
Profit/(loss) for the year		**114,997**	(1,785,201)
Profit/(loss) attributable to:			
— Owners of the Company		**114,997**	(1,783,446)
— Non-controlling interests		**—**	(1,755)
		114,997	(1,785,201)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2023

	Note	For the year ended 31 March 2023 RMB'000	For the year ended 31 March 2022 RMB'000
Profit/(loss) for the year		**114,997**	(1,785,201)
Other comprehensive income/(loss)			
Items that may be reclassified to profit or loss			
— Currency translation differences on foreign operations of continuing operations		**282,620**	(145,749)
— Currency translation differences on foreign operations of discontinued operations	33	**—**	18,028
— Reclassification of foreign currency translation reserve on discontinued operations upon disposal	33	**—**	18,966
Items that may not be reclassified to profit or loss			
— Currency translation differences on foreign operations		**—**	—
Other comprehensive income/(loss) for the year, net of tax		**282,620**	(108,755)
Total comprehensive income/(loss) for the year		**397,617**	(1,893,956)
Total comprehensive income/(loss) for the year attributable to:			
— Owners of the Company		**397,617**	(1,895,531)
— Non-controlling interests		**—**	1,575
		397,617	(1,893,956)
Total comprehensive income/(loss) for the year attributable to owners of the Company			
— Continuing operations		**397,617**	(1,911,453)
— Discontinued operations		**—**	15,922
		397,617	(1,895,531)
Earnings/(losses) per share for profit/(loss) from continuing operations attributable to owners of the Company for the year			
(expressed in RMB cents per share)			
— Basic earnings/(losses) per share	11	**1.96**	(30.11)
— Diluted earnings/(losses) per share	11	**1.96**	(30.11)
Earnings/(losses) per share for profit/(loss) attributable to owners of the Company for the year			
(expressed in RMB cents per share)			
— Basic earnings/(losses) per share	11	**1.96**	(30.41)
— Diluted earnings/(losses) per share	11	**1.96**	(30.41)

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

CONSOLIDATED BALANCE SHEET

As at 31 March 2023

	Note	As at 31 March 2023 RMB'000	As at 31 March 2022 RMB'000
Assets			
Non-current assets			
Property, plant and equipment	13	**165,718**	97,835
Right-of-use assets	15	**73,616**	92,407
Intangible assets	14	**167,137**	175,651
Investments accounted for using the equity method	12(c)	**20,730**	45,204
Financial assets at fair value through profit or loss	20	**4,484,376**	4,474,765
Deferred income tax assets	16	**145,542**	179,136
Other financial assets at amortised cost	19	**643,347**	82,404
Other assets	22	**106,974**	64,190
Total non-current assets		**5,807,440**	5,211,592
Current assets			
Inventories	17	**335,970**	398,495
Trade receivables	18	**149,129**	153,909
Other current assets	22	**22,545**	33,711
Financial assets at fair value through profit or loss	20	**1,384,154**	2,250,094
Other financial assets at amortised cost	19	**319,495**	885,593
Restricted cash	21	**68**	27,870
Cash and cash equivalents	21	**2,558,024**	1,523,938
Total current assets		**4,769,385**	5,273,610
Total assets		**10,576,825**	10,485,202
Equity			
Equity attributable to owners of the Company			
Share capital and share premium	23	**1,091,344**	1,091,344
Shares held for employee share scheme	24	**(196)**	(196)
Reserves	25	**8,574,301**	8,259,742
Capital and reserves attributable to owners of the Company		**9,665,449**	9,350,890
Non-controlling interests		**—**	—
Total equity		**9,665,449**	9,350,890

CONSOLIDATED BALANCE SHEET

As at 31 March 2023

	Note	As at 31 March 2023 RMB'000	As at 31 March 2022 RMB'000
Liabilities			
Non-current liabilities			
Lease liabilities	15	**17,579**	27,559
Deferred income tax liabilities	16	**325,964**	316,915
Total non-current liabilities		**343,543**	344,474
Current liabilities			
Derivatives	29	**64,664**	64,835
Contract liabilities	31	**11,859**	14,027
Lease liabilities	15	**39,981**	49,131
Borrowings	30	**—**	156,120
Trade payables	27	**157,538**	229,591
Accruals and other payables	28	**286,798**	263,901
Current income tax liabilities		**6,993**	12,233
Total current liabilities		**567,833**	789,838
Total liabilities		**911,376**	1,134,312
Total equity and liabilities		**10,576,825**	10,485,202

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

The financial statements on pages 80 to 188 were approved by the Board of Directors on 21 June 2023 and were signed on its behalf.

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2023

		Attributable to owners of the Company							
	Note	Share capital RMB'000	Share premium account RMB'000	Shares held for employee share scheme RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 31 March 2021		56,467	1,033,629	(196)	(40,666)	10,483,529	11,532,763	3,162	11,535,925
Change in accounting policy	2.2	—	—	—	558,794	(558,794)	—	—	—
Restated total equity at 31 March 2021		56,467	1,033,629	(196)	518,128	9,924,735	11,532,763	3,162	11,535,925
Balance at 1 April 2021		56,467	1,033,629	(196)	518,128	9,924,735	11,532,763	3,162	11,535,925
Comprehensive loss									
Loss for the year		—	—	—	—	(1,783,446)	(1,783,446)	(1,755)	(1,785,201)
Other comprehensive (loss)/income									
Currency translation differences		—	—	—	(129,344)	—	(129,344)	1,623	(127,721)
Reclassification of foreign currency translation reserve on discontinued operations upon disposal		—	—	—	17,259	—	17,259	1,707	18,966
Total comprehensive (loss)/income		—	—	—	(112,085)	(1,783,446)	(1,895,531)	1,575	(1,893,956)
Transaction with owners									
Exercise of share options	23	11	942	—	—	—	953	—	953
Transfer of fair value of share options exercised to share premium	23	—	295	—	(295)	—	—	—	—
Dividends declared and paid	32	—	—	—	—	(300,580)	(300,580)	—	(300,580)
Total contribution by and distribution to owners, recognised directly in equity		11	1,237	—	(295)	(300,580)	(299,627)	—	(299,627)
Appropriation to statutory reserves	25	—	—	—	306	(306)	—	—	—
Share-based compensations	26	—	—	—	13,285	—	13,285	—	13,285
Disposal of a subsidiary		—	—	—	—	—	—	(4,737)	(4,737)
Total transactions with owners, recognised directly in equity		11	1,237	—	13,296	(300,886)	(286,342)	(4,737)	(291,079)
Balance at 31 March 2022		56,478	1,034,866	(196)	419,339	7,840,403	9,350,890	—	9,350,890

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2023

	Note	Attributable to owners of the Company							
		Share capital RMB'000	Share premium account RMB'000	Shares held for employee share scheme RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 April 2022		56,478	1,034,866	(196)	419,339	7,840,403	9,350,890	—	9,350,890
Comprehensive income									
Profit for the year		—	—	—	—	114,997	114,997	—	114,997
Other comprehensive income									
Currency translation differences		—	—	—	282,620	—	282,620	—	282,620
Total comprehensive income		—	—	—	282,620	114,997	397,617	—	397,617
Transaction with owners									
Dividends declared and paid	32	—	—	—	—	(68,884)	(68,884)	—	(68,884)
Total contribution by and distribution to owners, recognised directly in equity		—	—	—	—	(68,884)	(68,884)	—	(68,884)
Share-based compensations	26	—	—	—	(14,174)	—	(14,174)	—	(14,174)
Total transactions with owners, recognised directly in equity		—	—	—	(14,174)	(68,884)	(83,058)	—	(83,058)
Balance at 31 March 2023		56,478	1,034,866	(196)	687,785	7,886,516	9,665,449	—	9,665,449

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 2023

	Note	**For the year ended 31 March 2023 RMB'000**	For the year ended 31 March 2022 RMB'000
Cash flows from operating activities			
Cash generated from/(used in) operations	34	**100,115**	(185,307)
Interest received		**23,088**	2,406
Income tax paid		**(21,602)**	(28,285)
Net cash inflow/(outflow) from operating activities		**101,601**	(211,186)
Cash flows from investing activities			
Purchase of property, plant and equipment		**(71,327)**	(38,255)
Purchase of land use rights		**—**	(11,259)
Purchase of intangible assets		**(2)**	(1,872)
Proceeds from disposal of property, plant and equipment and intangible assets		**—**	1,209
Investment in financial assets at fair value through profit or loss		**(2,423,850)**	(2,558,215)
Proceeds from investment income and disposal of financial assets at fair value through profit or loss		**3,571,607**	2,684,966
Increase in loans receivables		**(130,956)**	(535,508)
Repayment of loan receivables		**172,399**	619,413
Interest received from other financial assets at amortised cost		**57,385**	73,522
Proceeds from disposal of investments in associates and joint ventures (12(c))		**69,035**	47,687
Prepayments for investments measured at fair value through profit or loss		**(68,717)**	—
Investment in an associate		**—**	(4,900)
Net cash inflow from investing activities		**1,175,574**	276,788

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2023

	Note	For the year ended 31 March 2023 RMB'000	For the year ended 31 March 2022 RMB'000
Cash flows from financing activities			
Dividends paid	32	**(68,884)**	(300,580)
Proceeds from bank borrowings		**68,769**	206,784
Repayments of bank borrowings		**(243,775)**	(175,061)
Interest paid		**(6,531)**	(7,244)
Payments for lease liabilities	15(iii)	**(57,439)**	(59,423)
Proceeds received from employees in relation to exercise of share options		**—**	953
Net cash outflow from financing activities		**(307,860)**	(334,571)
Net increase/(decrease) in cash and cash equivalents		**969,315**	(268,969)
Cash and cash equivalents at the beginning of the year		**1,523,938**	1,823,757
Effects of exchange rate changes on cash and cash equivalents		**64,771**	(30,850)
Cash and cash equivalents at end of the year	21	**2,558,024**	1,523,938

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

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.

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 21 June 2023.

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 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 all applicable 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 on a historical cost basis, except for certain financial assets and liabilities (including derivative instruments) which are measured at fair value.

(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 2022:

Amendments to IAS 16	Property, Plant and Equipment: Proceeds before Intended Use
Amendments to IAS 37	Onerous Contracts — Cost of Fulfilling a Contract
Annual Improvements to IFRS Standards 2018–2020	
Amendments to IFRS 3	Reference to the Conceptual Framework

The Group did not change its accounting policies or make retrospective adjustments as a result of adopting the abovementioned amended standards or annual improvements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

(iv) New standards and interpretations not yet adopted

Certain new accounting standards, amendments to accounting standards and interpretations have been published but are not mandatory for 31 March 2023 reporting period and have not been early adopted by the Group. These standards, amendments or interpretations 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 Change in accounting policies

Considering the Company's international trading businesses were nearly all terminated in the current year and the Company has no business activity other than holding of investments, the Company voluntarily changed the approach to determine its functional currency by considering that the Company is indeed as an extension of the Group's subsidiaries. The Group's principal subsidiaries are currently operating in Mainland China and RMB is determined as their functional currency. Therefore, the directors of the Company are of the view that it is appropriate to change the Company's functional currency from United States dollars ("USD") to RMB in the current year. The voluntary change in the Company's functional currency has been applied for retrospectively and certain comparative figures as of 31 March 2022 and for the year then ended have been restated accordingly.

The following tables summarise the impact on the consolidated statement of profit or loss and other comprehensive income for the years ended 31 March 2023 and 2022 as a result of this change:

	For the year ended 31 March 2023 RMB'000	For the year ended 31 March 2022 RMB'000
Effect on consolidated statement of profit or loss and other comprehensive income		
Increase/(decrease) in finance income/(expenses) — net	**10,220**	(926)
Decrease in other gains/(losses) — net	**—**	(35,576)
(Decrease)/increase in other comprehensive income	**(10,220)**	36,502
Increase/(decrease) in basic earnings per share (RMB cent)	**0.17**	(0.62)
Increase/(decrease) in diluted earnings per share (RMB cent)	**0.17**	(0.62)

The abovementioned change in the Company's functional currency also has impact on the Group's retained earnings and exchange reserve as at 1 April 2022 and details of which has been disclosed in Note 25 to the consolidated financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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).

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 profit or loss and other 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 ventures

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 2.10.

(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.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions. 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 management of the Company ("Management") 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 Renminbi ("RMB") and most of its principal subsidiaries are operating in Mainland China and RMB is determined as their functional currency. The consolidated financial statements is presented in RMB, which is the Company's and Group's presentation currency.

(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. They are deferred in equity if they relate to qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

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

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

(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.

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 profit or loss and other 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	20–40 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 2.10).

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

Construction-in-progress ("CIP") represents buildings, plant and machinery under construction or pending for 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 CIP until such time as the relevant assets are completed and ready for intended use. When the assets concerned are available for use, the costs are transferred to the respective categories of property, plant and equipment and depreciated in accordance with the policy as stated above.

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:

- Trademarks 40 years
- Computer 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 Discontinued operations

A discontinued operation is a component of the entity that has been disposed of and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations. The results of discontinued operations are presented separately in the consolidated statement of profit or loss and other comprehensive income.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 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 other comprehensive income ("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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 Investments and other financial assets (Continued)

(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.

- 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 profit or loss and other comprehensive income.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 Investments and other financial assets (Continued)

(iii) Measurement (Continued)

Debt instruments (Continued)

- 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 profit or loss and other 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.

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.13 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.

2.14 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.

2.15 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.

2.16 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 30 to 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 Not 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)

2.17 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.

2.18 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.

2.19 Trade and other 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 to 90 days of recognition. Trade and other 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.20 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.

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.

2.21 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.22 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 and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. 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 and does not give rise to equal taxable and deductible temporary differences. 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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.23 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

In accordance with the rules and regulations in mainland China, the Group has arranged for its mainland China employees to join defined contribution plans, including pension, medical, housing and other welfare benefits, recognised by mainland China government. According to the relevant regulations, the monthly contributions that should be borne by mainland China subsidiaries of the Company are calculated based on percentages of the total salary of employees, subject to a certain ceiling. The assets of these plans are held separately from those of the Group in independent funds managed by mainland China government.

The Group has no further payment obligations once the above contributions have been paid. The Group's contributions to these plans are charged to profit or loss as incurred.

(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.

2.24 Share-based payments

The Group operates a number of equity-settled, share-based compensation plans. These plans comprise a share option scheme 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 share options or 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.24 Share-based payments (Continued)

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.

2.25 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.

2.26 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. 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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.26 Revenue recognition (Continued)

(b) Sales of goods — retail

The Group operates a chain of retail shops and outlets for selling sport apparels, footwears and accessories in China. 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 credit or payment 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 consignment arrangement with distributor which undertakes to sell the goods to end customers on behalf of the Group. Revenue is recognised by the Group when the control of the goods is transferred to the end customers.

(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.

(g) Royalty income

Royalty income is recognised in the consolidated statement of profit or loss and other 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/(losses) per share

(i) Basic earnings/(losses) per share

Basic earnings/(losses) per share is calculated by dividing:

- the profit/(loss) 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/(losses) per share

Diluted earnings/(losses) per share adjusts the figures used in the determination of basic earnings/(losses) 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). Dividend income related to equity investments that meet the definition of an equity instrument from the issuer's perspective are recognised as "other gains/(losses) — net" in the consolidated statement of profit or loss and other comprehensive income when the right to receive payment is established.

2.29 Leases

Leases (including land use rights) 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. However, for leases of real estate for which the Group is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.29 Leases (Continued)

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

- fixed payments (including in-substance fixed payments), less any lease incentives receivable,
- variable lease payments 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. Potential future cash outflows have not been included in the lease liability because it is not reasonably certain that the leases will be extended (or not terminated).

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.

If a readily observable amortising loan rate is available to the individual lessee (through recent financing or market data) which has a similar payment profile to the lease, then the group entities use that rate as a starting point to determine the incremental borrowing rate.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.29 Leases (Continued)

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.

The Group has adopted Amendment to IFRS 16 — Covid-19-Related Rent Concessions retrospectively from 1 April 2020. The amendment provides an optional practical expedient allowing lessees to elect not to assess whether a rent concession related to COVID-19 is a lease modification. Lessees adopting this election may account for qualifying rent concessions in the same way as they would if they were not lease modifications. The practical expedient only applies to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if all of the following conditions are met: a. the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; b. any reduction in lease payments affects only payments due on or before 30 June 2021; and c. there is no substantive change to other terms and conditions of the lease.

The Group has adopted Amendment to IFRS 16 — Covid-19-Related Rent Concessions beyond 30 June 2021, which extended the practical expedient to lease payments that were due on or before 30 June 2022.

The Group has applied the practical expedient to all qualifying COVID-19-related rent concessions.

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.30 Dividend distribution

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

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 profit or loss and other comprehensive income over the period necessary to match them with the costs that they are intended to compensate.

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 profit or loss and other 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, 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 with most of the transactions denominated and settled in RMB. Foreign exchange risk arises from recognised assets and liabilities denominated in a currency that is not the functional currency of the relevant group entities. The Group did not enter into any forward contract to hedge its exposure to foreign currency risk for the year ended 31 March 2023.

Exposure

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

	31 March 2023		31 March 2022	
	USD	**HKD**	USD	HKD
	RMB'000	**RMB'000**	RMB'000	RMB'000
Cash and bank deposit	**88,712**	**362,633**	265,738	21,492
Other financial assets at amortised cost	**54,468**	**304,454**	60,685	280,781
Bank loans	**—**	**—**	—	(144,522)

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(a) Market risk (Continued)

(i) Foreign exchange risk (Continued)

Exposure (Continued)

The aggregate net foreign exchange gains/(losses) recognised in profit or loss were:

	For the year ended 31 March 2023 RMB'000	For the year ended 31 March 2022 RMB'000
Net foreign exchange gains/(losses) included in other gains/(losses) — net	**23,910**	(45,320)
Exchange gains/(losses) on foreign currency cash and borrowings included in finance income/(expenses) — net	**28,594**	(4,057)
Total net foreign exchange gains/(losses) recognised in profit or loss before income tax for the year	**52,504**	(49,377)
— Continuing operations	**52,504**	(49,377)
— Discontinued operations	**—**	—

Sensitivity

As shown in the table above, the Group is primarily exposed to changes in RMB/USD and RMB/HKD exchange rates. The sensitivity of profit or loss to changes in the exchange rates arises mainly from the cash and bank deposits as well as other financial assets at amortised cost denominated in Hong Kong Dollars ("HKD") and USD in the Company and its subsidiaries, the functional currency of which are different from HKD and USD.

	Impact on post tax profit	
	For the year ended 31 March 2023 RMB'000	For the year ended 31 March 2022 RMB'000
RMB/USD exchange rate — increase 5%	**6,931**	16,316
RMB/USD exchange rate — decrease 5%	**(6,931)**	(16,316)
RMB/HKD exchange rate — increase 5%	**33,355**	14,627
RMB/HKD exchange rate — decrease 5%	**(33,355)**	(14,627)

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. As at 31 March 2023, the Group has no outstanding borrowings. For the year ended 31 March 2022, the Group's borrowings at variable rate were mainly denominated in USD 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.

The exposure of the Group's borrowings to interest rate changes and the contractual re-pricing dates of the borrowings at the end of the reporting period are as follows:

	31 March 2023 RMB'000	**% of total loans**	31 March 2022 RMB'000	% of total loans
Variable rate borrowings	—	—	156,120	100%

An analysis by maturities is provided in note 3.1(c). The percentage of total loans shows the proportion of loans that are currently at variable rates in relation to the total amount of borrowings.

Sensitivity

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

	Impact on post tax profit	
	For the year ended 31 March 2023 RMB'000	For the year ended 31 March 2022 RMB'000
Interest rates — increase by 50 basis points (50 bps)	—	(781)
Interest rates — decrease by 50 basis points (50 bps)	—	781

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(a) Market risk (Continued)

(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 financial assets 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 2023, 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 2023 would have increased/decreased by approximately RMB96,388,000 (As at 31 March 2022, post-tax loss would have decreased/increased by approximately RMB107,191,000).

(b) Credit risk

The Group is exposed to credit risk in relation to its cash and cash equivalents, restricted cash, trade receivables, other financial assets at amortised cost and certain debt investments measured at FVPL (including investments in wealth management products ("WMPs"), investments in private equity funds and other unlisted equity 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, 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 30 to 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.

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(i) Risk management (Continued)

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.

(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, 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.

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 2023 and 31 March 2022 was determined as follows for trade receivables:

31 March 2023	**0–30 days**	**31–180 days**	**Over 180 days**	**Total**
Provision on individual basis				
Gross carrying amount	**—**	**—**	**10,558**	**10,558**
Loss allowance	**—**	**—**	**—**	**—**
Provision on collective basis				
Lifetime expected credit loss rate	**0.5%**	**8.1%**	**100.0%**	
Gross carrying amount	**92,416**	**50,741**	**12,271**	**155,428**
Loss allowance	**(472)**	**(4,114)**	**(12,271)**	**(16,857)**
Total loss allowance	**(472)**	**(4,114)**	**(12,271)**	**(16,857)**

31 March 2022	0–30 days	31–180 days	Over 180 days	Total
Provision on collective basis				
Lifetime expected credit loss rate	0.8%	9.5%	100.0%	
Gross carrying amount	90,386	70,930	9,486	170,802
Loss allowance	(680)	(6,727)	(9,486)	(16,893)
Total loss allowance	(680)	(6,727)	(9,486)	(16,893)

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(ii) Impairment of financial assets (Continued)

Trade receivables (Continued)

The loss allowances for trade receivables as at 31 March reconcile to the opening loss allowances as follows:

	As at 31 March 2023 RMB'000	As at 31 March 2022 RMB'000
Opening loss allowance at 1 April	**16,893**	9,311
Increase in loss allowance recognised in profit or loss during the year	**258**	7,828
Receivables written off during the year as uncollectible	**(294)**	(246)
Closing loss allowance at 31 March	**16,857**	16,893

Impairment losses on trade receivables are presented as "reversal of/(provision for) impairment of financial assets — net" within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

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.

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 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'. 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. 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)

(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).

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;

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

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 gross carrying amount of the loan receivables, loan to related parties and loan to management personnel and employees 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 2022	**625,097**	**—**	**350,348**	**975,445**
Addition	**172,011**	**—**	**21,671**	**193,682**
Collection	**(216,246)**	**—**	**(13,538)**	**(229,784)**
Transfer from Stage 1 to Stage 3	**(1,960)**	**—**	**1,960**	**—**
Write-offs	**—**	**—**	**(28,424)**	**(28,424)**
Foreign exchange difference	**24,660**	**—**	**—**	**24,660**
Total gross carrying amount as of 31 March 2023	**603,562**	**—**	**332,017**	**935,579**

	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 2021	656,557	50,062	334,956	1,041,575
Addition	592,848	600	45,669	639,117
Collection	(611,996)	(50,662)	(30,277)	(692,935)
Foreign exchange difference	(12,312)	—	—	(12,312)
Total gross carrying amount as of 31 March 2022	625,097	—	350,348	975,445

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)

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 2023, the carrying amount of such loans receivables with sufficient collateral is RMB603,562,000 (As at 31 March 2022: RMB742,034,000).

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 2022	**—**	**—**	**107,992**	**107,992**
Changes in PDs/LGDs/EADs	**—**	**—**	**(53,718)**	**(53,718)**
Write-offs	**—**	**—**	**(28,424)**	**(28,424)**
Loss allowance as of 31 March 2023	**—**	**—**	**25,850**	**25,850**

	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 2021	—	—	79,704	79,704
Changes in PDs/LGDs/EADs	—	—	34,277	34,277
Derecognized during the year	—	—	(5,989)	(5,989)
Loss allowance as of 31 March 2022	—	—	107,992	107,992

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 mostly widely use is collateral. The following table contains an analysis of collaterals for the gross carrying amount of the loan receivables:

	As at 31 March 2023			
	Current RMB'000	**Overdue 1–90 days RMB'000**	**Overdue over 91 days RMB'000**	**Total RMB'000**
Unsecured	**—**	**—**	**11,566**	**11,566**
Secured by collateral	**603,562**	**—**	**320,451**	**924,013**
	603,562	**—**	**332,017**	**935,579**

	As at 31 March 2022			
	Current RMB'000	Overdue 1–90 days RMB'000	Overdue over 91 days RMB'000	Total RMB'000
Unsecured	—	—	9,606	9,606
Secured by collateral	625,097	—	340,742	965,839
	625,097	—	350,348	975,445

As at 31 March 2023 and 2022, the Group's loans receivables were secured by various collaterals such as equity interest in certain companies, investment return under private equity funds, real estates as well as shares of the Company subscribed by the borrowers (Note 19).

The Group's policy regarding obtaining collateral has not significantly 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 2023 and 2022, the fair value of collateral held for loans receivables is RMB815 million and RMB858 million respectively.

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(ii) Impairment of financial assets (Continued)

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. The loss allowance for other financial assets at amortised cost as at 31 March reconciles to the opening loss allowance as follows:

	Other receivables RMB'000
Opening loss allowance as at 1 April 2021	645
Increase in the allowance recognised in profit or loss during the year	750
Closing loss allowance as at 31 March 2022	**1,395**
Decrease in the allowance recognised in profit or loss during the year	**(889)**
Closing loss allowance as at 31 March 2023	**506**

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.

Net impairment losses on financial assets recognised in profit or loss.

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(ii) Impairment of financial assets (Continued)

Write-off policy for trade receivables and loans receivables (Continued)

During the year, the following losses were recognised in profit or loss in relation to impaired financial assets:

	For the year ended 31 March 2023 RMB'000	For the year ended 31 March 2022 RMB'000
Impairment losses		
Impairment losses on trade receivables	**(258)**	(7,828)
Reversal of/(provision for) impairment losses on other financial assets at amortised cost	**54,607**	(35,027)
Reversal of impairment losses on other financial assets at amortised cost	**—**	5,989
Net reversal of/(provision for) impairment losses on financial assets at amortised cost	**54,349**	(36,866)
— Continuing operations	**54,349**	(36,866)
— Discontinued operations	**—**	—

(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 equity investments. The maximum exposure at the end of the reporting period is the carrying amount of these investments.

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(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 RMB'000
At 31 March 2023					
Non-derivatives					
Trade payables (Note 27)	**157,538**	—	—	**157,538**	**157,538**
Accruals and other payables	**255,230**	—	—	**255,230**	**255,230**
Lease liabilities	**40,700**	**15,366**	**5,185**	**61,251**	**57,560**
Total Non-derivatives	**453,468**	**15,366**	**5,185**	**474,019**	**470,328**
Derivatives	**NA**	**NA**	**NA**	**NA**	**NA**

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(c) Liquidity risk (Continued)

	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 RMB'000
At 31 March 2022					
Non-derivatives					
Borrowings	156,120	—	—	156,120	156,120
Trade payables (Note 27)	229,591	—	—	229,591	229,591
Accruals and other payables	228,541	—	—	228,541	228,541
Lease liabilities	51,511	25,194	7,235	83,940	76,690
Total Non-derivatives	665,763	25,194	7,235	698,192	690,942
Derivatives	N/A	N/A	N/A	N/A	N/A

As disclosed in Note 29, as at 31 March 2023, the Group had entered into certain derivative agreements with investment banks, of which certain quantities of the underlying securities listed on the National Association of Securities Dealers Automated Quotations (NASDAQ) 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 2023.

In accordance with the price of listed shares in contracts, the maximum possible amount to settle derivatives is Nil as at 31 March 2023 (As at 31 March 2022: Nil), though the final pay-out 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.

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.2 Capital management (Continued)

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 2023 and 31 March 2022, the Group has no net debt.

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.

At 31 March 2023	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial assets				
Financial assets at fair value through profit or loss (FVPL)				
— Private equity fund investments	—	105,000	4,440,099	4,545,099
— Listed equity securities				
— stock	963,876	—	—	963,876
— Other unlisted equity investments	—	—	333,609	333,609
— Knock out notes	—	—	25,946	25,946
Total financial assets	**963,876**	**105,000**	**4,799,654**	**5,868,530**
Financial liabilities				
Derivatives	—	—	(64,664)	(64,664)

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Fair value estimation (Continued)

(a) Financial assets and liabilities (Continued)

(i) Fair value hierarchy (Continued)

At 31 March 2022	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	—	—	5,313,629	5,313,629
— Listed equity securities — stock	1,071,906	—	—	1,071,906
— Other unlisted equity investments	—	—	307,511	307,511
— Unlisted fixed coupon notes	—	—	31,813	31,813
Total financial assets	1,071,906	—	5,652,953	6,724,859
Financial liabilities				
Derivatives	—	—	(64,835)	(64,835)

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 3.3(a)(ii) below.

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Fair value estimation (Continued)

(a) Financial assets and liabilities (Continued)

(i) Fair value hierarchy (Continued)

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

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

  As at 31 March 2023 and 31 March 2022, the Group's financial assets that are measure at fair value using level 1 inputs mainly include listed equity securities — stock, which representing investments in ordinary shares of certain US listed companies and 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

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

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

  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 2023 and the year ended 31 March 2022:

	Private equity fund investments RMB'000	Other unlisted equity investments RMB'000	Unlisted fixed coupon notes RMB'000	Knock out notes RMB'000	WMPs RMB'000	Derivatives RMB'000	Totals RMB'000
Opening balance 1 April 2021	6,760,999	470,033	65,908	—	—	(35,403)	7,261,537
Acquisitions	350,457	80	31,741	—	130,000	—	512,278
Disposals	(698,417)	(6,291)	(71,259)	—	(131,263)	—	(907,230)
Transfer from Level 3 to Level 1(a)	—	(32,857)	—	—	—	—	(32,857)
Other (losses)/gains — net (b)	(1,015,490)	(112,765)	7,701	—	1,263	(31,173)	(1,150,464)
Currency translation difference	(83,920)	(10,689)	(2,278)	—	—	1,741	(95,146)
Closing balance 31 March 2022	5,313,629	307,511	31,813	—	—	(64,835)	5,588,118
Opening balance 1 April 2022	**5,313,629**	**307,511**	**31,813**	—	—	**(64,835)**	**5,588,118**
Acquisitions	282,009	—	—	24,329	—	—	306,338
Disposals	(1,355,942)	(5,169)	(35,733)	—	—	—	(1,396,844)
Other gains/(losses) — net (b)	43,626	9,869	1,247	(299)	—	5,308	59,751
Currency translation difference	156,777	21,398	2,673	1,916	—	(5,137)	177,627
Closing balance 31 March 2023	**4,440,099**	**333,609**	**—**	**25,946**	**—**	**(64,664)**	**4,734,990**

(a) During the year ended 31 March 2022, one investment which was categorized as Level 3 whose shares got listed in a stock exchange and its fair value measurement as at 31 March 2022 was the quoted market price on that date without any adjustment.

(b) 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 2023	**59,937**	**9,869**	**—**	**(299)**	**—**	**5,308**	**74,815**
Year ended 31 March 2022	(1,047,653)	(112,765)	7,701	—	—	(31,173)	(1,183,890)

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:

Description	Fair value at 31 March 2023 RMB'000	Fair value at 31 March 2022 RMB'000	Valuation Technique	Significant unobservable inputs	Range of inputs As at 31 March 2023	Range of inputs As at 31 March 2022	Relationship of unobservable inputs to fair value
Financial assets							
Private equity fund investments (Note 1)	**4,440,099**	5,313,629	Net asset value	N/A	**N/A**	N/A	N/A
Other unlisted equity investments (Note 2)	**333,609**	307,511	Market comparable companies	Price to sales multiples ("PS"), earnings before interest and tax multiples ("EV/EBIT"), Discount for lack of marketability ("DLOM")	**PS:3.30 EV/EBIT: 25.19 DLOM: 20%**	PS: 3.10 EV/EBIT: 21.27 DLOM: 20%	Increased or decreased PS or EV/EBIT by 1 would increase or decrease fair value by RMB26,587,000 (31 March 2022: RMB20,495,000). Increased or decreased DLOM by 5% would decrease or increase fair value by RMB20,851,000 (31 March 2022: RMB19,219,000).
Knock out notes (Note 3)	**25,946**	—	Option pricing Model	Expected volatility	**N/A**	N/A	The higher the expected volatility, the higher the fair value.
Unlisted fixed coupon notes (Note 3)	**—**	31,813	Option pricing model	Expected volatility	**N/A**	N/A	The higher the expected volatility, the lower the fair value.
Total financial assets	**4,799,654**	5,652,953			**—**		
Financial liabilities							
Derivatives (Note 4)	**(64,664)**	(64,835)	Option pricing model	Expected volatility	**N/A**	N/A	The higher the expected volatility, the higher the fair value.

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)

Notes:

(1) The Group determines the fair value of its private equity fund investments as at the reporting date based on the net asset values of the private equity funds with underlying assets and liabilities measured at fair value as reported by the general partners of the funds.

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

(3) The amount represents the Group's short-term investments in knock out notes and fixed coupon notes which in substance are equity-index notes with the maturity of no more than 12 months, which are issued by reputable multinational banks such as Citigroup Global Markets Funding and JPMorgan Chase Bank. As at 31 March 2023, management determines the fair value of these fixed coupon notes based on the statements provided by the respective issuing banks. The related valuation technique is option pricing model and valuation inputs were developed by the issuing banks which were not reasonably available to the Group.

(4) The amount recognised is to reflect the derivative agreements entered into between the Group and certain reputable multinational banks such as Morgan Stanley and Bank Julius Baer with a contract term of no more than 12 months. According to the derivative agreements, certain quantities of the underlying securities listed on the New York Stock Exchange and The Stock Exchange of Hong Kong Limited are agreed to be gross settled between the Group and the issuing banks at an agreed price when certain agreed events occurred. As at 31 March 2023, management determines the fair value of these derivatives based on the statements provided by the respective issuing banks. The related valuation technique is option pricing model and valuation inputs were developed by the issuing banks which were not reasonably available to the Group.

(iv) Valuation processes

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

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. For details, please refer to Note 3.3.

4.2 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 2023, the Group made a provision for impairment of inventories of RMB152,198,000 (As at 31 March 2022: RMB188,773,000) (Note 17).

4.3 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 2023, the Group made a provision for impairment of trade receivables and other financial assets at amortised cost of RMB43,213,000 (As at 31 March 2022: RMB126,280,000) (Note 3.1(b), 18, 19).

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (CONTINUED)

4.4 Current and deferred income taxes

There are certain transactions and calculations for which the ultimate tax determination is 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 be reflected in the income tax expense and deferred tax provisions in the period in which such determination is made. In addition, the realisation of future income tax assets is dependent on the Group's ability to generate sufficient taxable income in future years to utilise income tax benefits and tax loss carry-forwards. Deviations of future profitability from estimates or in the income tax rate would result in adjustments to the value of future income tax assets and liabilities that could have a significant effect on the income tax expenses.

Dividends derived from the Company's subsidiaries in mainland China to foreign investors are subject to withholding tax at the rate of 5% or 10%. The Group regularly assesses its needs to make distributions out of its subsidiaries in mainland China. In this regard, withholding tax will be provided in the period in which dividends are distributed or on the undistributed profits to the extent they are expected to be distributed in future.

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 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.

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

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

During the year ended 31 March 2021, the Group discontinued the business in Japan-Apparel segment (Note 33) and therefore it is no longer a reportable segment of the Group. As a result, the related revenue, expenses and income tax are presented as a single amount in the consolidated statement of profit or loss and other comprehensive income under "loss from discontinued operations" during the year ended 31 March 2022 and 31 March 2021. In January 2022, the Japan entity related to discontinued operations has completed its liquidation.

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 profit or loss and other comprehensive income.

5. SEGMENT INFORMATION (CONTINUED)

The segment results and other items included in the consolidated statement of profit or loss and other comprehensive income provided to the chief operating decision maker for the reportable segments for the year ended 31 March 2023 and the year ended 31 March 2022, respectively are as follows:

	Continuing operations			Discontinued operations	
	China — Apparel RMB'000	Investment RMB'000	Subtotal RMB'000	Japan — Apparel RMB'000	Total RMB'000
Year ended 31 March 2023					
Revenue from external customers	1,678,916	—	1,678,916	—	1,678,916
Cost of sales	(651,947)	—	(651,947)	—	(651,947)
Reversal of impairment of inventories — net	36,575	—	36,575	—	36,575
Segment gross profit	1,063,544	—	1,063,544	—	1,063,544
Other gains, net	25,823	130,780	156,603	—	156,603
Segment operating (loss)/profit	(15,058)	152,906	137,848	—	137,848
Finance income	9,710	41,972	51,682	—	51,682
Finance expenses	(5,521)	(6,156)	(11,677)	—	(11,677)
Share of loss of investments accounted for using the equity method	(3,851)	—	(3,851)	—	(3,851)
(Loss)/profit before income tax	(14,720)	188,722	174,002	—	174,002
Income tax expenses	(11,447)	(47,558)	(59,005)	—	(59,005)
(Loss)/profit for the year	(26,167)	141,164	114,997	—	114,997
Material items of income and expense					
Depreciation and amortisation	23,089	—	23,089	—	23,089
Depreciation of right-of-use assets	52,113	272	52,385	—	52,385
Reversal of impairment losses on financial assets — net	(632)	(53,717)	(54,349)	—	(54,349)
Reversal of impairment losses of inventories — net	(36,575)	—	(36,575)	—	(36,575)
Selling and advertising expenses	788,411	—	788,411	—	788,411

5. SEGMENT INFORMATION (CONTINUED)

	Continuing operations			Discontinued operations	
	China — Apparel RMB'000	Investment RMB'000	Subtotal RMB'000	Japan — Apparel RMB'000	Total RMB'000
Year ended 31 March 2022					
Revenue from external customers	1,915,735	—	1,915,735	—	1,915,735
Cost of sales	(690,541)	—	(690,541)	—	(690,541)
Provision for impairment of inventories — net	(103,019)	—	(103,019)	—	(103,019)
Segment gross profit	1,122,175	—	1,122,175	—	1,122,175
Other gains/(losses), net	6,914	(1,503,205)	(1,496,291)	(18,966)	(1,515,257)
Segment operating loss	(215,369)	(1,570,847)	(1,786,216)	(19,497)	(1,805,713)
Finance income	2,211	195	2,406	—	2,406
Finance expenses	(6,104)	(10,292)	(16,396)	—	(16,396)
Share of profit/(loss) of investments accounted for using the equity method	645	(240)	405	—	405
Loss before income tax	(218,617)	(1,581,184)	(1,799,801)	(19,497)	(1,819,298)
Income tax credit	24,808	9,289	34,097	—	34,097
Loss for the year	(193,809)	(1,571,895)	(1,765,704)	(19,497)	(1,785,201)
Material items of income and expense					
Depreciation and amortisation	16,573	—	16,573	—	16,573
Depreciation of right-of-use assets	56,492	272	56,764	—	56,764
Provision for impairment losses on financial assets — net	3,577	33,289	36,866	—	36,866
Provision for impairment losses of inventories — net	103,019	—	103,019	—	103,019
Selling and advertising expenses	917,762	—	917,762	—	917,762

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	Investment RMB'000	Total RMB'000
As at 31 March 2023			
Cash and cash equivalents	360,841	2,197,183	2,558,024
Restricted cash	—	68	68
Investments accounted for using the equity method	15,830	4,900	20,730
Financial assets at fair value through profit or loss	—	5,868,530	5,868,530
Deferred income tax assets	111,743	33,799	145,542
Right-of-use assets	61,788	11,828	73,616
Other assets	840,299	1,070,016	1,910,315
Segment assets	1,390,501	9,186,324	10,576,825
Deferred income tax liabilities	5,142	320,822	325,964
Current income tax liabilities	6,993	—	6,993
Lease liabilities	56,518	1,042	57,560
Other liabilities	397,706	123,153	520,859
Segment liabilities	466,359	445,017	911,376

5. SEGMENT INFORMATION (CONTINUED)

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

As at 31 March 2023, the total non-current assets other than financial assets and deferred tax assets located in the PRC amounted to RMB481,897,000 (As at 31 March 2022: RMB424,672,000) and those located in other countries and regions amounted to RMB52,278,000 (As at 31 March 2022: RMB 50,615,000).

6. OTHER GAINS/(LOSSES) — NET

	For the year ended 31 March 2023 RMB'000	For the year ended 31 March 2022 RMB'000
Changes in fair value of financial instruments at fair value through profit or loss	**15,482**	(1,623,849)
Investment income from loans receivables	**62,274**	102,913
Dividend income from financial assets at fair value through profit or loss	**13,777**	31,122
Net gains on disposal of investments in joint ventures (Note(12c))	**13,257**	29,645
Government subsidy income(a)	**10,373**	7,128
Foreign exchange gains/(losses)	**23,910**	(45,320)
Franchise fee income	**11,898**	2,245
Others — net	**5,632**	(175)
	156,603	(1,496,291)

(a) The amounts represent government grants related to income which are received from the local government for the contribution to the local economic growth. These grants are recognised in consolidated statement of profit or loss and other comprehensive income upon the receipt. There are no unfulfilled conditions or contingencies relating to these grants.

7. EXPENSES BY NATURE

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

	For the year ended 31 March 2023 RMB'000	For the year ended 31 March 2022 RMB'000
Selling and advertising expenses	**788,411**	917,762
Cost of inventories recognised as cost of sales (Note 17)	**651,947**	690,541
Employee salary and benefit expenses (Note 8)	**121,811**	168,288
(Reversal of)/provision for impairment of inventories (Note 17)	**(36,575)**	103,019
Depreciation of right-of-use assets (Note 15)	**52,385**	56,764
Logistic fees	**38,555**	46,430
Product design and development expenses	**37,452**	49,122
Expenses relating to short-term leases and variable leases (Note 15)	**28,947**	34,505
Depreciation of property, plant and equipment (Note 13)	**14,573**	7,636
Amortisation of intangible assets (Note 14)	**8,516**	8,937
Travelling expenses	**7,774**	10,488
Professional expenses	**7,217**	13,183
Auditor's remuneration	**4,705**	5,040
— Audit services	**4,200**	4,500
— Non-audit services	**505**	540
Others	**26,302**	57,079
	1,752,020	2,168,794

8. EMPLOYEE SALARY AND BENEFIT EXPENSES

	For the year ended 31 March 2023 RMB'000	For the year ended 31 March 2022 RMB'000
Wages and salaries	**70,987**	90,525
Pension costs (Note (a))	**8,866**	9,533
Share-based compensation expenses (Note 26(b))	**(14,174)**	13,285
Termination benefits	**7,799**	5,057
Other costs and benefits	**48,333**	49,888
	121,811	168,288

Notes:

(a) Pensions — defined contribution plans

The employees of the Group in the PRC (including Hong Kong) 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 rate 16% (Year ended 31 March 2022: 16%) in the PRC 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 2023 include four (Year ended 31 March 2022: four) directors whose emoluments are reflected in the analysis shown in Note 39. The emoluments payable to the remaining one individual (Year ended 31 March 2022: one individual) during the year are as follows:

	For the year ended 31 March 2023 RMB'000	For the year ended 31 March 2022 RMB'000
Salaries and others	**2,254**	1,745
Pension costs	**59**	53
	2,313	1,798

8. EMPLOYEE SALARY AND BENEFIT EXPENSES (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 2023	For the year ended 31 March 2022
Emolument bands:		
HKD2,500,001 to HKD3,000,000	**1**	—
HKD2,000,001 to HKD2,500,000	**—**	1

9. FINANCE INCOME/(EXPENSES) — NET

	For the year ended 31 March 2023 RMB'000	For the year ended 31 March 2022 RMB'000
Finance income:		
— Net foreign exchange gain	**28,594**	—
— Interest income	**23,088**	2,406
	51,682	2,406
Finance expenses:		
— Net foreign exchange losses	**—**	(4,057)
— Interest expenses	**(6,531)**	(7,244)
— Interest of lease liabilities (Note 15)	**(3,254)**	(4,143)
— Others	**(1,892)**	(952)
	(11,677)	(16,396)
Finance income/(expenses) — net	**40,005**	(13,990)

10. INCOME TAX EXPENSE/(CREDIT)

	For the year ended 31 March 2023 RMB'000	For the year ended 31 March 2022 RMB'000
Current income tax		
— Corporate income tax ("CIT")	**8,801**	17,806
— Withholding and remit tax recognised	**7,561**	7,090
Deferred income tax (Note 16)	**42,643**	(58,993)
	59,005	(34,097)
Income tax expense/(credit) is attributable to:		
— Continuing operations	**59,005**	(34,097)

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 2023 (Year ended 31 March 2022: Nil).

Provision for the PRC corporate income tax is calculated based on the statutory tax rate of 25% (Year ended 31 March 2022: 25%) on the assessable income of the group companies, except for Group's subsidiaries incorporated in Tibet Autonomous Region which is subject to preferential tax rate of 15% (Year ended 31 March 2022: 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 2023, the Group had provided a deferred tax liability amounting to RMB197,431,000 (As at 31 March 2022: RMB177,144,000) in relation to the profit of the Group's PRC subsidiaries that will be distributed in the future (Note 16).

10. INCOME TAX EXPENSE/(CREDIT) (CONTINUED)

The tax on the Group's profit or loss before income tax differs from the theoretical amount that would arise using the statutory tax rate applicable to profits or losses of the consolidated companies as follows:

	For the year ended 31 March 2023 RMB'000	For the year ended 31 March 2022 RMB'000
Profit/(loss) from continuing operations before income tax expense	**174,002**	(1,799,801)
Loss from discontinued operations before income tax expense	**—**	(19,497)
	174,002	(1,819,298)
Tax calculated at applicable tax rates of 25%	**43,501**	(454,825)
Tax effects of		
— Impact of different tax rate	**(24,851)**	389,836
— Tax losses and temporary differences for which no deferred income tax asset was recognised	**24,791**	30,622
— Withholding tax recognized	**27,848**	(1,749)
— Expenses or losses not deductible for tax purpose	**(2,392)**	4,359
— Impact on share of results of joint ventures and associates	**963**	(101)
— Utilisation of previously unrecognised temporary differences and tax losses	**(10,855)**	(2,239)
	59,005	(34,097)

11. EARNINGS/(LOSSES) PER SHARE

(a) Basic earnings/(losses) per share

Basic earnings/(losses) per share are calculated by dividing the profit/(loss) attributable to owners of the Company by the weighted average number of ordinary shares in issue less shares held for Restricted Share Award Scheme during the year.

	For the year ended 31 March 2023	For the year ended 31 March 2022
Profit/(loss) from continuing operations attributable to owners of the Company (RMB'000)	**114,997**	(1,765,704)
Loss attributable to owners of the Company from discontinued operations (RMB'000)	**—**	(17,742)
Profit/(loss) attributable to owners of the Company (RMB'000)	**114,997**	(1,783,446)
Weighted average number of ordinary shares in issue less shares held for Restricted Share Award Scheme (thousands)	**5,864,511**	5,864,168
Basic earnings/(losses) per share for profit/(loss) from continuing operations (RMB cents per share)	**1.96**	(30.11)
Basic loss per share for loss from discontinued operations (RMB cents per share)	**—**	(0.30)
Total basic earnings/(losses) per share (RMB cents per share)	**1.96**	(30.41)

11. EARNINGS/(LOSSES) PER SHARE (CONTINUED)

(b) Diluted earnings/(losses) per share

Diluted earnings/(losses) per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Group's dilutive potential shares comprise only share option scheme. In relation to shares issued under share option schemes, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average market share price of the Company's shares during the 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 potential adjustment resulted in an anti-dilutive effect in the calculation of diluted earnings/(losses) per share for the year ended 31 March 2023 and 31 March 2022.

	For the year ended 31 March 2023	For the year ended 31 March 2022
Profit/(loss) from continuing operations attributable to owners of the Company (RMB'000)	**114,997**	(1,765,704)
Loss attributable to owners of the Company from discontinued operations (RMB'000)	**—**	(17,742)
Profit/(loss) attributable to owners of the Company	**114,997**	(1,783,446)
Weighted average number of ordinary shares in issue less shares held for Restricted Share Award Scheme (thousands)	**5,864,511**	5,864,168
Adjustment for share options (thousands)	**—**	—
Weighted average number of ordinary shares in issue for diluted earnings per share (thousands)	**5,864,511**	5,864,168
Diluted earnings/(losses) per share for profit/(loss) from continuing operations (RMB cents per share)	**1.96**	(30.11)
Diluted loss per share for loss from discontinued operations (RMB cents per share)	**—**	(0.30)
Total diluted earnings/(losses) per share (RMB cents per share)	**1.96**	(30.41)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

12. SUBSIDIARIES AND INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

(a) Subsidiaries

The following is a list of the principal subsidiaries at 31 March 2023:

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		Ownership interest held by non-controlling interests	
				As at 31 March 2023 %	As at 31 March 2022 %	**As at 31 March 2023 %**	As at 31 March 2022 %
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 (ii)	Swit, limited liability company	CHF 105,000	Retail company for Phenix	**NA**	100%	**NA**	–
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	USD23,900,000	Sales of sport-related footwear, apparel and accessories, 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		Ownership interest held by non-controlling interests	
				As at 31 March 2023 %	As at 31 March 2022 %	**As at 31 March 2023 %**	As at 31 March 2022 %
上海嘉班納體育用品有限公司 Shanghai Gabbana Sporting Goods Co., Ltd.	The PRC, limited liability company	RMB200,000,000	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	RMB42,000,000	Retail sales of sports-related products, apparel and accessories, imports and exports, PRC	**100%**	100%	**–**	–
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%	**–**	–
Japan Dongxiang Co., Ltd.	Japan, limited liability company	JPY1,000,000	Investment holding, Japan	**100%**	100%	**–**	–
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%	**–**	–

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 2023 %	Ownership interest held by the Group As at 31 March 2022 %	Ownership interest held by non-controlling interests As at 31 March 2023 %	Ownership interest held by non-controlling interests As at 31 March 2022 %
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%	**–**	–
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%	**–**	–
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.	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.	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	RMB91,000,000	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%	**–**	–

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		Ownership interest held by non-controlling interests	
				As at 31 March 2023 %	As at 31 March 2022 %	As at 31 March 2023 %	As at 31 March 2022 %
西藏普魯都斯企業管理有限公司 Tibet Plutus Enterprise Management Co., Ltd.	The PRC, limited liability company	RMB770,000,000	Investment	100%	100%	–	–
西藏佑德企業管理有限公司(iii) Tibet Youde Enterprise Management Co., Ltd. (iii)	The PRC, limited liability company	RMB2,000,000	Investment	100%	100%	–	–
西藏雷澤企業管理有限公司(iii) Tibet Leize Capital Enterprise Co., Ltd. (iii)	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%	–	–
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%	–	–
昆明赫提體育用品有限公司 Kunming Heti Sporting Goods Co. Ltd.	The PRC, limited liability company	RMB1,000,000	Retail sales of sports-related products, apparel and accessories, imports and exports, PRC	100%	100%	–	–
蘭州克瑞斯體育用品有限公司 Lanzhou 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%	–	–
上海鎔富投資管理中心(有限合夥) Shanghai Rongfu Investment Management Center (Limited Partnership)	The PRC, limited partnership	RMB635,000,000	Investment	100%	100%	–	–
CPE Assets Allocation Fund D, L.P.	Cayman Islands, limited partnership	USD100,849,247	Investment	100%	100%	–	–
富蘊縣可可托海查理雪屋有限公司 Fuyun Ketohai Charlie Snow House Co., LTD	The PRC, limited liability company	RMB100,000	Hotel management and tourism	100%	100%	–	–
富蘊縣可可托海黑鑽俱樂部酒店管理有限公司 Fuyun County Ketohai Black Diamond Club Hotel Management Co. LTD	The PRC, limited liability company	RMB500,000	Hotel management and tourism	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		Ownership interest held by non-controlling interests	
				As at 31 March 2023 %	As at 31 March 2022 %	As at 31 March 2023 %	As at 31 March 2022 %
富蘊縣可可托海和順服務有限公司 Fuyun County Ketohai Heshun Service Co. LTD	The PRC, limited liability company	RMB500,000	Tourism service	**80%**	80%	**20%**	20%
新疆斯諾動向置業有限公司 Xinjiang Snow Dongxiang Real Estate Co., Ltd	The PRC, limited liability company	RMB10,000,000	Real estate development and operation	**100%**	100%	**–**	–
新疆艾斯動向置業有限公司 Xinjiang Ice Dongxiang Real Estate Co., Ltd	The PRC, limited liability company	RMB10,000,000	Real estate development and operation	**100%**	100%	**–**	–
上海鳳翼梧熙體育文化發展有限公司 Shanghai Fengyi Wuxi Sports Culture Development 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%	**–**	–
四川克瑞特斯體育用品有限公司 Sichuan Creates sporting goods Co., Ltd	The PRC, limited liability company	RMB1,000,000	Retail sales of sports—related products, apparel and accessories, imports and exports, PRC	**100%**	100%	**–**	–
富蘊縣綠色叢林餐飲有限公司(i) Fuyun County Green Jungle Catering Co., Ltd. (i)	The PRC, limited liability company	RMB1,000,000	Catering	**100%**	NA	**–**	NA
富蘊縣錦富商貿有限責任公司(i) Fuyun Jinfu Trading Co., Ltd. (i)	The PRC, limited liability company	RMB3,500,000	Accommodation services	**100%**	NA	**–**	NA
富蘊菲尼克斯俱樂部酒店管理有限公司(i) Fuyun Phenix Club Hotel Management Co., Ltd. (i)	The PRC, limited liability company	RMB1,000,000	Hotel management and tourism	**100%**	NA	**–**	NA

Note:

(i) These group entities are newly established during the year ended 31 March 2023.

(ii) This group entities were deregistered during the year ended 31 March 2023.

(iii) The Company does not have directly or indirectly legal ownership in equity of these structured entities. Nevertheless, under certain contractual arrangements entered into with the registered owners of these structured entities, the Company and its legally owned subsidiary control these companies by way of controlling the voting rights, governing their financial and operating policies, appointing or removing the majority of the management of their controlling authorities, and casting the majority of votes at meetings of such authorities. Accordingly, the Group has rights to exercise power over these structured entities, receives variable returns from its involvement in these structured entities, and has the ability to affect those returns through its power over these structured entities. As a result, they are presented as structured entities of the Company.

12. SUBSIDIARIES AND INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)

(b) Non-controlling interests

The total non-controlling interests as at 31 March 2023 amounted to Nil (As at 31 March 2022: Nil). No subsidiary has non-controlling interests that are material to the Group.

(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 2023 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.

		% of ownership interest				Carrying amount	
Name of entity	**Place of business/ country of incorporation**	**As at 31 March 2023 %**	As at 31 March 2022 %	**Nature of relationship**	**Measurement method**	**As at 31 March 2023 RMB'000**	As at 31 March 2022 RMB'000
Tianjin Ganquan Yijia Investment Partnership (Limited Partnership) ("Tianjin Ganquan") (i)	PRC	**NA**	39%	Joint Venture	Equity method	**—**	22,680
Shan Xi Mai Sheng Yue He Sporting Goods Co., Ltd.	PRC	**30%**	30%	Joint Venture	Equity method	**12,465**	14,922
Fulong Davos Xinjiang Real Estate Co., Ltd.	PRC	**49%**	49%	Associate	Equity method	**4,900**	4,900
Shen Yang Mai Sheng Yue He Sporting Goods Co., Ltd.	PRC	**30%**	30%	Joint Venture	Equity method	**3,365**	2,702
Feixue Yuedong Sports Development Zhangjiakou Co., Ltd.	PRC	**40%**	40%	Associate	Equity method	**—**	—
Boundary Bay Investment LLC (ii)	US	**NA**	NA	Associate	Equity method	**—**	—
Mai Sheng Yue He Sporting Goods Co., Ltd ("MSYH") (iii)	PRC	**NA**	NA	Joint Venture	Equity method	**—**	—
Yueshang (Tianjin) Apparel Co., Ltd. (iv)	PRC	**NA**	NA	Associate	Equity method	**—**	—
Total equity accounted investments						**20,730**	45,204

(i) In June 2022, the Group entered into an equity transfer agreement with a third party in respect of the disposal of 39% equity of Tianjin Ganquan Yijia Investment Partnership (Limited Partnership) ("Tianjin Ganquan"). The transaction was completed in November 2022. The total consideration of RMB33,880,000 has been received and the Group recognized a disposal gain of RMB13,257,000 in consolidated statement of profit or loss and other comprehensive income for the year ended 31 March 2023.

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)

(ii) In January 2022, the Group entered into an equity transfer agreement with a third party in respect of the disposal of 35% equity of Boundary Bay Investment LLC. The transaction was completed in January 2022. The remaining consideration of USD4,120,000 (equivalent to approximately RMB26,155,000) has been received by the Group during the year ended 31 March 2023.

(iii) In May 2021, the Group entered into an equity transfer agreement with a third party in respect of the disposal of 30% equity of Mai Sheng Yue He Sporting Goods Co., Ltd ("MSYH"). The transaction was completed in July 2021. The remaining consideration of RMB 7,000,000 has been received by the Group during the year ended 31 March 2023.

(iv) In September 2021, the Group entered into an investment agreement with a third party in respect of the disposal of 30% equity of Yueshang (Tianjin) Apparel Co., Ltd. The transaction was completed in September 2021. The remaining consideration of RMB2,000,000 has been received by the Group during the year ended 31 March 2023.

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 2023 RMB'000	For the year ended 31 March 2022 RMB'000
At beginning of the year	**45,204**	94,656
Addition	—	5,900
Disposal	**(20,623)**	(54,254)
Share of (loss)/profit for the year	**(3,851)**	405
Currency translation difference	—	(1,503)
At ending of the year	**20,730**	45,204

13. PROPERTY, PLANT AND EQUIPMENT

	Freehold land	Buildings	Office furniture and equipment	Vehicles	Leasehold improvements	Construction in-progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 April 2021							
Cost	23,478	96,226	56,289	1,431	3,379	—	180,803
Accumulated depreciation and impairment	—	(48,747)	(50,652)	(1,241)	(2,828)	—	(103,468)
Net book amount	23,478	47,479	5,637	190	551	—	77,335
For the year ended 31 March 2022							
Opening net book amount	23,478	47,479	5,637	190	551	—	77,335
Additions	—	—	4,225	534	—	25,446	30,205
Reversal of impairment	—	—	386	—	435	—	821
Disposals	—	—	(388)	—	(821)	—	(1,209)
Depreciation	—	(4,545)	(2,791)	(205)	(95)	—	(7,636)
Transfers	—	24,171	563	—	—	(24,734)	—
Currency translation difference	(969)	(642)	—	—	(70)	—	(1,681)
Closing net book amount	22,509	66,463	7,632	519	—	712	97,835
At 31 March 2022							
Cost	22,509	119,666	58,614	1,965	360	712	203,826
Accumulated depreciation and impairment	—	(53,203)	(50,982)	(1,446)	(360)	—	(105,991)
Net book amount	22,509	66,463	7,632	519	—	712	97,835
For the year ended 31 March 2023							
Opening net book amount	**22,509**	**66,463**	**7,632**	**519**	**—**	**712**	**97,835**
Additions	**—**	**22,000**	**1,504**	**80**	**16,702**	**39,091**	**79,377**
Disposals	**—**	**—**	**(100)**	**(20)**	**—**	**—**	**(120)**
Depreciation	**—**	**(7,660)**	**(1,603)**	**(165)**	**(5,145)**	**—**	**(14,573)**
Transfers	**—**	**15,455**	**—**	**—**	**—**	**(15,455)**	**—**
Currency translation difference	**1,463**	**1,735**	**1**	**—**	**—**	**—**	**3,199**
Closing net book amount	**23,972**	**97,993**	**7,434**	**414**	**11,557**	**24,348**	**165,718**
At 31 March 2023							
Cost	**23,972**	**160,039**	**58,522**	**1,846**	**16,702**	**24,348**	**285,429**
Accumulated depreciation and impairment	**—**	**(62,046)**	**(51,088)**	**(1,432)**	**(5,145)**	**—**	**(119,711)**
Net book amount	**23,972**	**97,993**	**7,434**	**414**	**11,557**	**24,348**	**165,718**

13. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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

	For the year ended 31 March 2023 RMB'000	For the year ended 31 March 2022 RMB'000
Administrative expenses	**6,923**	4,519
Manufacturing overheads included in cost of goods sold	**2,051**	1,602
Distribution expenses	**5,599**	1,515
	14,573	7,636
— Continuing operations	**14,573**	7,636

There is no pledge of property, plant and equipment of the Group as at 31 March 2023 and 31 March 2022.

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, Jiangsu province and Xinjiang Uygur Autonomous Region, the PRC.

14. INTANGIBLE ASSETS

	KAPPA trademarks RMB'000	Phenix trademark RMB'000	Computer software RMB'000	Total RMB'000
At 1 April 2021				
Cost	373,013	8,605	77,536	459,154
Accumulated amortisation	(199,148)	(2,348)	(74,942)	(276,438)
Net book amount	173,865	6,257	2,594	182,716
For the year ended 31 March 2022				
Opening net book amount	173,865	6,257	2,594	182,716
Additions	—	—	1,872	1,872
Amortisation charge	(7,025)	(215)	(1,697)	(8,937)
Closing net book amount	166,840	6,042	2,769	175,651
At 31 March 2022				
Cost	373,013	8,605	73,746	455,364
Accumulated amortisation	(206,173)	(2,563)	(70,977)	(279,713)
Net book amount	166,840	6,042	2,769	175,651
For the year ended 31 March 2023				
Opening net book amount	**166,840**	**6,042**	**2,769**	**175,651**
Additions	**—**	**—**	**2**	**2**
Amortisation charge	**(7,025)**	**(215)**	**(1,276)**	**(8,516)**
Closing net book amount	**159,815**	**5,827**	**1,495**	**167,137**
At 31 March 2023				
Cost	**373,013**	**8,605**	**73,717**	**455,335**
Accumulated amortisation	**(213,198)**	**(2,778)**	**(72,222)**	**(288,198)**
Net book amount	**159,815**	**5,827**	**1,495**	**167,137**

14. INTANGIBLE ASSETS (CONTINUED)

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

	For the year ended 31 March 2023 RMB'000	For the year ended 31 March 2022 RMB'000
Administrative expenses	**1,276**	2,365
Distribution expenses	**7,240**	6,572
	8,516	8,937
— Continuing operations	**8,516**	8,937

The KAPPA trademarks represent the perpetual rights of the use of KAPPA trademarks in the PRC and Macau. 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 profit or loss and other comprehensive income.

15. LEASES

(i) Amounts recognised in the balance sheet

The balance sheet shows the following amounts relating to leases:

	As at 31 March 2023 RMB'000	As at 31 March 2022 RMB'000
Right-of-use assets		
Land use rights	**20,181**	20,748
Properties and warehouses	**53,435**	71,659
	73,616	92,407
Lease Liabilities		
Current	**39,981**	49,131
Non-current	**17,579**	27,559
	57,560	76,690

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

	Year ended 31 March 2023 RMB'000	2022 RMB'000
At 1 April		
Cost	**175,957**	173,379
Accumulated depreciation and impairment	**(83,550)**	(76,663)
Opening net book amount	**92,407**	96,716
Year ended 31 March		
Opening net book amount	**92,407**	96,716
Additions	**44,613**	60,363
Depreciation charge	**(52,385)**	(56,764)
Impairment	**(485)**	(2,364)
Disposal	**(10,534)**	(5,544)
Closing net book amount	**73,616**	92,407
At 31 March		
Cost	**146,196**	175,957
Accumulated depreciation and impairment	**(72,580)**	(83,550)
Closing net book amount	**73,616**	92,407

15. LEASES (CONTINUED)

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

The consolidated financial statements show the following amounts relating to leases:

	For the year ended 31 March 2023 RMB'000	For the year ended 31 March 2022 RMB'000
Depreciation charge of right-of-use assets		
— for continuing operations		
Land use rights	**567**	450
Properties and warehouses	**51,818**	56,314
	52,385	56,764
— for continuing operations		
Interest of lease liabilities (included in finance income/(expense) — net) (Note 9)	**3,254**	4,143
Expense relating to short-term leases not included in lease liabilities (included in distribution expenses and administrative expenses)	**24,753**	28,510
Expense relating to variable leases not included in lease liabilities (included in distribution expenses)	**4,194**	5,995
	32,201	38,648

(iii) Amounts recognised in the statement of cashflow

	For the year ended 31 March 2023 RMB'000	For the year ended 31 March 2022 RMB'000
The cash outflow for leases as operating activities	**28,778**	38,680
The cash outflow for leases as financing activities	**57,439**	59,423

15. LEASES (CONTINUED)

(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 8% to 23% 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 RMB538,000 for the year ended 31 March 2023 (for the year ended 31 March 2022: RMB600,000).

16. DEFERRED INCOME TAX

a. Deferred tax assets

The balance comprises temporary differences attributable to:

	As at 31 March 2023 RMB'000	As at 31 March 2022 RMB'000
Tax losses	**75,235**	67,581
Provision for impairment of inventories	**38,050**	44,901
Provision for impairment of trade receivables and other financial assets at amortised cost	**12,814**	34,299
Elimination for inventory	**6,177**	15,779
Fair value changes of investments in financial assets	**9,783**	10,009
Lease liabilities	**6,225**	9,761
Other accrued expenses	**3,224**	6,152
Total deferred tax assets	**151,508**	188,482
Set-off of deferred tax liabilities pursuant to set-off right-of-use assets	**(5,966)**	(9,346)
Net deferred tax assets	**145,542**	179,136

16. DEFERRED INCOME TAX (CONTINUED)

a. Deferred tax assets (Continued)

Movements	Provision for impairment of inventories	Provision for impairment of trade receivables and other financial assets at amortised cost	Elimination for inventory	Tax losses	Fair value changes of investments in financial assets	Lease liabilities	Other accrued expenses	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 April 2021	21,439	24,476	24,795	66,082	—	12,824	5,535	155,151
Credited/(charged) to profit or loss (Note 10)	23,462	9,823	(9,016)	1,499	10,009	(3,063)	617	33,331
At 31 March 2022	44,901	34,299	15,779	67,581	10,009	9,761	6,152	188,482
(Charged)/credited to profit or loss (Note 10)	(6,851)	(21,485)	(9,602)	7,654	(226)	(3,536)	(2,928)	(36,974)
At 31 March 2023	**38,050**	**12,814**	**6,177**	**75,235**	**9,783**	**6,225**	**3,224**	**151,508**

As at 31 March 2023, deferred income tax assets of RMB24,791,000 (As at 31 March 2022: RMB30,622,000) have not been recognised in respect of the tax losses amounting to RMB99,164,000 (As at 31 March 2022: RMB122,488,000) which can be carried forward against future taxable income. The tax losses mainly resulted from accumulated operating losses of the subsidiaries of the Group. These tax losses will expire from 2023 to 2027.

16. DEFERRED INCOME TAX (CONTINUED)

b. Deferred tax liabilities

The balance comprises temporary differences attributable to:

	As at 31 March 2023 RMB'000	As at 31 March 2022 RMB'000
Withholding income tax on profit distribution of PRC subsidiaries	**197,431**	177,144
Fair value changes of investments in financial assets	**123,392**	133,461
Right-of-use assets	**5,973**	9,410
Others	**5,134**	6,246
Total deferred tax liabilities	**331,930**	326,261
Set-off of deferred tax liabilities pursuant to set-off right-of-use assets	**(5,966)**	(9,346)
Net deferred tax liabilities	**325,964**	316,915

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 April 2021	185,983	148,517	12,920	4,503	351,923
(Credited)/charged to profit or loss (Note 10)	(8,839)	(15,056)	(3,510)	1,743	(25,662)
At 31 March 2022	177,144	133,461	9,410	6,246	326,261
Charged/(credited) to profit or loss (Note 10)	20,287	(10,069)	(3,437)	(1,112)	5,669
At 31 March 2023	**197,431**	**123,392**	**5,973**	**5,134**	**331,930**

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 2023, 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 RMB20,287,000 were recognised (year ended 31 March 2022: RMB8,839,000 were reversed).

17. INVENTORIES

	As at 31 March 2023 RMB'000	As at 31 March 2022 RMB'000
Finished goods	**481,070**	568,772
Work in progress	**5,072**	16,458
Raw materials	**2,026**	2,038
Less: provision for inventories	**(152,198)**	(188,773)
	335,970	398,495

The cost of inventories recognised as cost of sales amounted to approximately RMB651,947,000 (Year ended 31 March 2022: RMB690,541,000) (Note 7) for the year ended 31 March 2023.

The Group reversed total impairment losses of inventories of RMB36,575,000 during the year ended 31 March 2023 (year ended 31 March 2022: the Group recognized total impairment losses of inventories of RMB103,019,000), which have been included in reversal of/(provision for) impairment of inventories — net in the consolidated statement of profit or loss and other comprehensive income.

18. TRADE RECEIVABLES

	As at 31 March 2023 RMB'000	As at 31 March 2022 RMB'000
Trade receivables		
— Third parties	**161,490**	166,108
— Related parties (Note 36(b))	**4,496**	4,694
	165,986	170,802
Less: provision for impairment	**(16,857)**	(16,893)
Trade receivables, net	**149,129**	153,909

18. 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 30 to 90 days. The aging analysis of trade receivables as at 31 March 2023 and 31 March 2022 was as follows:

	As at 31 March 2023 RMB'000	As at 31 March 2022 RMB'000
Within 30 days	**92,416**	90,386
31 to 180 days	**50,741**	70,930
Over 180 days	**22,829**	9,486
	165,986	170,802

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

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 and foreign currency risk can be found in Note 3.1.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

19. OTHER FINANCIAL ASSETS AT AMORTISED COST

	As at 31 March 2023 RMB'000	As at 31 March 2022 RMB'000
Current portion:		
Loans receivable (a)	**301,607**	652,620
Loans to management personnel (b) (Note 36(b))	**—**	242,453
Loans to related parties (Note 36(b))	**1,960**	9,903
Consideration receivable in relation to disposal of investments accounted for using the equity method (Note 12(c))	**—**	35,155
Others	**31,756**	54,849
Less: provision for impairment (c)	**(15,828)**	(109,387)
— Stage 1	**(506)**	(1,395)
— Stage 2	**—**	—
— Stage 3	**(15,322)**	(107,992)
	319,495	885,593
Non-current portion:		
Loans receivable (a)	**396,087**	70,469
Loans to management personnel (b) (Note 36(b))	**225,061**	—
Loans to related parties (Note 36(b))	**10,864**	—
Others	**21,863**	11,935
Less: provision for impairment (c)	**(10,528)**	—
— Stage 1	**—**	—
— Stage 2	**—**	—
— Stage 3	**(10,528)**	—
	643,347	82,404

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 also reasonably approximate their carrying amounts.

As at 31 March 2023, loans receivables due from third parties summed up to RMB697,694,000 (As at 31 March 2022: RMB723,089,000) with the interest rate in the range of 8% to 12% (As at 31 March 2022: 8% to 15%) per annum. The amount of each loan receivables varies from RMB3,756,000 to RMB215,862,000 (As at 31 March 2022: RMB3,756,000 to RMB236,262,000).

The maturity period of each loan receivables varies with the range from 6 to 60 months. Majority of these loan receivables were secured by the respective pledge. Detail of the credit risk assessment of loan receivables is disclosed in Note 3.1.

b. 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).

On 29 July 2022, the Group and each personnel entered into an amendment letter, which extended the payment schedule with a future term of five years from the original payment dated. The amended interest will be fixed rate of 1% per annum and be effective from the original repayment date of respective loan. As at 31 March 2023, the outstanding loans to management personnel were therefore reclassified to non-current portion of other financial assets at amortised cost.

19. OTHER FINANCIAL ASSETS AT AMORTISED COST (CONTINUED)

Notes: (Continued)

c. The impairment of loan receivables was provided based on the "three-stages" model by referring to the changes in credit quality since initial recognition. The Group measures credit risk using probability of default ("PD"), exposure at default ("EAD") and loss given default ("LGD"). This is similar to the approach used for the purposes of measuring expected credit loss ("ECL") under IFRS 9 Financial Instruments. The key judgments and assumptions include determination of significant increase in credit risk, definition of default and credit impaired assets, projecting the PD, LGD and EAD, forward-looking information incorporated in the ECL models, and grouping of instruments for losses measured on a collective basis.

20. 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 2023 RMB'000	As at 31 March 2022 RMB'000
Non-current portion		
— Private equity fund investments	**4,150,767**	4,167,254
— Other unlisted equity investments	**333,609**	307,511
	4,484,376	4,474,765
Current portion		
— Listed equity securities — stock	**963,876**	1,071,906
— Private equity fund investments	**394,332**	1,146,375
— Knock out notes	**25,946**	—
— Unlisted fixed coupon notes	**—**	31,813
	1,384,154	2,250,094

Further details of financial assets at FVPL are given in note 3.1(a)(iii) and Note 3.3.

20. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

(ii) Amounts recognised in profit or loss

During the year, the following gains/(losses) were recognised in profit or loss:

	For the year ended 31 March 2023 RMB'000	For the year ended 31 March 2022 RMB'000
Fair value gains/(losses) on private equity fund investments	**42,800**	(1,015,490)
Fair value gains/(losses) on other unlisted equity investments	**9,869**	(115,410)
Fair value gains on WMPs	**7,191**	9,445
Fair value gains on unlisted fixed coupon notes	**1,247**	7,701
Fair value losses on listed perpetual bonds	**—**	(196)
Fair value losses on listed debt securities	**—**	(1,795)
Fair value losses on knock out notes	**(299)**	—
Fair value losses on listed equity securities — stock	**(50,633)**	(476,931)
	10,175	(1,592,676)

21. CASH AND BANK BALANCES

	As at 31 March 2023 RMB'000	As at 31 March 2022 RMB'000
Restricted cash	**68**	27,870
Cash and cash equivalents (a)	**2,558,024**	1,523,938
	2,558,092	1,551,808

Notes:

a. Cash and cash equivalents include current deposits and term deposits with initial term within three months.

21. CASH AND BANK BALANCES (CONTINUED)

Notes: (Continued)

b. As at 31 March 2023 and 31 March 2022, the cash and bank balances were denominated in the following currencies

	As at 31 March 2023 RMB'000	As at 31 March 2022 RMB'000
RMB	**1,152,623**	921,719
USD	**1,028,597**	604,487
HKD	**362,633**	21,492
JPY	**1,596**	37
Others	**12,643**	4,073
	2,558,092	1,551,808

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.

22. OTHER ASSETS

	As at 31 March 2023 RMB'000	As at 31 March 2022 RMB'000
Current portion:		
Prepayments	**14,712**	23,797
Value added tax recoverable	**7,833**	9,914
	22,545	33,711
Non-current portion:		
Prepayments for property, plant and equipment	**—**	8,050
Prepayments for investments measured at FVPL	**68,717**	—
Prepayments for others	**35,235**	39,486
Others	**3,022**	16,654
	106,974	64,190

23. SHARE CAPITAL AND SHARE PREMIUM

	Number of issued ordinary shares at par of each value HKD'0.01	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 April 2021	5,886,221,025	58,863	56,467	1,033,629	1,090,096
Issuance of ordinary shares (Note 26(b))	1,340,000	13	11	1,237	1,248
As at 31 March 2022	5,887,561,025	58,876	56,478	1,034,866	1,091,344
As at 1 April 2022	**5,887,561,025**	**58,876**	**56,478**	**1,034,866**	**1,091,344**
As at 31 March 2023	**5,887,561,025**	**58,876**	**56,478**	**1,034,866**	**1,091,344**

24. SHARES HELD FOR EMPLOYEE SHARE SCHEME

	As at 31 March 2023 Number of shares	At as 31 March 2022 Number of shares	**As at 31 March 2023 RMB'000**	At as 31 March 2022 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.

25. RESERVES

The following table shows a breakdown of the balance sheet line item 'reserves' and the movements in these reserves during the year. 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	Shares held for Restricted Share Award Scheme RMB'000	Retained earnings RMB'000	Total RMB'000
At 31 March 2021	283,522	12,601	93,081	(363,115)	(66,755)	10,483,529	10,442,863
Change in accounting policy (Note 2.2)	—	—	—	558,794	—	(558,794)	—
At 31 March 2021 (restated)	283,522	12,601	93,081	195,679	(66,755)	9,924,735	10,442,863
At 1 April 2021	283,522	12,601	93,081	195,679	(66,755)	9,924,735	10,442,863
Loss for the year	—	—	—	—	—	(1,783,446)	(1,783,446)
Foreign currency translation reserve (Note (b))	—	—	—	(129,344)	—	—	(129,344)
Dividends declared and paid (Note 32)	—	—	—	—	—	(300,580)	(300,580)
Share-based compensations	—	13,285	—	—	—	—	13,285
Appropriation to statutory reserves (Note (c))	—	—	306	—	—	(306)	—
Transfer of fair value of share options exercised to share premium	—	(295)	—	—	—	—	(295)
Reclassification of foreign currency translation reserve on discontinued operations upon disposal	—	—	—	17,259	—	—	17,259
At 31 March 2022	283,522	25,591	93,387	83,594	(66,755)	7,840,403	8,259,742

	Capital reserve (note a) RMB'000	**Share-based compensation reserve RMB'000**	**Statutory reserve RMB'000**	**Exchange reserve RMB'000**	**Shares held for Restricted Share Award Scheme RMB'000**	**Retained earnings RMB'000**	**Total RMB'000**
At 1 April 2022	**283,522**	**25,591**	**93,387**	**83,594**	**(66,755)**	**7,840,403**	**8,259,742**
Profit for the year	**—**	**—**	**—**	**—**	**—**	**114,997**	**114,997**
Foreign currency translation reserve (Note (b))	**—**	**—**	**—**	**282,620**	**—**	**—**	**282,620**
Dividends declared and paid (Note 32)	**—**	**—**	**—**	**—**	**—**	**(68,884)**	**(68,884)**
Share-based compensations	**—**	**(14,174)**	**—**	**—**	**—**	**—**	**(14,174)**
At 31 March 2023	**283,522**	**11,417**	**93,387**	**366,214**	**(66,755)**	**7,886,516**	**8,574,301**

25. RESERVES (CONTINUED)

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.

26. SHARE BASED COMPENSATION SCHEMES

(a) Restricted Share Award Scheme

The Company adopted the Restricted Share Award Scheme (Note 2.17) on 10 December 2010. The objective of the Restricted Share Award Scheme is to encourage and retain selected participants including directors and employees of the Group, to work with the Group and to provide additional incentive for them to achieve performance goals. Under the scheme, the China Dongxiang (Group) Co., Ltd. Restricted Share Award Scheme Trust (the "Trust") was established in Hong Kong and purchased 30,000,000 shares of the Company from the open market in December 2010. No further purchase of shares of the Company has been made since December 2010. The total amount of RMB87,138,000 paid to acquire the shares was financed by the Company by way of contributions made to the Trust. As the financial and operational policies of the Trust are governed by the Group and the Group benefits from the Trust's activities, the Trust is consolidated in the Group's financial statements as a special purpose entity.

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

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

During the year ended 31 March 2023, no shares were granted to senior management under the Restricted Share Award Scheme (Year ended 31 March 2022: Nil). The amount charged to the consolidated statement of profit or loss and other comprehensive income during the year ended 31 March 2023 was nil (Year ended 31 March 2022: Nil).

26. SHARE BASED COMPENSATION SCHEMES (CONTINUED)

(b) The 2019 share option scheme

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

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

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.

During the year ended 31 March 2023, no new share options were granted under the 2019 Share Option Scheme (the year ended 31 March 2022: 195,000,000 share options).

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

For the year ended 31 March 2023, the Group recognised a reversal of previously recognised share option expenses of RMB14,174,000 in respect of the revision of the number of options that are expected to ultimately vest (Year ended 31 March 2022: a provision of share option expenses RMB13,285,000).

26. SHARE BASED COMPENSATION SCHEMES (CONTINUED)

(b) The 2019 share option scheme (Continued)

Movements in the number of share options outstanding during the year ended 31 March 2023 under this scheme and their weighted average exercise prices are as follows:

	Year ended 31 March 2023		Year ended 31 March 2022	
	Weighted average exercise price (per share) HKD	**Number of share options (thousands)**	Weighted average exercise price (per share) HKD	Number of share options (thousands)
As at 1 April	**0.934**	**189,680**	0.847	21,360
Granted	**—**	**—**	0.944	195,000
Exercised	**—**	**—**	0.854	(1,340)
Lapsed/forfeited	**0.945**	**(49,120)**	0.938	(25,340)
As at 31 March	**0.931**	**140,560**	0.934	189,680
Vested and exercisable as at 31 March	**0.855**	**7,160**	0.865	9,360

No options expired during the periods covered by the above tables.

Share options outstanding at the end of the year have the following expiry date and exercise prices:

Grant Date	**Expiry date**	**Exercise price**	**Share options (thousands) 31 March 2023**	Share options (thousands) 31 March 2022
16 September 2019	15 September 2029	HKD0.854	**6,440**	12,600
7 January 2020	6 January 2030	HKD0.860	**720**	1,080
1 April 2020	31 March 2030	HKD0.670	**—**	—
1 September 2020	31 August 2030	HKD1.090	**—**	1,200
15 April 2021	14 April 2031	HKD 0.940	**131,300**	171,200
2 July 2021	1 July 2031	HKD 1.360	**—**	1,500
28 January 2022	27 January 2032	HKD 0.676	**1,500**	1,500
17 March 2022	16 March 2032	HKD 0.459	**600**	600
Total			**140,560**	189,680
Weighted average remaining contractual life of options outstanding at end of period			**7.98 years**	8.94 years

27. TRADE PAYABLES

The ageing analysis of trade payables based on goods receipt date as at 31 March 2023 and 31 March 2022 was as follows:

	As at 31 March 2023 RMB'000	As at 31 March 2022 RMB'000
Within 30 days	**89,355**	85,570
31 to 180 days	**65,271**	129,516
Over 180 days	**2,912**	14,505
	157,538	229,591

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

28. ACCRUALS AND OTHER PAYABLES

	As at 31 March 2023 RMB'000	As at 31 March 2022 RMB'000
Current portion：		
Suppliers' deposits	**85,368**	95,329
Deposits of investment in FVPL	**54,000**	36,000
Payables for marketing expenses	**25,590**	29,097
Salary and welfare payable	**21,064**	16,087
Other taxes and levies payable	**10,504**	19,273
Amounts due to related parties (Note 36(b))	**9,750**	10,937
Payables for logistics fees	**8,755**	8,859
Payables for professional and legal fees	**6,565**	4,303
Others	**65,202**	44,016
	286,798	263,901

The carrying amounts of accruals and other payables approximated their fair values as at the balance sheet dates.

29. DERIVATIVES

	As at 31 March 2023 RMB'000	As at 31 March 2022 RMB'000
Derivatives	**64,664**	64,835

During the years ended 31 March 2023 and 31 March 2022, the Group entered certain derivative agreements with investment banks, of which certain quantities of the underlying securities listed on the NASDAQ 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 2023 and 31 March 2022.

30. BORROWINGS

	As at 31 March 2023 RMB'000	As at 31 March 2022 RMB'000
Bank Loans		
— Pledged (a)	**—**	156,120
	—	156,120

(a) As at 31 March 2022, the outstanding loans due to Morgan Stanley Asia International Limited at the prevailing interest rate were HKD178,207,000 (equivalent to approximately RMB144,522,000) and USD1,827,000 (equivalent to approximately RMB11,598,000), which were secured by an equivalent value of shares held by banks as collateral.

As at 31 March 2023 and 2022, the Group's borrowings were repayable as follows:

	As at 31 March 2023 RMB'000	As at 31 March 2022 RMB'000
Within 1 year	**—**	156,120

As at 31 March 2022, bank borrowings mature bear floating interest rate based on one month Hibor and one month Libor with adjustments.

31. CONTRACT LIABILITIES

	As at 31 March 2023 RMB'000	As at 31 March 2022 RMB'000
Advance from customers	**11,859**	14,027

(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 2023 RMB'000	For the year ended 31 March 2022 RMB'000
Revenue recognised that was included in the contract liability balance at the beginning of the year	**14,027**	7,630

32. DIVIDENDS

	For the year ended 31 March 2023 RMB'000	For the year ended 31 March 2022 RMB'000
Final dividend of RMB0 (2022: RMB3.54 cent) per share paid	—	209,459
Final special dividend of RMB0 (2022: RMB1.54 cent) per share paid	—	91,121
Interim special dividend of RMB1.17 cent (2022: RMB0) per share paid	**68,884**	—
	68,884	300,580

The total dividends paid for the year ended 31 March 2023 amounted to RMB69,147,000 or RMB1.17 cents per share (Year ended 31 March 2022: RMB301,750,000 or RMB5.08 cents per share), of which RMB263,000 (Year ended 31 March 2022: RMB1,170,000) were paid to the shares held for Restricted Share Award Scheme.

Pursuant to a resolution passed on 21 June 2023, the board of directors of the Company proposed a final dividend of RMB0.49 cents per ordinary share of the Company, amounting to RMB28,849,000 for the year ended 31 March 2023 from the Company's retained earnings account. The final dividend is to be proposed for approval by the shareholders of the Company at the annual general meeting to be held on 16 August 2023.

The aggregate amounts of the dividends paid for the year ended 31 March 2023 and the year ended 31 March 2022 have been disclosed in the consolidated statement of changes in equity in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

33. DISCONTINUED OPERATIONS

In August 2020, the Group decided to wind down the Group's retail operation in Japan (the "Japan-Apparel segment") considering that it was not optimistic about the near term prospect of the Japan-Apparel segment and the cessation of Japan-Apparel segment operation could enable the Group to better utilise its resources in its other segments. As at 31 March 2021, all retail shops in Japan had ceased operation and no operating revenue would be generated from then on. The Japan-Apparel segment was thus classified as discontinued operations.

During the year ended 31 March 2022, loss from discontinued operations amounted to RMB19,497,000 which was mainly due to that all the currency translation differences accumulated in equity in respect of discontinued operations were reclassified to profit or loss upon the entity's liquidation in January 2022.

	Note	For the year ended 31 March 2022 RMB'000
Revenue		—
Expenses		(531)
Reversal of impairment of financial assets — net		—
Other losses		(18,966)
Loss before income tax		(19,497)
Income tax benefit		—
Loss from discontinued operations		(19,497)
Currency translation differences of discontinued operations		18,028
Reclassification of foreign currency translation reserve on discontinued operations upon disposal		18,966
Other comprehensive income from discontinued operations		36,994
Net cash outflow from operating activities		—
Net cash inflow from investing activities		—
Net cash outflow from financing activities		(12,338)
Exchange losses on cash and cash equivalents		—
Net decrease in cash generated by the segment		(12,338)
		Cents
Basic loss per share from discontinued operations	11	(0.30)
Diluted loss per share from discontinued operations	11	(0.30)

34. CASH GENERATED FROM/(USED IN) OPERATIONS

	For the year ended 31 March 2023 RMB'000	For the year ended 31 March 2022 RMB'000
Profit/(loss) before income tax for the year from		
Continuing operations	**174,002**	(1,799,801)
Discontinued operations	**—**	(19,497)
Profit/(loss) before income tax including discontinued operations	**174,002**	(1,819,298)
Adjustments for:		
— Depreciation of property, plant and equipment (Note 13)	**14,573**	7,636
— Loss on disposal of property, plant and equipment	**120**	—
— Amortisation of right-of-use assets (Note 15)	**52,385**	56,764
— Amortisation of intangible assets (Note 14)	**8,516**	8,937
— (Reversal of)/provision for impairment losses of inventories	**(36,575)**	103,019
— (Reversal of)/provision for impairment of financial assets — net	**(54,349)**	36,866
— Share of loss/(profit) of joint ventures and associates (Note 12)	**3,851**	(405)
— Interest income from bank deposits	**(23,088)**	(2,406)
— Interest expenses on borrowings (Note 9)	**6,531**	7,244
— Dividend income from financial assets through profit or loss	**(13,777)**	(31,122)
— Interest from other financial assets at amortised cost	**(62,274)**	(102,913)
— Foreign exchange, net (Note 3.1(a))	**(52,504)**	49,377
— Value of service provided under share option scheme	**(14,174)**	13,285
— Net gains on disposal of investments in joint ventures	**(13,257)**	(29,645)
— Impairment on long-term assets	**485**	1,543
— Gain from lease modification and lease disposal	**2,064**	596
— Change in fair value of financial instruments at fair value through profit or loss	**(15,482)**	1,623,849
	(22,953)	(76,673)
Changes in working capital:		
— Decrease/(increase) in inventories	**99,100**	(131,913)
— Decrease in trade receivables, other financial assets at amortised cost and other assets	**46,736**	29,676
— (Decrease)/increase in trade payables, provisions, contract liabilities and accruals and other payables	**(50,570)**	21,339
— Decrease/(increase) in restricted cash	**27,802**	(27,736)
Cash generated from/(used in) operations	**100,115**	(185,307)

34. CASH GENERATED FROM/(USED IN) OPERATIONS (CONTINUED)

In the consolidated statement of cash flows, the proceeds from sales of property, plant and equipment comprise:

	For the year ended 31 March 2023 RMB'000	For the year ended 31 March 2022 RMB'000
Net book amount (Note 13)	**120**	1,209
Loss on disposal of property, plant and equipment	**(120)**	—
Proceeds from disposal of property, plant and equipment	**—**	1,209

Non-cash investing and financing activities are set below:

	For the year ended 31 March 2023 RMB'000	For the year ended 31 March 2022 RMB'000
Acquisition of right-of-use assets	**44,613**	49,104
Change in consideration receivable in relation to disposal of investments accounted for using the equity method (Note 19)	**—**	35,155

This section sets out an analysis of net cash and the movements in net cash for each of the years presented.

Net cash	**As at 31 March 2023 RMB'000**	As at 31 March 2022 RMB'000
Cash and cash equivalents (Note 21)	**2,558,024**	1,523,938
Liquid investments (a)	**963,876**	1,071,906
Lease liabilities	**(57,560)**	(76,690)
Borrowings — repayable within one year (Note 30)	**—**	(156,120)
Net cash	**3,464,340**	2,363,034
Cash and liquid investments	**3,521,900**	2,595,844
Gross debt — fixed interest rates	**(57,560)**	(76,690)
Gross debt — variable interest rates	**—**	(156,120)
Net cash	**3,464,340**	2,363,034

34. CASH GENERATED FROM/(USED IN) OPERATIONS (CONTINUED)

	Other assets		Liabilities from financing activities		
	Cash and cash equivalents	Liquid investments	Lease liabilities	Borrowings due within 1 year	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Net cash as at 1 April 2021	1,823,757	1,016,897	(89,608)	(126,630)	2,624,416
Cash flows	(268,969)	561,378	59,423	(31,723)	320,109
Acquisition — lease	—	—	(49,104)	—	(49,104)
Foreign exchange adjustments	(30,850)	(27,643)	—	2,233	(56,260)
Other non-cash movements	—	(478,726)	2,599	—	(476,127)
Net cash as at 31 March 2022	1,523,938	1,071,906	(76,690)	(156,120)	2,363,034
Cash flows	**969,315**	**(77,698)**	**57,439**	**175,006**	**1,124,062**
Acquisition — lease	**—**	**—**	**(44,613)**	**—**	**(44,613)**
Foreign exchange adjustments	**64,771**	**84,909**	**—**	**(18,886)**	**130,794**
Other non-cash movements	**—**	**(115,241)**	**6,304**	**—**	**(108,937)**
Net cash as at 31 March 2023	**2,558,024**	**963,876**	**(57,560)**	**—**	**3,464,340**

a. Liquid investments comprise current investments that are traded in an active market, being the current portion of the Group's level 1 financial assets held at fair value through profit or loss.

35. COMMITMENTS

Capital commitment

Significant capital commitment contracted for at the end of the reporting period but not recognised as liabilities is as follow:

In September 2020, the Group entered into a limited partnership agreement with Xiamen Yuanfeng Investment LLP. (廈門源峰股權投資基金合夥企業(有限合夥)). As at 31 March 2023, the remaining balance of the investment commitment was RMB70 million (as at 31 March 2022: RMB70 million).

In January 2021, the Group entered into a limited partnership agreement with CPE Global Opportunities Fund II. As at 31 March 2023, the remaining balance of the investment commitment was USD15 million (equivalent to approximately RMB106 million). As at 31 March 2022, the remaining balance of the investment commitment was USD15 million (equivalent to approximately RMB98 million).

35. COMMITMENTS (CONTINUED)

Capital commitment (Continued)

In February 2021, the Group entered into a limited partnership agreement with Yunfeng Fund IV (雲鋒基金 IV). As at 31 March 2023, the remaining balance of the investment commitment was USD11.5 million (equivalent to approximately RMB79.2 million). As at 31 March 2022, the remaining balance of the investment commitment was USD12.4 million (equivalent to approximately RMB78.9 million).

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 2023 and the year ended and as at 31 March 2022, 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 2023 RMB'000	For the year ended 31 March 2022 RMB'000
Sales of goods to:		
— Joint ventures of the Group	**6,955**	10,751
Interest income:		
— Management personnel	**5,558**	2,772
Commissions on consignment sales:		
— Joint ventures of the Group	**29,072**	46,814
Loans granted to:		
— An associate of the Group	**7,589**	9,903
Loans repaid by:		
— An associate of the Group	**(4,667)**	—

36. RELATED PARTY TRANSACTIONS (CONTINUED)

b) Balances with related parties

	As at 31 March 2023 RMB'000	As at 31 March 2022 RMB'000
Trade receivables (Note 18)		
— Joint ventures of the Group	**4,496**	4,694
Other financial assets at amortised cost (Note 19)		
Current portion		
— Associates of the Group	**12,824**	9,903
— Management personnel	**—**	242,453
— Provision	**(1,960)**	(20)
Non-current portion		
— Management personnel	**225,061**	—
Accruals and other payables (Note 28)		
— Joint ventures of the Group	**9,750**	10,937

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 2023 RMB'000	For the year ended 31 March 2022 RMB'000
Salaries, bonus and other welfares	**9,052**	9,406
Share-based compensation	**(4,885)**	4,885
Pension — defined contribution plans	**178**	164
	4,345	14,455

37. EVENTS OCCURRING AFTER THE REPORTING PERIOD

There were no material subsequent events during the period from 1 April 2023 to the approval date of these consolidated financial statements by the Board on 21 June 2023.

38. BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

Balance Sheet of the Company

	As at 31 March 2023 RMB'000	As at 31 March 2022 RMB'000
ASSETS		
Non-current assets		
Interests in subsidiaries	**10,184,515**	10,191,673
Financial assets at fair value through profit or loss	**41,446**	85,722
	10,225,961	10,277,395
Current assets		
Other financial assets at amortised cost	**5,896**	4,819
Amounts due from subsidiaries	**787,416**	329,515
Cash and cash equivalents	**22,671**	44,144
	815,983	378,478
Total assets	**11,041,944**	10,655,873
EQUITY		
Share capital and share premium (Note 23)	**1,091,344**	1,091,344
Reserves (Note (a))	**9,551,193**	9,176,564
Total equity	**10,642,537**	10,267,908
LIABILITIES		
Current liabilities		
Amounts due to subsidiaries	**399,230**	387,761
Accruals and other payables	**177**	204
Total liabilities	**399,407**	387,965
Total equity and liabilities	**11,041,944**	10,655,873

The balance sheet of the Company was approved by the Board of Directors on 21 June 2023 and was signed on its behalf:

CHEN YIHONG
Executive Director & Chairman

CHEN CHEN
Executive Director & Co-Chairman

38. BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY (CONTINUED)

(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 31 March 2021	10,059,941	3,670	(558,794)	75,070	9,579,887
Change in accounting policy	—	—	558,794	(558,794)	—
Restated balance at 31 March 2021	10,059,941	3,670	—	(483,724)	9,579,887
At 1 April 2021	10,059,941	3,670	—	(483,724)	9,579,887
Loss for the period	—	—	—	(114,563)	(114,563)
Share-based compensations	—	13,285	—	—	13,285
Transfer of fair value of share options exercised to share premium	—	(295)	—	—	(295)
Dividend paid	—	—	—	(301,750)	(301,750)
At 31 March 2022	10,059,941	16,660	—	(900,037)	9,176,564
At 1 April 2022	**10,059,941**	**16,660**	**—**	**(900,037)**	**9,176,564**
Profit for the period	**—**	**—**	**—**	**457,950**	**457,950**
Share-based compensations	**—**	**(14,174)**	**—**	**—**	**(14,174)**
Dividend paid	**—**	**—**	**—**	**(69,147)**	**(69,147)**
At 31 March 2023	**10,059,941**	**2,486**	**—**	**(511,234)**	**9,551,193**

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 2023:

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 contribution to a retirement benefit scheme RMB'000	Remuneration paid or receivable in respect of accepting office as director Total RMB'000
Year ended 31 March 2023						
Mr. Chen Yihong	163	1,486	189	—	—	1,838
Ms. Chen Chen	163	1,915	88	84	59	2,309
Mr. Zhang Zhiyong	163	1,546	—	—	—	1,709
Mr. Lyu Guanghong	163	713	40	84	59	1,059
Mr. Chen Guogang	186	—	—	—	—	186
Mr. Gao Yu	186	—	—	—	—	186
Mr. Liu Xiaosong	186	—	—	—	—	186
	1,210	5,660	317	168	118	7,473

39. BENEFIT AND INTERESTS OF DIRECTORS (CONTINUED)

a. Directors' emoluments (Continued)

Name of Director	Fees RMB'000	Salary RMB'000	Discretionary bonuses RMB'000	Estimated money value of other benefits RMB'000	Employer's contribution to a retirement benefit scheme RMB'000	Remuneration paid or receivable in respect of accepting office as director Total RMB'000
Year ended 31 March 2022						
Mr. Chen Yihong	160	1,717	—	—	—	1,877
Ms. Chen Chen	160	1,490	—	77	53	1,780
Mr. Zhang Zhiyong	160	2,815	—	—	4	2,979
Mr. Lyu Guanghong	160	790	—	77	53	1,080
Mr. Chen Guogang	182	—	—	—	—	182
Mr. Gao Yu	182	—	—	—	—	182
Mr. Liu Xiaosong	182	—	—	—	—	182
	1,186	6,812	—	154	110	8,262

Notes:

i. Discretionary bonuses paid for the year ended 31 March 2023 represent the amounts in connection with the performance bonuses for the year ended 31 March 2023.

ii. 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 2023 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 (Year ended 31 March 2022: 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 2023 (Year ended 31 March 2022: Nil).

39. BENEFIT AND INTERESTS OF DIRECTORS (CONTINUED)

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 2023 (Year ended 31 March 2022: Nil).

e. Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors

There are loans in favour of Mr. Zhang Zhiyong (the CEO) and Mr. Lyu Guanghong (the CFO) during the year ended 31 March 2023 and the year ended 31 March 2022.

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 2023 (Yea ended 31 March 2022: Nil).

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

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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 2023.

Final Dividend

The Company has paid an interim dividend for the six months ended 30 September 2022 of RMB1.17 cent per ordinary share, with a total amount of RMB68,884,000.

The Board of the Company has recommended the distribution of a final dividend of RMB0.49 cents per ordinary share for the twelve months ended 31 March 2023.

The final dividend, subject to approval by the shareholders of the Company at the annual general meeting to be held on 16 August 2023, will be paid in Hong Kong Dollars based on the rate of HKD1.00 = RMB0.91610 being the official exchange rate of Hong Kong dollars against Renminbi as quoted by the People's Bank of China on 20 June 2023. The dividend will be paid on or about 7 September 2023 to shareholders whose names appear on the register of members of the Company on 25 August 2023.

Closure of Register of Members for the Entitlement of Final Dividend

The Register of Members of the Company will be closed from 23 August 2023 to 25 August 2023 (both days inclusive), for the purpose of determining shareholders' entitlements to the 2022/2023 final dividend. In order to qualify for the 2022/2023 final 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 22 August 2023.

Annual General Meeting ("AGM")

The AGM of the Company will be held in Beijing on 16 August 2023. 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 11 August 2023 to 16 August 2023 (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 10 August 2023.

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

21 June 2023

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