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江南布衣⁺

JNBY Design Limited

江南布衣有限公司

(Incorporated in the Cayman Islands with limited liability)

(stock code: 3306)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED DECEMBER 31, 2016

FINANCIAL SUMMARY

| | For the six months ended | | Increase/ (decrease)% |
|--|---------------------------------|-------------------------------|---------------------------|
| | December 31, 2016 RMB'000 | 2015 RMB'000 | |
| Financial summary | | | |
| Revenue | 1,310,405 | 1,070,753 | 22.4% |
| Gross profit | 843,475 | 669,952 | 25.9% |
| Operating profit | 321,671 | 263,506 | 22.1% |
| Net profit | 227,932 | 183,847 | 24.0% |
| Net cash flows generated from operating activities | 264,395 | 217,105 | 21.8% |
| Basic earnings per share (RMB) | 0.54 | 0.47 | |
| Diluted earnings per share (RMB) | 0.52 | 0.47 | |
| Financial Ratios | | | |
| Gross profit margin | 64.4% | 62.6% | |
| Operating profit ratio | 24.5% | 24.6% | |
| Net profit margin | 17.4% | 17.2% | |
| | | As of December 31, 2016 | As of June 30, 2016 |
| Liquidity Ratios | | | |
| Trade receivables turnover days | | 15.9 | 14.3 |
| Trade and bills payables turnover days | | 57.7 | 50.3 |
| Inventory turnover days | | 197.9 | 213.3 |
| Capital Ratios | | | |
| Debt to assets ratio | | 38.4% | 71.0% |

Note: Debt to assets ratio = Total liabilities/Total assets

The board of directors (the “**Board**”) of JNBY Design Limited (the “**Company**”) is pleased to announce the unaudited condensed consolidated interim results of our Company and its subsidiaries (the “**Group**”) for the six months ended December 31, 2016, together with the figures for the same period of the last fiscal year, as follows:

CONDENSED CONSOLIDATED BALANCE SHEET
AS AT DECEMBER 31, 2016

| | <i>Note</i> | Unaudited December 31, 2016 RMB’000 | Audited June 30, 2016 RMB’000 |
|---|-------------|--|--|
| ASSETS | | | |
| Non-current assets | | | |
| Property, plant and equipment | 7 | 44,528 | 33,649 |
| Land use rights | 8 | 49,870 | 50,386 |
| Intangible assets | 9 | 5,894 | 5,003 |
| Prepayments, deposits and other receivables | 13 | 7,136 | 5,795 |
| Deferred income tax assets | 10 | 80,537 | 61,505 |
| | | <hr/> | <hr/> |
| Total non-current assets | | 187,965 | 156,338 |
| Current assets | | | |
| Inventories | 11 | 587,942 | 438,686 |
| Trade receivables | 12 | 153,160 | 77,801 |
| Prepayments, deposits and other receivables | 13 | 111,991 | 132,486 |
| Amounts due from related parties | 27(b) | 12,717 | 14,008 |
| Terms deposits with initial terms over 3 months | | 471,716 | – |
| Restricted cash | 14 | – | 7,671 |
| Cash and cash equivalents | 14 | 364,249 | 167,523 |
| | | <hr/> | <hr/> |
| Total current assets | | 1,701,775 | 838,175 |
| | | <hr/> | <hr/> |
| Total assets | | 1,889,740 | 994,513 |
| | | <hr/> <hr/> | <hr/> <hr/> |

CONDENSED CONSOLIDATED BALANCE SHEET (CONTINUED)

| | <i>Note</i> | Unaudited December 31, 2016 RMB'000 | Audited June 30, 2016 RMB'000 |
|---|-------------|--|--|
| EQUITY | | | |
| Equity attributable to shareholders of the Company | | | |
| Share capital | 15 | 4,622 | 16 |
| Shares held for Restricted share units (“RSU”) Scheme | 15 | (95) | – |
| Share premium | 15 | 628,514 | – |
| Other reserves | 16 | 136,442 | 96,984 |
| Retained earnings | | 395,309 | 190,942 |
| | | <u>1,164,792</u> | <u>287,942</u> |
| Total equity | | <u>1,164,792</u> | <u>287,942</u> |
| LIABILITIES | | | |
| Non-current liabilities | | | |
| Deferred income tax liabilities | 10 | 9,058 | 8,500 |
| Current liabilities | | | |
| Trade and bills payables | 18 | 188,882 | 110,663 |
| Deferred revenue | | 20,270 | 14,090 |
| Accruals and other current liabilities | 19 | 437,098 | 327,519 |
| Amounts due to related parties | 27(b) | 5,119 | 9,294 |
| Current income tax liabilities | | 64,521 | 6,505 |
| Dividend payables | 25 | – | 230,000 |
| | | <u>715,890</u> | <u>698,071</u> |
| Total current liabilities | | <u>715,890</u> | <u>698,071</u> |
| Total liabilities | | <u>724,948</u> | <u>706,571</u> |
| Total equity and liabilities | | <u>1,889,740</u> | <u>994,513</u> |

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED DECEMBER 31, 2016

| | | Unaudited | |
|---|-------------|-------------------------|----------------|
| | | Six months ended | |
| | | December 31, | |
| | | 2016 | 2015 |
| | <i>Note</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| Revenue | 6 | 1,310,405 | 1,070,753 |
| Cost of sales | 20 | (466,930) | (400,801) |
| Gross profit | | 843,475 | 669,952 |
| Selling and marketing expenses | 20 | (445,056) | (346,585) |
| Administrative expenses | 20 | (96,604) | (66,183) |
| Other income and gains, net | 21 | 19,856 | 6,322 |
| Operating profit | | 321,671 | 263,506 |
| Finance income | 22 | 3,229 | 577 |
| Finance costs | 22 | (1,016) | (2,518) |
| Finance income/(costs), net | | 2,213 | (1,941) |
| Profit before income tax | | 323,884 | 261,565 |
| Income tax expense | 23 | (95,952) | (77,718) |
| Profit for the period | | 227,932 | 183,847 |
| Other comprehensive income | | | |
| <i>Items that may be reclassified subsequently to profit or loss:</i> | | | |
| Currency translation differences | | 13,077 | (784) |
| Total comprehensive income for the period | | 241,009 | 183,063 |
| Profit attributable to: | | | |
| Shareholders of the Company | | 227,932 | 183,847 |
| Total comprehensive income attributable to: | | | |
| Shareholders of the Company | | 241,009 | 183,063 |
| Earnings per share (expressed in RMB per share) | | | |
| – Basic | 24 | 0.54 | 0.47 |
| – Diluted | 24 | 0.52 | 0.47 |

CONDENSED CONSOLIDATED STATEMENT OF CHANGE IN EQUITY
FOR THE SIX MONTHS ENDED DECEMBER 31, 2016

| | | Unaudited Attributable to shareholders of the Company | | | | | |
|---|------------------------------------|--|---------------------------------|-------------------------------------|--|-------------------------|--|
| | | Shares held for | | | | | |
| Note | Share capital <i>RMB'000</i> | Share Premium <i>RMB'000</i> | RSU Scheme <i>RMB'000</i> | Other reserves <i>RMB'000</i> | Retained earnings <i>RMB'000</i> | Total <i>RMB'000</i> | |
| | 16 | - | - | 96,984 | 190,942 | 287,942 | |
| Comprehensive income | | | | | | | |
| | - | - | - | - | 227,932 | 227,932 | |
| Other comprehensive Income | | | | | | | |
| Currency translation differences | - | - | - | 13,077 | - | 13,077 | |
| | - | - | - | 13,077 | 227,932 | 241,009 | |
| Transactions with shareholders | | | | | | | |
| Profit appropriations to statutory reserves | - | - | - | 23,565 | (23,565) | - | |
| Share-based compensation | - | - | - | 2,816 | - | 2,816 | |
| Issuance of ordinary shares | 4,606 | 628,514 | (95) | - | - | 633,025 | |
| | 4,606 | 628,514 | (95) | 26,381 | (23,565) | 635,841 | |
| | 4,622 | 628,514 | (95) | 136,442 | 395,309 | 1,164,792 | |

CONDENSED CONSOLIDATED STATEMENT OF CHANGE IN EQUITY (CONTINUED)
FOR THE SIX MONTHS ENDED DECEMBER 31, 2016

| | | Unaudited | | | |
|--|-------------|---|-------------------------------------|--|-------------------------|
| | | Attributable to shareholders of the Company | | | |
| | <i>Note</i> | Share capital <i>RMB'000</i> | Other reserves <i>RMB'000</i> | Retained earnings <i>RMB'000</i> | Total <i>RMB'000</i> |
| Balance at July 1, 2015 | | <u>16</u> | <u>54,614</u> | <u>444,824</u> | <u>499,454</u> |
| Comprehensive income | | | | | |
| Profit for the period | | – | – | 183,847 | 183,847 |
| Other comprehensive Income | | | | | |
| Currency translation differences | <i>16</i> | <u>–</u> | <u>(784)</u> | <u>–</u> | <u>(784)</u> |
| Total comprehensive income | | <u>–</u> | <u>(784)</u> | <u>183,847</u> | <u>183,063</u> |
| Transactions with shareholders | | | | | |
| Profit appropriations to statutory reserves | <i>16</i> | – | 9,269 | (9,269) | – |
| Share-based compensation | | – | 5,478 | – | 5,478 |
| Dividend | <i>25</i> | <u>–</u> | <u>–</u> | <u>(154,322)</u> | <u>(154,322)</u> |
| Total transactions with shareholders | | <u>–</u> | <u>14,747</u> | <u>(163,591)</u> | <u>(148,844)</u> |
| Balance at December 31, 2015 | | <u><u>16</u></u> | <u><u>68,577</u></u> | <u><u>465,080</u></u> | <u><u>533,673</u></u> |

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED DECEMBER 31, 2016

| | | Unaudited | |
|---|-------------|-------------------------|----------------|
| | | Six months ended | |
| | | December 31, | |
| | | 2016 | 2015 |
| | <i>Note</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| Cash flows from operating activities | | | |
| Cash generated from operations | | 320,805 | 268,447 |
| Income tax paid | | (56,410) | (51,342) |
| | | <hr/> | <hr/> |
| Net cash generated from operating activities | | 264,395 | 217,105 |
| Cash flows from investing activities | | | |
| Purchase of property, plant and equipment | | (23,174) | (17,097) |
| Purchase of intangible assets | | (1,227) | (422) |
| Proceeds from disposals of property, plant and equipment | | 775 | 837 |
| Repayments of loans received from a related party | | – | 111,000 |
| Cash designated for restriction | | (27,362) | (7,688) |
| Cash released from restriction | | 35,033 | 9,057 |
| Income received from structured investment products | | 29 | 83 |
| Interest received | | 3,229 | 2,019 |
| Payment of term deposits with initial term of over 3 months | | (471,716) | – |
| | | <hr/> | <hr/> |
| Net cash (used in)/generated from investing activities | | (484,413) | 97,789 |
| Cash flows from financing activities | | | |
| Proceeds from issuance of ordinary shares | | 647,614 | – |
| Proceeds from bank borrowings | | 100,000 | 24,986 |
| Repayments of bank borrowings | | (100,000) | (132,116) |
| Repayments of borrowings from the controlling shareholders of the Company | | – | (30,720) |
| Interest paid | | (1,016) | (2,734) |
| Dividends paid | 25 | (230,000) | (154,322) |
| Payment to non-controlling interests for liquidation of a subsidiary | | – | (487) |
| | | <hr/> | <hr/> |
| Net cash generated from/(used in) financing activities | | 416,598 | (295,393) |
| Net increase in cash and cash equivalents | | | |
| Cash and cash equivalents at beginning of the period | 14 | 167,523 | 154,981 |
| Exchange gains on cash and cash equivalents | | 146 | 70 |
| | | <hr/> | <hr/> |
| Cash and cash equivalents at end of the period | 14 | 364,249 | 174,552 |
| | | <hr/> <hr/> | <hr/> <hr/> |

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1. GENERAL INFORMATION

JNBY Design Limited (the “Company”) was incorporated in the Cayman Islands on November 26, 2012 as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) 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. Pursuant to the resolution passed by the board of directors on June 8, 2016, the Company changed its name from Croquis Investment Limited to JNBY Design Limited.

The Company and its subsidiaries (collectively, the “Group”) are primarily engaged in the design, marketing and sales of fashion apparel, accessory products and household goods in the People’s Republic of China (the “PRC”) and overseas.

The Company completed its initial public offering and listed its shares on the Main Board of The Stock Exchange of Hong Kong Limited on October 31, 2016 (the “Listing”).

This condensed consolidated interim financial information is presented in Renminbi (“RMB”), unless otherwise stated. This condensed consolidated interim financial information was approved by the board of directors of the Company for issue on February 23, 2017.

This condensed consolidated interim financial information has not been audited.

2. BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended December 31, 2016 has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34, ‘Interim financial reporting’. The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended June 30, 2016 as set out in the prospectus dated October 19, 2016, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

3. ACCOUNTING POLICIES

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended June 30, 2016, as described in those annual financial statements.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

Amendments to HKFRSs effective for the financial year ending June 30, 2017 do not have a material impact on the Group.

A number of new standards and amendments to standards and interpretations have been issued but not yet effective for the financial year ending on June 30, 2017, and have not been applied in preparing this condensed consolidated interim financial information. None of these are expected to have a significant effect on the condensed consolidated interim financial information of the Group.

4. ESTIMATES

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

In preparing this condensed consolidated interim financial information, the significant judgements made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended June 30, 2016.

5. FINANCIAL RISK MANAGEMENT

5.1 Financial risk factors

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

The condensed consolidated interim financial information do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at June 30, 2016.

There have been no changes in the risk management policies since June 30, 2016.

5.2 Liquidity risk

The Group aims to maintain sufficient cash and cash equivalents. Due to the dynamic nature of the underlying businesses, the Group's finance department maintains flexibility in funding by maintaining adequate cash and cash equivalents.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining year at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

| | Within 1 year RMB'000 | More than 1 year RMB'000 |
|--|--------------------------------------|---|
| As at December 31, 2016 | | |
| Trade and bills payables | 188,190 | 692 |
| Amounts due to related parties | 5,119 | – |
| Accruals and other current liabilities | 199,701 | – |
| | <u>393,010</u> | <u>692</u> |
| As at June 30, 2016 | | |
| Dividend payables | 230,000 | – |
| Trade and bills payables | 94,387 | 935 |
| Amounts due to related parties | 9,294 | – |
| Accruals and other current liabilities | 124,053 | – |
| | <u>457,734</u> | <u>935</u> |

5.3 Fair value estimation

Financial instruments are carried at fair value by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorised into three levels within a fair value hierarchy as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The fair values of the following financial assets and liabilities approximate their carrying amount:

- Prepayments, deposits and other receivables
- Trade receivables
- Amounts due from related parties
- Restricted cash
- Trade and bills payables
- Deferred revenue
- Accruals and other current liabilities
- Amounts due to related parties

6. SEGMENT INFORMATION

The Group operates as four operating segments. The operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker (the “CODM”).

The Group is principally engaged in designing, marketing and selling apparel, accessory products and household goods. Over 99% of its revenue are derived in the PRC during the interim periods.

Management has determined the operating segments based on the information reviewed by the executive directors for the purposes of allocating resources and assessing performance. The executive directors consider the business from both a geographic and product perspective. Geographically, the executive directors consider the performance in the PRC and overseas. From a product perspective, the executive directors separately consider the product lines for women, men, children and teenagers, and household goods in these geographies. Management assesses the performance of the operating segments based on operating profit.

| | Six months ended December 31, 2016 | | | | |
|---------------------------------|------------------------------------|-----------------------|--|--------------------------------------|-------------------------|
| | Women <i>RMB'000</i> | Men <i>RMB'000</i> | Children and teenagers <i>RMB'000</i> | Household goods <i>RMB'000</i> | Total <i>RMB'000</i> |
| Revenue | | | | | |
| The PRC | 864,292 | 271,347 | 166,594 | 414 | 1,302,647 |
| Overseas | 6,506 | 1,103 | 149 | – | 7,758 |
| Revenue from external customers | <u>870,798</u> | <u>272,450</u> | <u>166,743</u> | <u>414</u> | <u>1,310,405</u> |
| Segment gross profit/(loss) | <u>555,461</u> | <u>187,499</u> | <u>100,556</u> | <u>(41)</u> | <u>843,475</u> |
| Segment operating profit/(loss) | <u>290,340</u> | <u>102,134</u> | <u>37,833</u> | <u>(2,692)</u> | <u>427,615</u> |
| Unallocated expense | | | | | (125,800) |
| Other gains, net | | | | | <u>19,856</u> |
| Total operating profit | | | | | <u><u>321,671</u></u> |

| | Six months ended December 31, 2015 | | | | |
|---------------------------------|------------------------------------|----------------|---|-------------------------------|------------------|
| | Women RMB'000 | Men RMB'000 | Children and teenagers RMB'000 | Household goods RMB'000 | Total RMB'000 |
| Revenue | | | | | |
| The PRC | 754,107 | 202,386 | 104,466 | – | 1,060,959 |
| Overseas | 8,880 | 695 | 219 | – | 9,794 |
| Revenue from external customers | 762,987 | 203,081 | 104,685 | – | 1,070,753 |
| Segment gross profit | 470,799 | 138,280 | 60,873 | – | 669,952 |
| Segment operating profit | 245,966 | 66,740 | 20,217 | – | 332,923 |
| Unallocated expense | | | | | (75,739) |
| Other gains, net | | | | | 6,322 |
| Total operating profit | | | | | 263,506 |

7. PROPERTY, PLANT AND EQUIPMENT

| | Office equipment and others RMB'000 | Machinery RMB'000 | Motor vehicles RMB'000 | Leasehold improvements RMB'000 | Construction- in-progress RMB'000 | Total RMB'000 |
|--|--|----------------------|------------------------------|--------------------------------------|---|------------------|
| Six months ended | | | | | | |
| December 31, 2016 | | | | | | |
| Opening net book value as at July 1, 2016 | 6,181 | 1,898 | 1,963 | 21,653 | 1,954 | 33,649 |
| Additions | 2,330 | 317 | 103 | 22,038 | 1,370 | 26,158 |
| Depreciation | (1,253) | (109) | (416) | (12,709) | – | (14,487) |
| Disposals | (21) | – | – | (771) | – | (792) |
| Closing net book value | 7,237 | 2,106 | 1,650 | 30,211 | 3,324 | 44,528 |
| As at December 31, 2016 | | | | | | |
| Cost | 19,940 | 2,626 | 4,816 | 108,089 | 3,324 | 138,795 |
| Accumulated depreciation | (12,703) | (520) | (3,166) | (77,878) | – | (94,267) |
| Net book value | 7,237 | 2,106 | 1,650 | 30,211 | 3,324 | 44,528 |
| Six months ended | | | | | | |
| December 31, 2015 | | | | | | |
| Opening net book value as at July 1, 2015 | 5,820 | 1,490 | 2,382 | 16,148 | 1,380 | 27,220 |
| Additions | 2,076 | 702 | 514 | 20,668 | 12 | 23,972 |
| Depreciation | (1,744) | (76) | (412) | (11,975) | – | (14,207) |
| Disposals | (471) | (160) | (97) | (274) | – | (1,002) |
| Closing net book value | 5,681 | 1,956 | 2,387 | 24,567 | 1,392 | 35,983 |
| As at December 31, 2015 | | | | | | |
| Cost | 15,596 | 2,336 | 4,713 | 78,423 | 1,392 | 102,460 |
| Accumulated depreciation | (9,915) | (380) | (2,326) | (53,856) | – | (66,477) |
| Net book value | 5,681 | 1,956 | 2,387 | 24,567 | 1,392 | 35,983 |

8. LAND USE RIGHTS

| | Six months ended December 31, | |
|----------------------------------|--|----------------|
| | 2016 | 2015 |
| | <i>RMB'000</i> | <i>RMB'000</i> |
| Net book value as at July 1 | 50,386 | 23,108 |
| Amortisation charges | (516) | (237) |
| | <hr/> | <hr/> |
| Net book value as at December 31 | <u>49,870</u> | <u>22,871</u> |

The Group's land use rights are located in Hangzhou, the PRC, and with an original lease period of 50 years.

9. INTANGIBLE ASSETS

| | Computer software <i>RMB'000</i> |
|--|---|
| Six months ended December 31, 2016 | |
| Opening net book value as at July 1, 2016 | 5,003 |
| Additions | 1,227 |
| Amortisation charge | (336) |
| | <hr/> |
| Closing net book value as at December 31, 2016 | <u>5,894</u> |
| As at December 31, 2016 | |
| Cost | 7,864 |
| Accumulated amortisation | (1,970) |
| | <hr/> |
| Net book value | <u>5,894</u> |
| Six months ended December 31, 2015 | |
| Opening net book value as at July 1, 2015 | 4,399 |
| Additions | 422 |
| Amortisation charge | (277) |
| | <hr/> |
| Closing net book value as at December 31, 2015 | <u>4,544</u> |
| As at December 31, 2015 | |
| Cost | 5,863 |
| Accumulated amortisation | (1,319) |
| | <hr/> |
| Net book value | <u>4,544</u> |

10. DEFERRED INCOME TAX

The analysis of deferred income tax assets and deferred income tax liabilities is as follows:

| | As at December 31, 2016 RMB'000 | As at June 30, 2016 RMB'000 |
|---|--|--|
| Deferred income tax assets: | | |
| – to be recovered after more than 12 months | 30,412 | 28,524 |
| – to be recovered within 12 months | <u>50,125</u> | <u>32,981</u> |
| | <u>80,537</u> | <u>61,505</u> |
| Deferred income tax liabilities: | | |
| – to be recovered within 12 months | <u>9,058</u> | <u>8,500</u> |
| Deferred income tax assets – net | <u><u>71,479</u></u> | <u><u>53,005</u></u> |

The gross movement of the deferred income tax assets is as follows:

| | Six months ended December 31, 2016 RMB'000 | 2015 RMB'000 |
|---|---|-------------------------|
| Opening balance as at July 1 | 61,505 | 40,202 |
| Credited in the consolidated statements of comprehensive income | <u>19,032</u> | <u>19,360</u> |
| Closing balance as at December 31 | <u><u>80,537</u></u> | <u><u>59,562</u></u> |

The gross movement of the deferred income tax liabilities is as follows:

| | Six months ended December 31, 2016 RMB'000 | 2015 RMB'000 |
|--|---|-------------------------|
| Opening balance as at July 1 | 8,500 | 13,925 |
| Debited in the consolidated statements of comprehensive income | 9,058 | 9,645 |
| Transferred to tax payables | <u>(8,500)</u> | <u>(8,158)</u> |
| Closing balance as at December 31 | <u><u>9,058</u></u> | <u><u>15,412</u></u> |

11. INVENTORIES

| | As at December 31, 2016 <i>RMB'000</i> | As at June 30, 2016 <i>RMB'000</i> |
|-----------------------------------|---|---|
| Finished goods | 578,064 | 409,518 |
| Raw materials | 44,508 | 67,283 |
| Commissioned processing materials | 84,719 | 69,646 |
| Less: provision | <u>(119,349)</u> | <u>(107,761)</u> |
| | <u>587,942</u> | <u>438,686</u> |

For the six months ended December 31, 2016, the cost of inventories recognised as “cost of sales” amounted to approximately RMB454,545,000 (The six months ended December 31, 2015: RMB386,486,000).

Movements of provision for inventories are analysed as follows:

| | Six months ended December 31, 2016 <i>RMB'000</i> | 2015 <i>RMB'000</i> |
|--|--|------------------------|
| Opening balance as at 1 July | 107,761 | 56,668 |
| Addition of provision for inventories to net realised value included in “cost of sales” | 21,353 | 20,753 |
| Reversal of provision for inventories | <u>(9,765)</u> | <u>–</u> |
| Closing balance as at 31 December | <u>119,349</u> | <u>77,421</u> |

12. TRADE RECEIVABLES

| | As at December 31, 2016 <i>RMB'000</i> | As at June 30, 2016 <i>RMB'000</i> |
|--------------------------------|---|---|
| Trade receivables | 162,226 | 85,670 |
| Less: provision for impairment | <u>(9,066)</u> | <u>(7,869)</u> |
| | <u>153,160</u> | <u>77,801</u> |

The ageing analysis of gross trade receivables based on invoice date at the respective balance sheet dates was as follows:

| | As at December 31, 2016 <i>RMB'000</i> | As at June 30, 2016 <i>RMB'000</i> |
|----------------------|---|---|
| Within 3 months | 151,303 | 76,384 |
| 3 months to 6 months | 3,710 | 2,120 |
| 6 months to 1 year | 957 | 1,791 |
| Over 1 year | <u>6,256</u> | <u>5,375</u> |
| | <u>162,226</u> | <u>85,670</u> |

13. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

| | As at December 31, 2016 RMB'000 | As at June 30, 2016 RMB'000 |
|--------------------------------|--|--------------------------------------|
| Long-term prepayments | | |
| Long-term prepaid expenses | 7,136 | 5,795 |
| Current assets | | |
| Deposits and other receivables | 77,256 | 62,466 |
| Prepaid expenses | 17,371 | 13,438 |
| Prepayment to suppliers | 17,104 | 49,343 |
| Value added tax recoverable | 183 | 6,134 |
| Staff advances | 77 | 106 |
| Prepayment of listing expense | - | 999 |
| | <u>111,991</u> | <u>132,486</u> |
| | <u>119,127</u> | <u>138,281</u> |

14. CASH AND BANK BALANCE

| | As at December 31, 2016 RMB'000 | As at June 30, 2016 RMB'000 |
|---------------------------|--|--------------------------------------|
| Current | | |
| Cash and cash equivalents | 364,249 | 167,523 |
| Restricted cash | - | 7,671 |
| | <u>364,249</u> | <u>175,194</u> |

Restricted cash as at June 30, 2016 represented guarantee deposits pledged to bank for issuance of bills payables and funds restricted voluntarily for guarantee of contract performance.

15. SHARE CAPITAL, SHARE PREMIUM AND SHARES HELD FOR RSU SCHEME

| | Number of shares authorised | Number of shares issued | Share capital RMB'000 | Share premium RMB'000 | Shares held for RSU Scheme(d) RMB'000 | Subtotal RMB'000 |
|---|-----------------------------------|-------------------------------|-----------------------------|-----------------------------|---|---------------------|
| As at July 1, 2016 | 1,000,000,000 | 1,950,000 | 16 | - | - | 16 |
| Capitalisation of share premium (a) | - | 398,050,000 | 3,567 | (3,472) | (95) | - |
| Issuance of ordinary shares upon IPO (b) | - | 118,750,000 | 1,039 | 663,627 | - | 664,666 |
| Share issuance cost (c) | - | - | - | (31,641) | - | (31,641) |
| | <u>1,000,000,000</u> | <u>518,750,000</u> | <u>4,622</u> | <u>628,514</u> | <u>(95)</u> | <u>633,041</u> |

| | Number of shares authorised | Number of shares issued | Share capital <i>RMB'000</i> |
|--|--------------------------------|----------------------------|---------------------------------|
| As at July 1, 2015 and December 31, 2015 | <u>50,000</u> | <u>2,500</u> | <u>16</u> |

The Company was incorporated on November 26, 2012 in the Cayman Islands with an initial authorised share capital of US\$50,000 divided into 50,000 shares with a par value of US\$1 each, of which 2,500 shares have been issued and fully paid in cash.

Pursuant to a resolution passed by the shareholders on June 9, 2016, the authorised share capital of the Company was increased creation of 1,000,000,000 ordinary shares of par value of HK\$0.01 each.

- (a) Pursuant to a resolution passed by the shareholders on October 13, 2016, the Company issued additional 398,050,000 shares at a par value of HK\$0.01 each to the then registered shareholders of the Company in proportion to their then shareholdings immediately before the listing of the Company's shares on October 31, 2016, by capitalisation of share premium of HK\$3,980,500 ("Capitalisation").
- (b) On October 31, 2016, upon the Company's IPO on the Main Board of The Stock Exchange of Hong Kong Limited, the Company issued 100,000,000 new ordinary shares at par value of HK\$0.01 per share at an issue price of HK \$6.4 each. On November 18, 2016, the Company issued 18,750,000 additional new ordinary shares at par value of HK\$0.01 per share at an issue price of HK\$6.4 each to cover over-allotment in the global offering.
- (c) Share issuance cost mainly included fees for underwriting commission, legal counsels, and reporting accountant and other related costs. Incremental costs that were directly attributable to the issue of the new ordinary shares, amounting to RMB31,641,000 was treated as a deduction from share premium. Other share issuance costs which were not directly attributable to the issue of the new ordinary shares amounting to RMB33,168,000 were recognized as expenses in the consolidated income statement.
- (d) As at December 31, 2016, an aggregate of 11,436,040 shares of the Company have been granted to the senior management and selected employees under RSU scheme (Note 17). The ordinary shares held for RSU scheme amounting to RMB95,000 was recorded as a deduction from shareholders' equity as the directors are of the view that such shares are within the Company's control until the shares are vested unconditionally to the participants and hence are considered as treasury shares in substance.

16. OTHER RESERVES

| | Statutory reserves <i>RMB'000</i> | Share-based compensation reserve <i>RMB'000</i> | Currency translation differences <i>RMB'000</i> | Merger reserve <i>RMB'000</i> | Total <i>RMB'000</i> |
|---|---|--|--|-------------------------------------|-------------------------|
| As at July 1, 2016 | 71,838 | 22,537 | 4,208 | (1,599) | 96,984 |
| Appropriation to statutory reserves (a) | 23,565 | - | - | - | 23,565 |
| Share based compensation (<i>Note 17</i>) | - | 2,816 | - | - | 2,816 |
| Currency translation differences | - | - | 13,077 | - | 13,077 |
| As at December 31, 2016 | <u>95,403</u> | <u>25,353</u> | <u>17,285</u> | <u>(1,599)</u> | <u>136,442</u> |
| As at July 1, 2015 | 42,391 | 11,579 | 2,243 | (1,599) | 54,614 |
| Appropriation to statutory reserves (a) | 9,269 | - | - | - | 9,269 |
| Share based compensation (<i>Note 17</i>) | - | 5,478 | - | - | 5,478 |
| Currency translation differences | - | - | (784) | - | (784) |
| As at December 31, 2015 | <u>51,660</u> | <u>17,057</u> | <u>1,459</u> | <u>(1,599)</u> | <u>68,577</u> |

- (a) In accordance with the respective articles of association and board resolutions, certain subsidiaries of the Group incorporated in the PRC appropriate certain percentage of the annual statutory net profits, after offsetting any prior year losses as determined under the PRC accounting standards, to the statutory surplus reserve fund before distributing any dividends. The statutory surplus reserve fund can be used to offset prior year losses, if any, and may be converted into paid-in capital. For the six months ended December 31, 2016 and 2015, approximately RMB23,565,000 and RMB9,269,000 were appropriated from retained earnings to the statutory surplus reserve fund, respectively.

17. SHARE-BASED PAYMENTS

The Company adopted the RSU scheme, under which the board of directors may grant RSUs to any qualifying participants, subject to the terms and conditions stipulated therein.

Movements in the number of outstanding RSUs are as follows:

| | Number of RSUs |
|--------------------------------|--------------------------|
| As at July 1, 2016 | 11,776,040 |
| Granted (a) | 80,000 |
| Forfeited (b) | <u>(420,000)</u> |
| As at December 31, 2016 | <u>11,436,040</u> |

The fair value of RSUs was calculated based on the fair value of underlying ordinary shares as at the grant date.

Before the Company consummated its IPO on the Main Board of The Stock Exchange of Hong Kong Limited, the directors used the discounted cash flow method to determine the fair value of the underlying equity of the Group and adopted equity allocation method to determine the fair value of the underlying ordinary share. Key assumptions, such as discount rate and projections of future performance, are required to be determined by the directors with best estimates.

Upon the consummation of the IPO, the fair value of the underlying ordinary shares was calculated based on the market price of the Company's shares at the respective grant date.

- (a) On December 15, 2016, 80,000 RSUs were granted to a selected employee, of which 25%, 25%, 25% and 25% shall be vested within two months after June 30, 2017, 2018, 2019 and 2020, respectively.
- (b) 420,000 RSUs were lapsed during the six months ended December 31, 2016 as a result of the termination of employment of relevant employees.

As at December 31, 2016, none of the vested RSUs were exercised.

18. TRADE AND BILLS PAYABLES

| | As at December 31, 2016 RMB'000 | As at June 30, 2016 RMB'000 |
|----------------|--|--------------------------------------|
| Trade payables | 188,882 | 95,322 |
| Bills payables | <u>—</u> | <u>15,341</u> |
| | <u>188,882</u> | <u>110,663</u> |

Ageing analysis of trade payables as at December 31, 2016 and June 30, 2016 was as follows:

| | As at December 31, 2016 RMB'000 | As at June 30, 2016 RMB'000 |
|--------------------|--|--------------------------------------|
| Within 6 months | 185,354 | 92,852 |
| 6 months to 1 year | 2,836 | 1,535 |
| 1 to 2 years | 639 | 926 |
| 2 to 3 years | 53 | 9 |
| | 188,882 | 95,322 |

19. ACCRUALS AND OTHER CURRENT LIABILITIES

| | As at December 31, 2016 RMB'000 | As at June 30, 2016 RMB'000 |
|---|--|--------------------------------------|
| Advances from distributors | 109,258 | 61,621 |
| Provisions for sales returns | 83,332 | 36,342 |
| Non-refundable deposits from distributors (a) | 69,982 | 79,118 |
| Payroll and welfare payables | 55,475 | 60,399 |
| Provisions for sales rebates | 34,859 | 22,135 |
| Workforce contracting payables | 17,577 | 11,376 |
| Distribution deposits (b) | 16,542 | 14,692 |
| Payables for leasehold improvements | 9,390 | 6,406 |
| Marketing and promotions | 5,853 | 5,925 |
| Accruals and payables for listing expenses | 5,460 | 11,794 |
| Rentals | 5,379 | 2,011 |
| Value-added and other taxes payables | 2,682 | 2,328 |
| Others | 21,309 | 13,372 |
| | 437,098 | 327,519 |

- (a) Non-refundable deposits from distributors refer to cash deposits received from third-party distributors for placing orders on seasonal products at the Group's trade fair. Such deposits, which is non-interest bearing, would be used to offset the payments for orders placed by the distributors but is non-refundable if the orders are subsequently cancelled by the distributors.
- (b) Distribution deposits represent non-interest bearing deposits received from third-party distributors as a condition of engaging in business with the Group for distributing the Group's products in specific geographical areas. Such distribution deposits would be refunded to the distributors when the distribution relationship with the Group was terminated.

20. EXPENSES BY NATURE

| | Six months ended | |
|---|------------------|----------------|
| | December 31, | |
| | 2016 | 2015 |
| | RMB'000 | RMB'000 |
| Raw materials consumed and consumable used | 616,811 | 432,481 |
| Changes in inventories of finished goods, work in progress and commissioned processing materials (<i>Note 11</i>) | (183,619) | (66,748) |
| Workforce contracting expenses | 113,642 | 75,074 |
| Concession fees payable to department stores and shopping malls | 97,108 | 69,508 |
| Operating lease rental | 93,151 | 88,630 |
| Employee benefit expenses (including share-based compensation expenses) | 77,908 | 64,791 |
| Promotion and marketing expense | 37,590 | 22,601 |
| Transportation and warehouse expense | 24,387 | 14,187 |
| Provision for inventories (<i>Note 11</i>) | 21,353 | 20,753 |
| Listing expense | 15,696 | – |
| Depreciation and amortisation (<i>Note 7, 8 &9</i>) | 15,339 | 14,721 |
| Utilities charges and office expenses | 14,868 | 14,216 |
| Stamp duty, property tax and other surcharges | 12,289 | 16,458 |
| Commission expenses to online platforms | 8,148 | 6,971 |
| Entertainment and travelling expenses | 7,580 | 5,583 |
| Other professional service expenses | 6,615 | 2,819 |
| Apparel design fee | 5,236 | 3,200 |
| Auditors' remuneration | 3,091 | 71 |
| Provision for trade receivable | 1,318 | 789 |
| Store management fees | 133 | 15,817 |
| Others | 19,946 | 11,647 |
| | <u>1,008,590</u> | <u>813,569</u> |

21. OTHER INCOME AND GAINS, NET

| | Six months ended | |
|---|------------------|--------------|
| | December 31, | |
| | 2016 | 2015 |
| | RMB'000 | RMB'000 |
| Government grants | 19,786 | 7,589 |
| Interest income of loans to a related party (<i>Note 27(a)</i>) | – | 5,335 |
| Investment income | 29 | 83 |
| Provision for loss in association with idle land | – | (6,915) |
| Foreign exchange losses | (777) | (105) |
| Losses on disposal of property, plant and equipment | (17) | (165) |
| Others | 835 | 500 |
| | <u>19,856</u> | <u>6,322</u> |

22. FINANCE INCOME/(COSTS), NET

| | Six months ended December 31, | |
|--|----------------------------------|-----------------------|
| | 2016 | 2015 |
| | RMB'000 | RMB'000 |
| Finance income | | |
| Interest income on cash and cash equivalents, restricted cash and terms deposits with initial terms over 3 months | <u>3,229</u> | <u>577</u> |
| Finance costs | | |
| Interest expenses on bank borrowings | <u>(1,016)</u> | <u>(2,518)</u> |
| Finance income/(costs), net | <u>2,213</u> | <u>(1,941)</u> |

23. INCOME TAX EXPENSE

The Group is not subject to taxation in the Cayman Island. Hong Kong profits tax has been provided for at a rate of 16.5% (2015:16.5%) for the period on the estimated assessable profits arising in or derived from Hong Kong. The companies established and operated in the PRC are subject to PRC Enterprise Income Tax ("EIT") at a rate of 25% (2015: 25%) whilst certain subsidiaries of the Company established and operated in the PRC are entitled to the preferential income tax rates as qualified Small and Thin-profit Enterprise.

| | Six months ended December 31, | |
|---------------------------------------|----------------------------------|----------------------|
| | 2016 | 2015 |
| | RMB'000 | RMB'000 |
| Current income tax expense | | |
| – Enterprise income tax expense | 105,926 | 87,433 |
| Deferred income tax expense (Note 10) | <u>(9,974)</u> | <u>(9,715)</u> |
| | <u>95,952</u> | <u>77,718</u> |

Income tax expense is recognised based on management's estimate of weighted average annual income tax rate expected for the full financial year. The estimated average annual tax rate used for companies established and operated in the PRC and Hong Kong for the six months ended December 31, 2016 is 25.01% and 16.5%, respectively (the estimated tax rate used for companies established and operated in the PRC and Hong Kong for the six months ended December 31, 2015 was 25.16% and 16.5% respectively).

24. EARNINGS PER SHARE

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to the shareholders of the Company by the weighted average number of ordinary shares in issue excluding shares held under the RSU scheme in issue during each interim period.

| | Six months ended | |
|--|-------------------------|-------------------|
| | December 31, | |
| | 2016 | 2015 |
| | RMB'000 | RMB'000 |
| Profit attributable to shareholders of the Company | 227,932 | 183,847 |
| Weighted average number of ordinary shares in issue* excluding shares held under the RSU scheme in issue (thousands of shares) | 425,739 | 388,000 |
| | <u> </u> | <u> </u> |
| Basic earnings per share (expressed in RMB per share) | 0.54 | 0.47 |
| | <u> </u> | <u> </u> |

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

The Company has one category of dilutive potential ordinary shares, which is the RSUs granted to employees. The restricted share units are assumed to have been fully vested and released from restrictions with no significant impact on earnings.

| | Six months ended | |
|--|-------------------------|-------------------|
| | December 31, | |
| | 2016 | 2015 |
| | RMB'000 | RMB'000 |
| Profit attributable to shareholders of the Company | 227,932 | 183,847 |
| | <u> </u> | <u> </u> |
| Weighted average number of ordinary shares in issue* excluding shares held under the RSU scheme in issue (thousands of shares) | 425,739 | 388,000 |
| Adjustments for share based compensation – RSUs (thousands of shares) | 8,562 | 5,650 |
| | <u> </u> | <u> </u> |
| Weighted average number of ordinary shares for the calculation of diluted EPS | 434,301 | 393,650 |
| | <u> </u> | <u> </u> |
| Diluted earnings per share (expressed in RMB per share) | 0.52 | 0.47 |
| | <u> </u> | <u> </u> |

* The weighted average number of ordinary shares for the purposes of basic earnings per share for the six months ended December 31, 2015 and 2016 has been retrospectively adjusted for the effects of the Capitalisation of the ordinary shares which took place on October 31, 2016(Note 15).

25. DIVIDENDS

A dividend of RMB230,000,000 that relates to the year ended June 30, 2016 was paid during the six months ended December 31, 2016.

26. COMMITMENTS

(a) Capital commitments

As at December 31, 2016 and June 30, 2016, the capital expenditure contracted but not provided for amounted to RMB2,776,000 and RMB2,894,000, respectively.

(b) Operating lease commitments

The future aggregate minimum lease payments under non-cancellable operating leases for the Group's operating premises are as follows:

| | As at December 31, 2016 RMB'000 | As at June 30, 2016 RMB'000 |
|---|--|--------------------------------------|
| No later than 1 year | 114,633 | 105,131 |
| Later than 1 year and no later than 5 years | 83,573 | 75,715 |
| Later than 5 years | 51 | 152 |
| | <u>198,257</u> | <u>180,998</u> |

27. RELATED-PARTY TRANSACTIONS

The directors are of the view that following companies and persons are related parties of the Group during the six months ended December 31, 2016 and 2015, of which JNBY (Canada) Enterprises Inc. and Shenzhen Hengyi Finery Co., Ltd are no longer related parties since April 2016 as the close family members has transferred their shares to third parties, whilst N&N Capital Limited and W&L Capital Limited are no longer related parties after listing as their shares of the Company have been transferred to third parties.

| Name | Relationship with the Group |
|--|---|
| Li Lin | One of the controlling shareholders |
| Wu Jian | One of the controlling shareholders |
| Hangzhou Huikang Industrial Co., Ltd. | Controlled by the controlling shareholders |
| Hangzhou Shangwei Apparel Co., Ltd. | Controlled by the controlling shareholders |
| Hangzhou JNBY Finery Co., Ltd. | Controlled by the controlling shareholders |
| Hangzhou New Shangwei Finery Co., Ltd. | Controlled by the controlling shareholders |
| United City Investment Limited | Controlled by the controlling shareholders |
| Shenzhen Hengyi Finery Co., Ltd.* | Controlled by close family member of the controlling shareholders |
| JNBY (Canada) Enterprises Inc.* | Controlled by close family member of the controlling shareholders |
| Ninth Investment Limited | Ultimate holding company |
| Ninth Capital Limited | One of the shareholders |
| N&N Capital Limited* | One of the shareholders |
| W&L Capital Limited* | One of the shareholders |

* These companies were no longer related parties of the Group as at December 31, 2016.

(a) **Significant transactions with related parties**

Save as disclosed in Note 21 in the interim financial information, the Group had the following significant transactions with related parties, which are all continued transactions except for purchase of goods from a related party (Note 27(a)(i)) and interest income from a related party (Note 27(a)(viii)) as disclosed below:

| | Six months ended | |
|--|-------------------------|----------------|
| | December 31, | |
| | 2016 | 2015 |
| | RMB'000 | RMB'000 |
| (i) Purchase of goods | | |
| Hangzhou Huikang Industrial Co., Ltd. | – | 15,778 |
| | <u>–</u> | <u>15,778</u> |
| (ii) Processing fee | | |
| Hangzhou Shangwei Apparat Co., Ltd. | 14,538 | 17,921 |
| Shenzhen Hengyi Finery Co., Ltd | – | 5,942 |
| Hangzhou New Shangwei Finery Co., Ltd. | 3,965 | 1,644 |
| | <u>18,503</u> | <u>25,507</u> |
| (iii) Workforce contracting | | |
| Hangzhou JNBY Finery Co., Ltd. | 11,171 | 9,204 |
| | <u>11,171</u> | <u>9,204</u> |
| (iv) Sales of goods | | |
| JNBY (Canada) Enterprises Inc. | – | 387 |
| | <u>–</u> | <u>387</u> |
| (v) Operating lease expenses charged by related parties | | |
| Hangzhou Huikang Industrial Co., Ltd. | 5,102 | 5,399 |
| Hangzhou JNBY Finery Co., Ltd. | 840 | 800 |
| Wu Jian | 360 | 314 |
| | <u>6,302</u> | <u>6,513</u> |
| (vi) Logistics and warehousing expenses charged by a related party | | |
| Hangzhou Huikang Industrial Co., Ltd. | 11,038 | 7,421 |
| | <u>11,038</u> | <u>7,421</u> |
| (vii) Rental income from a related party | | |
| Hangzhou New Shangwei Finery Co., Ltd. | – | 422 |
| | <u>–</u> | <u>422</u> |
| (viii) Interest income from a related party | | |
| Hangzhou Huikang Industrial Co., Ltd. | – | 5,335 |
| | <u>–</u> | <u>5,335</u> |

(b) Balances with related parties

| | As at December 31, 2016 <i>RMB'000</i> | As at June 30, 2016 <i>RMB'000</i> |
|--|---|---|
| Due from related parties | | |
| Prepaid operating lease expenses: | | |
| – Hangzhou Huikang Industrial Co., Ltd. | 10,291 | 12,836 |
| – Hangzhou JNBY Finery Co., Ltd. | 1,764 | 840 |
| – Wu Jian | 662 | 332 |
| | <u>12,717</u> | <u>14,008</u> |
| | <u><u>12,717</u></u> | <u><u>14,008</u></u> |
| | As at December 31, 2016 <i>RMB'000</i> | As at June 30, 2016 <i>RMB'000</i> |
| Due to related parties | | |
| Trade payables: | | |
| – Hangzhou Shangwei Apparal Co., Ltd. | 2,069 | 4,317 |
| – Hangzhou New Shangwei Finery Co., Ltd. | 670 | 511 |
| | <u>2,739</u> | <u>4,828</u> |
| | <u><u>2,739</u></u> | <u><u>4,828</u></u> |
| Other payables: | | |
| – Hangzhou JNBY Finery Co., Ltd. | 2,380 | 2,920 |
| – Ninth Investment Limited | – | 775 |
| – N&N Capital Limited | – | 383 |
| – United City Investment Limited | – | 226 |
| – Ninth Capital Limited | – | 112 |
| – W&L Capital Limited | – | 50 |
| | <u>2,380</u> | <u>4,466</u> |
| | <u><u>2,380</u></u> | <u><u>4,466</u></u> |
| | <u><u>5,119</u></u> | <u><u>9,294</u></u> |

MANAGEMENT DISCUSSION AND ANALYSIS

Revenue

We derive our revenue primarily from sales of our products to distributors and to end-customers in our self-operated stores and through online channels. Our revenue is stated net of sales rebate, sales returns and value added taxes.

The total revenue for the six months ended December 31, 2016 (“**first half of fiscal year 2017**”) was RMB1,310.4 million, representing an increase of RMB239.6 million or 22.4 % as compared with RMB1,070.8 million for the six months ended December 31, 2015 (“**first half of fiscal year 2016**”). The increase in the revenue was mainly due to the expansion of the Group’s retail network and the same store sales growth of the retail stores.

The table below sets forth the information on the total number of retail stores for various brands operated by us globally. The total number of retail stores operated by us globally increased from 1,316 as of June 30, 2016 to 1,498 as of December 31, 2016:

| | As of December 31, 2016 | As of June 30, 2016 |
|-------------------------------|--|---------------------------|
| JNBY | 744 | 712 |
| jnby by JNBY | 343 | 300 |
| CROQUIS | 259 | 211 |
| less | 111 | 93 |
| Pomme de terre ⁽¹⁾ | 41 | – |
| JNBYHOME ⁽²⁾ | – | – |
| | <hr/> | <hr/> |
| Total | 1,498 | 1,316 |

(1) We introduced Pomme de terre in March 2016 and opened the first standalone Pomme de terre store in July 2016, and no revenue was recorded under this brand for the first half of fiscal year 2016.

(2) We introduced JNBYHOME in December 2016 and opened the first JNBYHOME standalone store in January 2017.

Revenue by product segment and brand

The following table sets forth a breakdown of our revenue by product segment (women, men, children and teenagers and household products) and by brand, each expressed in the absolute amount and as a percentage to our total revenue, for the periods indicated:

| | For the six months ended December 31, | | | |
|-------------------------------|---------------------------------------|---------------|------------------|---------------|
| | 2016 | | 2015 | |
| | RMB'000 | (%) | RMB'000 | (%) |
| Women | | | | |
| JNBY | 787,629 | 60.1% | 704,242 | 65.8% |
| less | 83,169 | 6.3% | 58,745 | 5.5% |
| Men | | | | |
| CROQUIS | 272,450 | 20.8% | 203,081 | 19.0% |
| Children and Teenagers | | | | |
| jnby by JNBY | 160,174 | 12.2% | 104,685 | 9.7% |
| Pomme de terre | 6,569 | 0.5% | – | – |
| Household | | | | |
| JNBYHOME | 414 | 0.1% | – | – |
| Total revenue | 1,310,405 | 100.0% | 1,070,753 | 100.0% |

In the first half of fiscal year 2017, revenue generated from sales of products of JNBY brand increased by 11.8% or RMB83.4 million, and its percentage to our total revenue decreased from 65.8% in the first half of fiscal year 2016 to 60.1% in the first half of fiscal year 2017, primarily due to the significant increase in revenue generated from sales of products of our CROQUIS, jnby by JNBY, and *less* brands, which were successfully launched from 2005 to 2011, respectively. The products of Pomme de terre brand launched in 2016 have become increasingly well received by the niche market, which recorded a revenue of RMB6.6 million in the first half of fiscal year 2017. The designer household products of JNBYHOME brand launched in December 2016 also recorded a revenue of RMB0.4 million during that period.

Revenue by sales channel

We sell our products through an extensive network of offline retail stores consisting of self-operated stores and distributor-operated stores as well as online channels. The following table sets out a breakdown of our revenue by sales channel, each expressed in the absolute amount and as a percentage to our total revenue, for the periods indicated.

| | For the six months ended December 31, | | | |
|--|---------------------------------------|----------------------|-------------------------|----------------------|
| | 2016 | | 2015 | |
| | <i>RMB'000</i> | (%) | <i>RMB'000</i> | (%) |
| Offline channels | | | | |
| Self-operated stores ⁽¹⁾ | 620,052 | 47.3% | 483,300 | 45.1% |
| Distributor-operated stores ⁽²⁾ | 593,698 | 45.3% | 506,643 | 47.4% |
| Online channels | 96,655 | 7.4% | 80,810 | 7.5% |
| Total revenue | <u>1,310,405</u> | <u>100.0%</u> | <u>1,070,753</u> | <u>100.0%</u> |

Notes:

- (1) Historically, a small number of our self-operated stores were managed by the third-party manager. We terminated such arrangements in June 2016.
- (2) Consists of stores operated by overseas customers.

In the first half of fiscal year 2017, absolute amounts of revenue generated from sales through our offline and online channels continued to increase as compared with that in the first half of fiscal year 2016. As a percentage to our total revenue, revenues generated from sales through our offline and online channels have remained generally stable with offline channels representing 92.6%, and online channels representing 7.4%, to our total revenue.

Gross profit and gross profit margin

The Group's gross profit increased by 25.9% from RMB670.0 million for the first half of fiscal year 2016 to RMB843.5 million for the first half of fiscal year 2017, which was attributable to the expansion of the Group's retail network and the increase in the same-store sales of our retail stores.

The Group's overall gross profit margin improved from 62.6% for the first half of fiscal year 2016 to 64.4% for the first half of fiscal year 2017, which was primarily attributable to the continuous increase in the sales of products of CROQUIS, jnby by JNBY and *less* brands and the generally higher profit margins of those products.

Selling and marketing expenses and administrative expenses

In the first half of fiscal year 2017, selling and marketing expenses were RMB445.1 million (first half of fiscal year 2016: RMB346.6 million), which primarily consist of: (i) the operating lease rental related to the leasing of self-operated stores and offices; (ii) our concession fees payable to department stores; (iii) our service outsourcing expenses; and (iv) our employee benefit expenses. In percentage terms, the selling and marketing expenses accounted for 34.0% of our revenue in the first half of fiscal year 2017 (first half of fiscal year 2016: 32.4%), which was attributable to the increase of rental and service outsourcing fees as a result of increased proportion of self-operated stores. The administrative expenses for the first half of fiscal year 2017 was RMB96.6 million (first half of fiscal year 2016: RMB66.2 million) which, among others, consist of (i) employee benefit expenses, including directors' emoluments of the Company, (ii) product development outsourcing fees and (iii) professional service expenses, which were related to the listing). In percentage terms, the administrative expenses accounted for 7.4% of our revenue in the first half of fiscal year 2017 (in the first half of fiscal year 2016: 6.2%), representing an increase in the expenses related to professional services as compared with that for the corresponding period of the previous year.

Other income and gains, net

Other income and gains for the first half of fiscal year 2017 amounted to RMB19.9 million (first half of fiscal year 2016: RMB6.3 million), mainly due to the increase of government grants we received in the first half of fiscal year 2017. Other income and gains include government grants, interest income from the related party loans, exchange losses, losses on disposal of property, plant and equipment and other, investment income and the provision for losses on the idle land.

Finance income/(costs), net

The Group's net finance income/(costs) for the first half of fiscal year 2017 was net income of RMB2.2 million (first half of fiscal year 2016: net financial costs of RMB1.9 million). The decrease in net financial costs and increase in net income were mainly due to the decrease in the interest expenses on the borrowings and more interest income earned as compared with the same period of the last fiscal year.

Profit and profit margin, net

Due to the above-mentioned factors, the net profit for the first half of fiscal year 2017 was RMB227.9 million, representing an increase of 24.0% or RMB44.1 million as compared with RMB183.8 million for the first half of fiscal year 2016. The net profit margin increased from 17.2% for the first half of fiscal year 2016 to 17.4% for the first half of fiscal year 2017.

Capital expenditure

The Group's capital expenditure mainly consisted of payments for construction of our logistic base, property, plant and equipment, intangible assets and decoration of our self-operated stores. The Group's capital expenditure for the first half of fiscal year 2017 was RMB24.4 million (first half of fiscal year 2016: RMB17.5 million).

Profit before income tax

The Group's profit before income tax increased by 23.8%, from RMB261.6 million for the first half of fiscal year 2016 to RMB323.9 million for the first half of fiscal year 2017. The increase in the profit before income tax was mainly due to the increase in the Group's operating profit.

Financial position

The Group generally finances its operations with internally generated resources and banking facilities provided by its banks.

As of December 31, 2016, the Group's cash and cash equivalents were RMB364.2 million (June 30, 2016: RMB175.2 million), of which 49.6% was denominated in RMB, 48.7% in US dollars and 1.7% in other currencies. Net cash inflow from operating activities in the first half of fiscal year 2017 was RMB264.4 million, representing an increase of 21.8% as compared with RMB217.1 million in the first half of fiscal year 2016.

Exposure to fluctuations in exchange rates

The Group operated mainly in the PRC with most of its transactions settled in RMB. As a result, the Board considered that the Group's exposure to the fluctuations of the exchange rate was insignificant and did not resort to any financial instrument to hedge the currency risks.

Human resources

In order to implement the Group's development plan, the number of the Group's employees increased to 831 as of December 31, 2016 (June 30, 2016: 770). The total staff costs for the period (including basic salaries and allowances, social security insurance, discretionary bonuses, share-based compensation expenses) were RMB77.9 million (first half of fiscal year 2016: RMB64.8 million), representing 5.9% of our revenue (first half of fiscal year 2016: 6.1%).

Pledge of assets

As of December 31, 2016, the Group did not have any secured bank borrowing.

Contingent liabilities

As of December 31, 2016, the Group did not have any material contingent liabilities.

USE OF THE PROCEEDS FROM LISTING

The Company's net proceeds from listing are approximately HK\$684.0 million, after deduction of underwriting fees and commissions and related expenses. As of December 31, 2016, the proceeds amounting to a total of RMB41.2 million have been used. These proceeds have been used for the purposes stated in the prospectus of the Company dated October 19, 2016 as following.

| Item | Amount <i>(RMB million)</i> |
|---|---------------------------------------|
| To strengthen our omni-channel interactive platform | 35.4 |
| To expand our product offering and brand portfolio | 4.4 |
| To establish a new logistics center | 1.4 |
| | <hr/> |
| Total | 41.2 |
| | <hr/> <hr/> |

OUTLOOK

With the rapid growth of the number of people pursuing distinguished life styles as well as the rising demand for personalized and stylish products, consumers are increasingly seeking products that can represent their personality, creating huge opportunities in the designer brand market segment. Benefiting from the upgraded consumption trend, we, as the leading designer fashion group, remain full of confidence about our future. We will continue to maintain and strengthen our position as a leading designer brand fashion house based in China, thus we continue to pursue the following strategies:

- expand and diversify our product portfolio by further enhancing our design capabilities and brand awareness;
- further enhance our retail network and optimize our channel mix; and
- improve customer experience to improve same store sales growth.

INTERIM DIVIDEND

The Board did not declare any interim dividend for the six months ended December 31, 2016.

CORPORATE GOVERNANCE PRACTICES

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of our shareholders, enhance our corporate value and reinforce the accountability system. The Company has adopted the Corporate Governance Code and Corporate Governance Report (the “**Corporate Governance Code**”) contained in Appendix 14 to the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) as its own corporate governance code.

During the period from October 31, 2016, being the date of listing of the Company's shares on the main board of the Stock Exchange (the “**Listing Date**”), to December 31, 2016, the Company has complied with all the code provisions of the Corporate Governance Code and adopted most of the best practices suggested therein.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) set out in Appendix 10 to the Listing Rules as its own code of conduct regarding the securities transactions by the directors of the Company. All the directors have confirmed, upon specific enquiries, that they had complied with the standards set forth in the Model Code for the period from the Listing Date to December 31, 2016.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the period from the Listing Date to December 31, 2016, none of the Company or any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company.

AUDIT COMMITTEE

The Board has established an audit committee (the “**Audit Committee**”), which comprised three independent non-executive directors, namely Mr. Lam Yiu Por (Chairman), Ms. Han Min and Mr. Hu Huanxin. The primary duties of the Audit Committee are to review and supervise the financial reporting procedures and internal control of the Company.

The Audit Committee, together with the senior management and the external auditors of the Company, has reviewed the Group’s unaudited condensed interim results for the six months ended December 31, 2016.

PUBLICATION OF THE INTERIM RESULTS ANNOUNCEMENT AND THE 2016 INTERIM REPORT OF THE GROUP ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

The interim results announcement has been published on the website of the Stock Exchange (www.hkexnews.hk) and that of the Company (www.jnbygroup.com), and the 2016 Interim Report containing all the information required by the Listing Rules will be dispatched to the shareholders of the Company and published on the aforesaid websites of the Stock Exchange and the Company in due course.

By Order of the Board
JNBY Design Limited
Wu Jian
Chairman

Hong Kong, February 23, 2017

As of the date of this announcement, the executive directors of the Company are Mr. Wu Jian, Ms. Li Lin and Mr. Li Ming; the non-executive directors of the Company are Mr. Wei Zhe and Mr. Zhang Beili; and the independent non-executive directors of the Company are Mr. Lam Yiu Por, Ms. Han Min and Mr. Hu Huanxin.