江南布衣+ JNBY GROUP

JNBY Design Limited

江南布衣有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3306)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED DECEMBER 31, 2018

HIGHLIGHTS OF INTERIM RESULTS

- The total revenue of the Group for the six months ended December 31, 2018 ("**first half of fiscal year 2019**") amounted to RMB2,027.3 million, an increase of 22.6% or RMB373.3 million as compared with RMB1,654.0 million for the six months ended December 31, 2017 ("**first half of fiscal year 2018**"). The net profit of the Group for the first half of fiscal year 2019 amounted to RMB380.9 million, an increase of 22.1% or RMB69.0 million as compared with RMB311.9 million for the first half of fiscal year 2018.

- The Group had launched a multi-brand store brand LASU MIN SOLA in the first half of fiscal year 2019, to pursue diversification and segmentation of our brand portfolio. The Group possessed of 9 independent designer brands in total as of December 31, 2018.

- The total number of our standalone retail stores around the world increased from 1,831 as of June 30, 2018 to 1,994 as of December 31, 2018, coupled with our 161 points of sale abroad, our sales network has covered all provinces, autonomous regions and municipalities in Mainland China and across 17 other countries and regions around the world.

- As of December 31, 2018, the Group had over 3.1 million membership accounts (without duplication) (as of June 30, 2018: over 2.5 million), including our more than 2.6 million subscribers (without duplication) on the WeChat platform (as of June 30, 2018: over 2.1 million). The retail sales contributed by the members of the Group accounted for approximately 70% of our total retail sales for the first half of fiscal year 2019 (for the first half of fiscal year 2018: 67.4%).

- The number of Active Members accounts of the Group for 2018 (Active Members accounts are membership accounts associated with at least two purchases for a period of any 180 consecutive days within the last 12 months, without duplication) was over 395,000 (2018: over 360,000), and the number of membership accounts with purchases totaling over RMB5,000 for 2018 exceeded 182,000 (2017: over 140,000), thereby contributing retail sales amounting to RMB2.17 billion (2017: RMB1.67 billion), accounting for over 40% of our total retail sales from offline channels.

- The board of directors declared the payment of an interim dividend of RMB0.28 per ordinary share (approximately equivalent to HK$0.32 per ordinary share) for the six months ended December 31, 2018.

The board of directors (the "**Board**") of JNBY Design Limited (the "**Company**") is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (the "**Group**") for the six months ended December 31, 2018, together with the comparative figures for the corresponding period of the previous fiscal year, as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 31 December 2018

		Unaudited Six months ended 31 December	
	Note	**2018** *RMB'000*	2017 *RMB'000*
Revenue	*7*	**2,027,349**	1,653,998
Cost of sales	*8*	**(783,152)**	(618,646)
Gross profit		**1,244,197**	1,035,352
Selling and marketing expenses	*8*	**(604,741)**	(520,356)
Administrative expenses	*8*	**(158,865)**	(110,688)
Other income and gains, net	*9*	**44,447**	22,621
Operating profit		**525,038**	426,929
Finance income	*10*	**9,442**	6,270
Share of loss of investment accounted for using the equity method		**—**	(185)
Profit before income tax		**534,480**	433,014
Income tax expense	*11*	**(153,606)**	(121,124)
Profit for the period		**380,874**	311,890
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Currency translation differences		**10,701**	(15,386)
Total comprehensive income for the period		**391,575**	296,504
Profit attributable to:			
Shareholders of the Company		**380,874**	311,890
Non-controlling interests		**—**	—
		380,874	311,890
Total comprehensive income attributable to:			
Shareholders of the Company		**391,575**	296,504
Non-controlling interests		**—**	—
		391,575	296,504
Earnings per share (expressed in RMB per share)			
— Basic	*12*	**0.74**	0.61
— Diluted	*12*	**0.74**	0.60

CONDENSED CONSOLIDATED BALANCE SHEET
As at 31 December 2018

	Note	**Unaudited 31 December 2018** *RMB'000*	Audited 30 June 2018 *RMB'000*
ASSETS			
Non-current assets			
Property, plant and equipment	*14*	**217,721**	141,518
Land use rights	*15*	**26,358**	48,322
Other non-current assets	*15*	**21,448**	—
Intangible assets	*16*	**11,518**	8,806
Prepayments, deposits and other receivables	*20*	**10,247**	8,537
Deferred income tax assets	*17*	**135,434**	110,871
Total non-current assets		**422,726**	318,054
Current assets			
Inventories	*18*	**858,210**	763,760
Trade receivables	*19*	**213,660**	94,531
Prepayments, deposits and other receivables	*20*	**262,198**	230,580
Amounts due from related parties	*30(b)*	**7,400**	7,852
Available-for-sale financial assets	*21*	**—**	50,000
Financial assets at fair value through profit or loss	*21*	**40,000**	—
Term deposits with initial term over 3 months	*22*	**362,906**	322,646
Restricted cash	*23*	**8,596**	1,021
Cash and cash equivalents	*23*	**362,344**	333,405
Total current assets		**2,115,314**	1,803,795
Total assets		**2,538,040**	2,121,849

CONDENSED CONSOLIDATED BALANCE SHEET (CONTINUED)
As at 31 December 2018

	Note	Unaudited 31 December 2018 RMB'000	Audited 30 June 2018 RMB'000
EQUITY			
Equity attributable to shareholders of the Company			
Share capital	*24*	**4,622**	4,622
Share premium	*24*	**657,376**	647,739
Shares held for restricted share units ("**RSU**") scheme	*24*	**(74,834)**	(30,623)
Other reserves	*25*	**174,132**	153,631
Retained earnings		**684,475**	512,510
Equity attributable to shareholders of the Company		**1,445,771**	1,287,879
Non-controlling interests		**2**	—
Total equity		**1,445,773**	1,287,879
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities	*17*	**19,241**	10,541
Current liabilities			
Trade and bills payables	*27*	**301,340**	204,280
Deferred revenue		**—**	18,295
Contract liabilities	*28*	**144,092**	—
Accruals and other current liabilities	*28*	**514,012**	576,015
Amounts due to related parties	*30(b)*	**10,067**	11,294
Current income tax liabilities		**103,515**	13,545
Total current liabilities		**1,073,026**	823,429
Total liabilities		**1,092,267**	833,970
Total equity and liabilities		**2,538,040**	2,121,849

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 December 2018

	Note	Unaudited							
		Attributable to shareholders of the Company							
		Share capital	Share premium	Shares held for RSU scheme	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance at 1 July 2018		**4,622**	**647,739**	**(30,623)**	**153,631**	**512,510**	**1,287,879**	**—**	**1,287,879**
Comprehensive income									
Profit for the period		—	—	—	—	**380,874**	**380,874**	—	**380,874**
Other comprehensive income									
Currency translation differences	*25*	—	—	—	**10,701**	—	**10,701**	—	**10,701**
Total comprehensive income		—	—	—	**10,701**	**380,874**	**391,575**	—	**391,575**
Transactions with shareholders									
Non-controlling interest on capital injection to a subsidiary		—	—	—	—	—	—	**2**	**2**
Profit appropriations to statutory reserves	*25*	—	—	—	**9,839**	**(9,839)**	—	—	—
Share-based compensation	*26*	—	—	—	**9,623**	—	**9,623**	—	**9,623**
Purchase ordinary shares for RSU scheme	*24*	—	—	**(44,236)**	—	—	**(44,236)**	—	**(44,236)**
Vest and transfer of RSUs		—	**9,637**	**25**	**(9,662)**	—	—	—	—
Dividend	*13*	—	—	—	—	**(199,070)**	**(199,070)**	—	**(199,070)**
Total transactions with shareholders		—	**9,637**	**(44,211)**	**9,800**	**(208,909)**	**(233,683)**	**2**	**(233,681)**
Balance at 31 December 2018		**4,622**	**657,376**	**(74,834)**	**174,132**	**684,475**	**1,445,771**	**2**	**1,445,773**

	Note	Unaudited					
		Attributable to shareholders of the Company					
		Share capital	Share premium	Shares held for RSU scheme	Other reserves	Retained earnings	Total
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance at 1 July 2017		4,622	639,003	(66)	131,229	482,451	1,257,239
Comprehensive income							
Profit for the period		—	—	—	—	311,890	311,890
Other comprehensive income							
Currency translation differences	*25*	—	—	—	(15,386)	—	(15,386)
Total comprehensive income		—	—	—	(15,386)	311,890	296,504
Transactions with shareholders							
Profit appropriations to statutory reserves	*25*	—	—	—	19,347	(19,347)	—
Share-based compensation	*26*	—	—	—	2,639	—	2,639
Vest and transfer of RSUs		—	8,736	24	(8,760)	—	—
Dividend	*13*	—	—	—	—	(245,853)	(245,853)
Total transactions with shareholders		—	8,736	24	13,226	(265,200)	(243,214)
Balance at 31 December 2017		4,622	647,739	(42)	129,069	529,141	1,310,529

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 31 December 2018

	Note	Unaudited Six months ended 31 December 2018 RMB'000	2017 RMB'000
Cash flows from operating activities			
Cash generated from operations		**452,250**	443,998
Income tax paid		**(79,499)**	(55,225)
Net cash generated from operating activities		**372,751**	388,773
Cash flows from investing activities			
Purchase of property, plant and equipment		**(84,334)**	(51,025)
Purchase of intangible assets		**(3,319)**	(1,517)
Proceeds from disposals of property, plant and equipment		**603**	302
Cash designated for restriction		**(20,977)**	(20,602)
Cash released from restriction		**13,402**	21,602
Income received from financial products of commercial banks		**571**	1,570
Interest received		**12,621**	3,838
Payment of term deposits with initial term of over 3 months		**(817,174)**	—
Payment of investment in an associate		**—**	(7,500)
Payment of financial products of commercial banks		**(40,000)**	(190,000)
Proceeds from release of term deposits with initial term of over 3 months		**785,576**	—
Proceeds from release of financial products of commercial banks		**50,000**	180,597
Net cash used in investing activities		**(103,031)**	(62,735)
Cash flows from financing activities			
Dividends paid	*13*	**(199,070)**	(245,853)
Proceeds from capital injection of non-controlling interests		**2**	—
Payment for repurchase of shares		**(44,236)**	—
Net cash used in financing activities		**(243,304)**	(245,853)
Net increase in cash and cash equivalents		**26,416**	80,185
Cash and cash equivalents at beginning of the period	*23*	**333,405**	494,334
Exchange gains/(losses) on cash and cash equivalents		**2,523**	(7,901)
Cash and cash equivalents at end of the period	*23*	**362,344**	566,618

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1. GENERAL INFORMATION

JNBY Design Limited (the "**Company**") was incorporated in the Cayman Islands on 26 November 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 8 June 2016, the Company changed its name from Croquis Investment Limited to the present one.

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 31 October 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 27 February 2019.

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 31 December 2018 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 30 June 2018 as set out in the annual report dated 28 August 2018, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**").

3. ACCOUNTING POLICIES

The accounting policies applied are consistent with those of the annual financial statements for the year ended 30 June 2018 as described in those annual financial statements except that income tax is accrued using the tax rate that would be applicable to expected total annual earnings and the adoption of new and amended standards as set out below.

(i) The following new standards and amendments to standards and interpretations are effective for annual periods beginning 1 July 2018 and currently relevant to the Group.

- — HKFRS 9 "Financial Instruments"
- — HKFRS 15 "Revenue from Contracts with Customers"
- — Amendments to HKFRS 2 "Classification and Measurement of Share-based Payment Transactions"
- — Amendments to HKFRS 4, "Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts"
- — Amendments to HKAS 40 "Transfers of Investment Property"
- — HK(IFRIC)-Int 22 "Foreign Currency Transactions and Advance Consideration"
- — Annual improvements 2014–2016 cycle

The impact of the adoption of HKFRS 9 "Financial instruments" and HKFRS 15 "Revenue from contracts with customers" are disclosed in Note 4 below. Apart from HKFRS 9 and HKFRS 15 as mentioned above, there are no other new standards or amendments to standards that are effective for the first time for this interim period that could be expected to have a material impact on the Group.

(ii) The following new standards and amendments to standards and interpretations have been issued but are not effective for the interim period beginning 1 July 2018 and have not been early adopted by the Group.

	Effective Date
HKFRS 16 "Leases"	1 January 2019
HK(IFRIC)-Int 23 "Uncertainty over Income Tax Treatments"	1 January 2019
Amendments to HKFRS 9 "Prepayment Features with Negative Compensation"	1 January 2019
Amendments to HKAS 28 "Long-term Interests in Associates and Joint Ventures"	1 January 2019
Annual Improvements to HKFRS Standards 2015–2017 Cycle	1 January 2019
Amendments to HKAS 19 "Plan Amendment, Curtailment or Settlement"	1 January 2019
Amendments to HKFRS 10 and HKAS 28 "Sale or contribution of assets between an investor and its associate or joint venture"	To be determined
HKFRS 17 "Insurance Contracts"	1 January 2021

HKFRS 16 "Leases"

HKFRS 16 will result in almost all leases being recognised on the balance sheet by lessees, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

The standard is mandatory for financial year beginning on or after 1 January 2019. The Group does not intend to adopt the standard before its effective date.

Management is in process of assessing the financial impact of the adoption of the above standards and amendments. The Group will adopt the new standards and amendments to standards when they become effective.

4. CHANGES IN ACCOUNTING POLICIES

This note explains the impact of the adoption of HKFRS 9, "Financial Instruments" and HKFRS 15, "Revenue from Contracts with Customers" on the Group's condensed consolidated interim financial information and also disclose these new accounting policies that have been applied from 1 July 2018, where they are different to those applied in prior periods.

HKFRS 9 Financial instruments

HKFRS 9 replaces the provisions of HKAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of HKFRS 9, "Financial Instruments" from 1 July 2018 resulted in changes in accounting policies as explained below.

(i) Accounting policies

(a) Classification

From 1 July 2018, the Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and

- those to be measured at amortised cost

The classification depends on the entity'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 other comprehensive income. 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.

(b) 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 expensed in profit or loss.

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. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other income and gains, together with foreign exchange gains and losses. 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 income and gains, 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 income and gains, net and impairment expenses are presented as separate line item in the statement of comprehensive income.

FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other income and gains, net in the period in which it arises.

Equity instruments

The Group subsequently measures all equity instruments at fair value. Where the Group's management has elected to present fair value gains and losses on equity instruments 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 income and gains, 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 income and gains, net in the statement of comprehensive income as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

(c) Impairment

From 1 July 2018, the Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

(ii) Impact of adoption

(a) Classification and measurement

The Group adopted HKFRS 9 from 1 July 2018. In accordance with the transitional provisions in HKFRS 9, comparative figures have not been restated, while the reclassification adjustments are recognised in the opening retained earnings in the consolidated balance sheet as at 1 July 2018.

The following table shows the adjustments recognised for each individual line item. Line items that were not affected by the changes have not been included.

On 1 July 2018 (the date of initial application of HKFRS 9), the Group's management has assessed which business models apply to the financial assets held by the Group and has classified its financial assets into the appropriate HKFRS 9 categories. The majority of the Group's financial assets include:

- Investment in financial products of commercial banks previously classified as available-for-sale financial assets was reclassified to financial assets at FVPL under HKFRS 9 (Note 21); and

- loans and receivables previously measured at amortised cost which meet the conditions for classification at amortised cost under HKFRS 9.

The impact of the reclassification is as follows:

	Available for sale financial assets *RMB'000*	**Financial assets at FVPL** *RMB'000*
Closing balance 30 June 2018 — HKAS 39	50,000	—
Reclassify	(50,000)	50,000
Opening balance 1 July 2018 — HKFRS 9	—	50,000

The adoption of such new standard does not have impact of the classification and measurement of other financial assets of the Group.

(b) Impairment

The Group's significant financial assets, which are subject to the new expected credit loss model, include trade receivables and other receivables. The Group was required to revise its impairment methodology under HKFRS 9 for each of these classes of assets.

While term deposits with initial term over 3 months and cash and cash equivalents are also subject to the impairment requirements of HKFRS 9, the identified impairment loss was immaterial.

For deposits and other receivables, management considers that its credit risk has not increased significantly since initial recognition with reference to the counterparty historical default rate and current financial position. The impairment provision is determined based on the 12-month expected credit losses which is close to zero.

For trade receivables, the Group applies the simplified approach to provide for expected credit losses which uses a lifetime expected loss for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The adoption of the simplified expected loss approach under HKFRS 9 has not resulted in any additional impairment loss for trade receivables as at 1 July 2018.

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group.

HKFRS 15 Revenue from Contracts with Customers

(i) Accounting Policies

The Group is primarily engaged in the design, marketing and sales of fashion apparel, accessory products and household goods. Revenue from sales of goods is recognised at the point in time when control of the products is transferred to the customer.

The Group considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price need to be allocated. In determining the transaction price for the sale of goods, the Group considers the effect of variable considerations, the existence of significant financing components, non-cash consideration, and consideration payable to the customer (if any).

(a) Sales of goods — distributors

A significant portion of the Group's products are sold to distributors, who have discretion over both the selling price and the distribution channels for such products to be sold in their designated geographical areas.

Revenues are recognised upon delivery, which occurs when distributors pick up goods at the Group's premises or when goods are handed over to a third party forwarder as designated by a specific distributor. Delivery occurs when the risks of obsolescence and loss are transferred to the distributors and the products are accepted by the distributors in accordance with the sales contract. Acceptance refers to either of the situations that distributors accept the goods in accordance with the sales contract or the acceptance provisions have lapsed or the Group has objective evidence that all criteria for acceptance have been satisfied and there is no unfulfilled obligation that could affect the distributors' acceptance of the products.

The Group offers volume rebates to distributors as agreed in the sales contracts. Revenue from these sales is recognised based on the price specified in the contract, net of the estimated volume discounts. Accumulated experience is used to estimate and provide for the discounts, using the expected value method, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. A refund liability (included in accruals and other current liabilities) is recognised for expected volume discounts payable to distributors in relation to sales made until the end of the reporting period.

Distributors are also offered with right of return within the limit as agreed in the sales contracts. Revenue is adjusted for estimated expected returns based on historical pattern. A refund liability (included in accruals and other current liabilities) is recognised for expected returns payable to distributors in relation to sales made. A right of contract asset (included in prepayments, deposits and other receivables) and corresponding adjustment to cost of sales are also recognised for the right to recover products from distributors. No element of financing is deemed present.

Receipt in advance from distributors before delivery of products are recognised as contract liabilities.

(b) Sales of products — retail

The Group sells its products to end customers via a chain of retail outlets of the Group or over third party online retail platform such as Tmall.Com. Revenue is recognised when the acceptance by end customers can be reasonably estimated. For offline retail sales, revenue is recognised when the product has been delivered to the customer and the customer has accepted the product. For online retail sales, acceptance can normally be estimated when online payment transaction is completed through third-party payment platform. Revenue is adjusted for the value of expected returns.

The Group operates a loyalty programme where customers accumulate points for purchases made which entitle them to discounts on future purchases. A contract liability for the award points is recognised at the time of the sale. Revenue is recognised when the points are redeemed or when they expire 12 months after the initial sale.

A receivable is recognised when the products are accepted as this is the point in time that consideration is unconditional because only the passage of time is required before the payment is due.

(ii) Impact of adoption

The Group has adopted HKFRS 15 Revenue from Contracts with Customers from 1 July 2018 which resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. In accordance with the transition provisions in HKFRS 15, the Group has elected to use a modified retrospective approach which allows the Group to recognised the accumulative effects of initially applying HKFRS 15 as an adjustment to the opening balance of retained earnings. Thus the comparative figures have not been restated.

The adoption of HKFRS 15 does not have a significant impact on when the Group recognises revenue from sale of goods.

As a result of the changes in the Group's accounting policies, certain reclassification are not reflected in the condensed consolidated balance sheet as at 30 June 2018, but are recognised in the opening condensed consolidated balance sheet as at 1 July 2018.

(a) Accounting for refunds

When the customer has a right to return the product within a given period, the entity is obliged to refund the purchase price. The Group previously recognised a provision for returns which was measured on a net basis at the margin on the sale. Revenue was adjusted for the expected value of the returns and cost of sales were adjusted for the value of the corresponding goods expected to be returned.

Under HKFRS 15, a refund liability for the expected refunds to customers is recognised as adjustment to revenue in accruals and other current liabilities. At the same time, the Group has a right to recover the product from the customer where the customers exercise their rights of return and recognises an asset and a corresponding adjustment to cost of sales. The asset is measured by reference to the cost of the product. The costs to recover the products are not material because the customers are required to return the products in a saleable condition.

(b) Accounting for customer loyalty programme

In previous reporting periods, the consideration received from the sale of goods was allocated to the points and the goods sold using the residual method. Under this method, a part of the consideration equaling the fair value of the points was allocated to the points. The residual part of the consideration was allocated to the goods sold.

Under HKFRS 15, the total consideration must be allocated to the points and goods based on the relative stand-alone selling prices. Using this new method, the amounts allocated to the goods sold are, on average, higher than the amounts allocated under the residual value method. The Group has assessed the impact of HKFRS 15 and concluded that the influence is immaterial.

The following table shows the adjustments recognised for each individual line item. Line items that were not affected by the changes have not been included.

	Closing balance as at 30 June 2018 — HKAS 18	Reclassify	Recognise return assets	Opening balance as at 1 July 2018 — HKFRS 15
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Advances from customers	(171,492)	171,492	—	—
Provisions for sales returns	(56,486)	—	(43,017)	(99,503)
Deferred revenue	(18,295)	18,295	—	—
Contract liabilities	—	(189,787)	—	(189,787)
Right of goods return	—	—	43,017	43,017
	(246,273)	—	—	(246,273)

5. 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 were the same as those that applied to the consolidated financial statements for the year ended 30 June 2018.

6. FINANCIAL RISK MANAGEMENT

6.1 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 30 June 2018.

There have been no changes in the risk management policies since 30 June 2018.

6.2 Liquidity risk

Compared to 30 June 2018, there was no material change in the contractual undiscounted cash flows for financial liabilities.

6.3 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 following table presents the Group's assets that are measured at fair value as at 31 December 2018.

	Level 1	**Level 2**	**Level 3**	**Total**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***
Financial assets at FVPL				
— financial products of commercial banks	**—**	**—**	**40,000**	**40,000**

The following table presents the Group's assets that are measured at fair value as at 30 June 2018.

	Level 1	Level 2	Level 3	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Available-for-sale financial assets				
— financial products of commercial banks	—	—	50,000	50,000

As at 31 December and 30 June 2018, the Group has no liabilities that are measured at fair value.

The following table presents the changes in level 3 instruments for the six months ended 31 December 2018.

	Financial assets at fair value through profit or loss
	RMB'000
Opening balance	**50,000**
Additions	**40,000**
Disposals of financial assets at FVPL	**(50,571)**
Investment interest income recognised in consolidated statement of comprehensive income under 'other income and gains, net'	**571**
Closing balance	**40,000**

The following table presents the changes in level 3 instruments for the six months ended 31 December 2017.

	Available-for-sale financial assets
	RMB'000
Opening balance	130,597
Additions	190,000
Disposals of available-for-sale financial assets	(182,167)
Investment interest income recognised in consolidated statement of comprehensive income under 'other income and gains, net'	1,570
Closing balance	140,000

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

- Deposits and other receivables
- Trade receivables
- Amounts due from related parties
- Term deposits with initial term over 3 months
- Restricted cash
- Cash and cash equivalents
- Trade and bills payables
- Accruals and other current liabilities
- Amounts due to related parties

7. SEGMENT INFORMATION

The Group operates as three 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 executive directors.

Management has determined the operating segments based on the information reviewed by the CODM for the purposes of allocating resources and assessing performance. The CODM consider the business from both a geographic and product perspective. Geographically, the CODM consider the performance in the PRC and overseas. From a product perspective, the CODM separately consider these operating segments which have been aggregated into reportable segments as follows: mature brand represented JNBY, and younger brands portfolio comprised CROQUIS (速寫), jnby by JNBY, and less.

In order to determine which operating segments share similar economic characteristics and thus meet the criteria for aggregation, CODM has focused on the product mix and customer type of the brands. Emerging brands include Pomme de terre (蓬馬), JNBYHOME, SAMO, REVERB and LASU MIN SOLA. None of these segments meet the quantitative thresholds for determining reportable segments.

CODM has changed aggregation of operating segments from a product perspective for better allocating resources and assessing performance during the period. Previously, the product lines were aggregated as women (including JNBY and less), men (including CROQUIS (速寫)), children and teenagers (including jnby by JNBY and Pomme de terre (蓬馬)) and others. As a result, segment data for the six months ended 31 December 2017 presented for comparative purposes has been restated to reflect the newly reportable segments.

Management assesses the performance of the operating segments based on operating profit.

	Six months ended 31 December 2018			
	Mature brand	**Younger brands**	**Emerging brands**	**Total**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***
Revenue				
Mainland China	**1,144,818**	**831,505**	**33,405**	**2,009,728**
Hong Kong, Taiwan region and other overseas countries and regions	**11,072**	**6,443**	**106**	**17,621**
Revenue from external customers	**1,155,890**	**837,948**	**33,511**	**2,027,349**
Segment gross profit	**706,604**	**521,288**	**16,305**	**1,244,197**
Segment operating gross profit/(loss)	**420,981**	**269,967**	**(16,353)**	**674,595**
Unallocated expenses				**(194,004)**
Other income and gains, net				**44,447**
Total operating profit				**525,038**

	Six months ended 31 December 2017			
	Mature brand	Younger brands	Emerging brands	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Revenue				
Mainland China	962,572	656,224	23,233	1,642,029
Hong Kong, Taiwan region and other overseas countries and regions	7,553	4,413	3	11,969
Revenue from external customers	970,125	660,637	23,236	1,653,998
Segment gross profit	608,861	414,977	11,514	1,035,352
Segment operating gross profit/(loss)	355,970	188,360	(10,883)	533,447
Unallocated expenses				(129,139)
Other income and gains, net				22,621
Total operating profit				426,929

8. EXPENSES BY NATURE

	Six months ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Cost of inventories sold	**717,450**	549,874
Workforce contracting expenses	**149,911**	129,277
Operating lease rental	**135,644**	120,071
Employee benefit expenses (including share-based compensation expenses)	**124,145**	92,645
Concession fees paid and payable to department stores and shopping malls	**110,824**	104,898
Promotion and marketing expense	**78,832**	63,153
Provision for inventories *(Note 18)*	**49,739**	52,968
Transportation and warehouse expense	**33,538**	28,481
Consumables and service fee for apparel design	**24,844**	17,277
Utilities charges and office expenses	**24,559**	17,358
Depreciation and amortisation *(Notes 14, 15 & 16)*	**19,748**	19,508
Commission expenses to online platforms	**19,252**	12,265
Taxes and other surcharges	**15,963**	15,804
Entertainment and travelling expenses	**13,110**	10,768
Other professional service expenses	**11,197**	8,305
Provision/(reversal) for impairment of trade receivable	**7,755**	(813)
Auditors' remuneration	**1,282**	1,140
Others	**8,965**	6,711
Total cost of sales, selling and marketing expenses and administrative expenses	**1,546,758**	1,249,690

9. OTHER INCOME AND GAINS, NET

	Six months ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Government grants	**36,384**	19,455
Reversal of provision in association with idle land *(a)*	**6,915**	—
Foreign exchange gains	**91**	96
Investment income	**571**	1,570
Losses on disposal of property, plant and equipment	**(31)**	(54)
Others	**517**	1,554
	44,447	22,621

(a) In 2014, the Group acquired a land use right from Xiaoshan Bureau of the PRC Ministry of Land & Resource for the purpose of building the Group's warehouse and logistic facilities. Due to the governmental reorganization of jurisdiction in 2014, such land was no longer belong to Xiaoshan District. For efficiency purpose, the Group intended to centralize its subsidiaries and facilities in Xiaoshan District as much as it can and, therefore, decided to abandon the original plan and return the land to the new government authority after the governmental reorganization.

As required by the relevant laws and regulations in the PRC, the Group should start construction on the acquired land within one year from the committed construction commencement date. Consequently, a provision of RMB6,915,000 was made during the fiscal year 2016 in this regard.

In October 2018, the Group reached an agreement with the government authority that the idle land would be returned to relevant local authority and a total consideration of RMB27,857,000 would be paid to the Group subject to a successful sale of such land by the government, which would be able to cover the original purchase cost of the land use right. Based on the agreement reached with the government authority, the directors were of the view that the previous provision with respect to idle land would no longer be required and, therefore, should be reversed upon the signing of agreement. In view of the government agreement of returning the land use right, the directors are of the view that such assets are no longer a land use right but consider this to be reclassified as non-current assets (Note 15). The cash consideration was received by the Group in January 2019 upon the government completing the transaction with third party.

10. FINANCE INCOME

	Six months ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Finance income		
Interest income on cash and cash equivalents, restricted cash and term deposits with initial term over 3 months	**8,958**	5,740
Net foreign exchange gains on financing activities	**484**	530
	9,442	6,270

11. 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% (2017: 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% (2017: 25%) whilst certain subsidiaries of the Company established and operated in the PRC is entitled to the preferential income tax rate as qualified Small and Thin-profit Enterprise.

	Six months ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Current income tax expense		
— Enterprise income tax expense	**162,469**	132,153
Deferred income tax expense *(Note 17)*	**(8,863)**	(11,029)
	153,606	121,124

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 31 December 2018 is 24.94% and 16.5%, respectively (six months ended 31 December 2017: 24.81% and 16.5%).

12. 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 31 December	
	2018	2017
	RMB'000	*RMB'000*
Profit attributable to shareholders of the Company	**380,874**	311,890
Weighted average number of ordinary shares in issue excluding shares held under the RSU scheme in issue (thousands of shares)	**511,691**	509,708
Basic earnings per share (expressed in RMB per share)	**0.74**	0.61

(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 31 December	
	2018	2017
	RMB'000	*RMB'000*
Profit attributable to shareholders of the Company	**380,874**	311,890
Weighted average number of ordinary shares in issue excluding shares held under the RSU scheme in issue (thousands of shares)	**511,691**	509,708
Adjustments for share based compensation — RSUs (thousands of shares)	**6,350**	5,841
Weighted average number of ordinary shares for the calculation of diluted EPS (thousands of shares)	**518,041**	515,549
Diluted earnings per share (expressed in RMB per share)	**0.74**	0.60

13. DIVIDENDS

Pursuant to the Shareholders' resolution on 23 October 2018, a dividend of RMB199,070,000 that relates to the year ended 30 June 2018 was paid during the six months ended 31 December 2018 (six months ended 31 December 2017: RMB245,853,000).

Pursuant to a resolution of the board of directors on 27 February 2019, an interim dividend of RMB0.28 per ordinary share totalling approximately RMB143,003,000 was approved. These financial statements do not reflect this dividend payable.

14. 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 31 December 2018						
Opening net book value as at 1 July 2018	**9,631**	**9,918**	**1,595**	**28,795**	**91,579**	**141,518**
Additions	**3,921**	**1,296**	**122**	**28,878**	**61,245**	**95,462**
Depreciation	**(2,168)**	**(537)**	**(143)**	**(15,777)**	**—**	**(18,625)**
Disposals	**(156)**	**—**	**—**	**(478)**	**—**	**(634)**
Closing net book value	**11,228**	**10,677**	**1,574**	**41,418**	**152,824**	**217,721**
As at 31 December 2018						
Cost	**30,233**	**12,738**	**5,828**	**138,187**	**152,824**	**339,810**
Accumulated depreciation	**(19,005)**	**(2,061)**	**(4,254)**	**(96,769)**	**—**	**(122,089)**
Net book value	**11,228**	**10,677**	**1,574**	**41,418**	**152,824**	**217,721**
Six months ended 31 December 2017						
Opening net book value as at 1 July 2017	7,962	6,748	1,321	27,093	15,453	58,577
Additions	3,199	3,650	959	22,949	34,121	64,878
Depreciation	(1,683)	(372)	(349)	(16,102)	—	(18,506)
Disposals	(72)	(5)	(18)	(261)	—	(356)
Closing net book value	9,406	10,021	1,913	33,679	49,574	104,593
As at 31 December 2017						
Cost	24,727	11,042	5,695	133,129	49,574	224,167
Accumulated depreciation	(15,321)	(1,021)	(3,782)	(99,450)	—	(119,574)
Net book value	9,406	10,021	1,913	33,679	49,574	104,593

15. LAND USE RIGHTS

	Six months ended 31 December	
	2018 *RMB'000*	2017 *RMB'000*
Net book value as at 1 July	**48,322**	49,354
Amortisation charges	**(516)**	(516)
Net book value transferred to other non-current assets *(Note 9)*	**(21,448)**	—
Net book value as at 31 December	**26,358**	48,838

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

16. INTANGIBLE ASSETS

	Computer software *RMB'000*	Others *RMB'000*	Total *RMB'000*
Six months ended 31 December 2018			
Opening net book value as at 1 July 2018	**8,725**	**81**	**8,806**
Additions	**3,319**	**—**	**3,319**
Amortisation charge	**(602)**	**(5)**	**(607)**
Closing net book value as at 31 December 2018	**11,442**	**76**	**11,518**
As at 31 December 2018			
Cost	**15,435**	**85**	**15,520**
Accumulated amortisation	**(3,993)**	**(9)**	**(4,002)**
Net book value	**11,442**	**76**	**11,518**
Six months ended 31 December 2017			
Opening net book value as at 1 July 2017	6,643	—	6,643
Additions	1,517	—	1,517
Amortisation charge	(486)	—	(486)
Closing net book value as at 31 December 2017	7,674	—	7,674
As at 31 December 2017			
Cost	10,531	—	10,531
Accumulated amortisation	(2,857)	—	(2,857)
Net book value	7,674	—	7,674

17. DEFERRED INCOME TAX

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

	As at 31 December 2018 *RMB'000*	As at 30 June 2018 *RMB'000*
Deferred income tax assets:		
— to be recovered after 12 months	**63,895**	58,730
— to be recovered within 12 months	**71,539**	52,141
	135,434	110,871
Deferred income tax liabilities:		
— to be settled within 12 months	**19,241**	10,541
Deferred income tax assets — net	**116,193**	100,330

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

	Six months ended 31 December	
	2018 *RMB'000*	2017 *RMB'000*
Opening balance as at 1 July	**110,871**	88,274
Credited in the consolidated statements of comprehensive income	**24,563**	23,578
Closing balance as at 31 December	**135,434**	111,852

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

	Six months ended 31 December	
	2018 *RMB'000*	2017 *RMB'000*
Opening balance as at 1 July	**10,541**	13,449
Debited in the consolidated statements of comprehensive income	**15,700**	12,549
Settled within current tax liabilities	**(7,000)**	(7,500)
Closing balance as at 31 December	**19,241**	18,498

18. INVENTORIES

	As at 31 December 2018 *RMB'000*	As at 30 June 2018 *RMB'000*
Finished goods	**968,209**	740,546
Raw materials	**39,312**	42,006
Commissioned processing materials	**105,128**	214,439
Less: provision	**(254,439)**	(233,231)
	858,210	763,760

Movements of provision for inventories are as follows:

	Six months ended 31 December 2018 *RMB'000*	2017 *RMB'000*
Opening balance as at 1 July	**233,231**	174,048
Addition of provision for inventories to net realised value included in "cost of sales" *(Note 8)*	**49,739**	52,968
Release of provision upon sales of inventories written down in prior years	**(28,531)**	(14,648)
Closing balance as at 31 December	**254,439**	212,368

19. TRADE RECEIVABLES

	As at 31 December 2018 *RMB'000*	As at 30 June 2018 *RMB'000*
Trade receivables	**240,008**	113,124
Less: provision for impairment	**(26,348)**	(18,593)
	213,660	94,531

The trade receivables are mainly derived from sales proceeds from department stores and are generally collectible within 45 to 90 days from the invoice date.

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

	As at 31 December 2018 *RMB'000*	As at 30 June 2018 *RMB'000*
Within 3 months	**206,295**	88,008
3 months to 6 months	**13,348**	12,105
6 months to 1 year	**12,274**	7,963
1 year to 2 years	**3,962**	673
More than 2 years	**4,129**	4,375
	240,008	113,124

20. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at 31 December 2018 *RMB'000*	As at 30 June 2018 *RMB'000*
Long-term prepayments		
Long-term prepaid expenses	**10,247**	8,537
Current assets		
Deposits and other receivables	**112,673**	90,820
Right of goods return *(Note 4)*	**81,296**	—
Prepaid expenses	**36,038**	26,900
Prepayment to suppliers	**18,634**	77,040
Value added tax recoverable	**11,599**	30,214
Interest receivables	**1,887**	5,550
Staff advances	**71**	56
	262,198	230,580
	272,445	239,117

21. FINANCIAL ASSETS AT FVPL AND AVAILABLE-FOR-SALE FINANCIAL ASSETS

	As at 31 December 2018 RMB'000	As at 30 June 2018 RMB'000
Financial assets at FVPL	**40,000**	—
Available-for-sale financial assets	**—**	50,000
	40,000	50,000

The financial assets at FVPL represented RMB-denominated principal protected financial products of commercial banks with maturity period within 1 year. The fair value of the financial products of commercial banks approximated its carrying amount.

22. TERM DEPOSITS WITH INITIAL TERM OVER 3 MONTHS

	As at 31 December 2018 RMB'000	As at 30 June 2018 RMB'000
Term deposits in USD	**362,906**	322,646

The effective interest rate for the term deposits of the Group with initial term over 3 months for the six months ended 31 December 2018 was 2.85% per annum (year ended 30 June 2018: 2.55%).

Term deposits with initial term over 3 months were neither past due nor impaired. The fair value of these term deposits with initial term over 3 months approximated its carrying amount.

23. CASH AND BANK BALANCE

	As at 31 December 2018 RMB'000	As at 30 June 2018 RMB'000
Current		
Cash and cash equivalents	**362,344**	333,405
Restricted cash	**8,596**	1,021
	370,940	334,426

24. 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 RMB'000	Subtotal RMB'000
As at 1 July 2018	**1,000,000,000**	**518,750,000**	**4,622**	**647,739**	**(30,623)**	**621,738**
Vest and transfer of RSU	—	—	—	**9,637**	**25**	**9,662**
Purchase of ordinary shares for RSU scheme *(a)*	—	—	—	—	**(44,236)**	**(44,236)**
As at 31 December 2018	**1,000,000,000**	**518,750,000**	**4,622**	**657,376**	**(74,834)**	**587,164**

	Number of shares authorised	Number of shares issued	Share capital RMB'000	Share premium RMB'000	Shares held for RSU scheme RMB'000	Subtotal RMB'000
As at 1 July 2017	1,000,000,000	518,750,000	4,622	639,003	(66)	643,559
Vest and transfer of RSU	—	—	—	8,736	24	8,760
As at 31 December 2017	1,000,000,000	518,750,000	4,622	647,739	(42)	652,319

(a) During the period, the Group purchased 3,783,500 of its own shares through the trustee of the RSU scheme from the Stock Exchange of Hong Kong at a total consideration of HK$50,487,000 (RMB44,236,000), which were debited to shares held for RSU scheme. As at 31 December 2018, there were 5,998,500 shares (30 June 2018: 2,215,000) held through the trustee of the RSU scheme.

25. OTHER RESERVES

	Statutory reserves RMB'000	Share-based compensation reserve RMB'000	Currency translation differences RMB'000	Merger reserve *(b)* RMB'000	Total RMB'000
As at 1 July 2018	**143,909**	**19,632**	**(8,311)**	**(1,599)**	**153,631**
Appropriation to statutory reserves *(a)*	**9,839**	—	—	—	**9,839**
Share based compensation *(Note 26)*	—	**9,623**	—	—	**9,623**
Currency translation differences	—	—	**10,701**	—	**10,701**
Vest and transfer of RSUs	—	**(9,662)**	—	—	**(9,662)**
As at 31 December 2018	**153,748**	**19,593**	**2,390**	**(1,599)**	**174,132**
As at 1 July 2017	111,901	17,979	2,948	(1,599)	131,229
Appropriation to statutory reserves *(a)*	19,347	—	—	—	19,347
Share based compensation *(Note 26)*	—	2,639	—	—	2,639
Currency translation differences	—	—	(15,386)	—	(15,386)
Vest and transfer of RSUs	—	(8,760)	—	—	(8,760)
As at 31 December 2017	131,248	11,858	(12,438)	(1,599)	129,069

(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 31 December 2018 and 2017, approximately RMB9,839,000 and RMB19,347,000 were appropriated from retained earnings to the statutory surplus reserve fund, respectively.

(b) During the reorganisation to form the current Group prior to the IPO, the Group acquired the equity interests of certain Group entities from the controlling shareholders. The difference between the considerations paid and their original investments have been recognised as merger reserve.

26. 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 1 July 2018	**20,962,442**
Granted *(a)*	**180,000**
Forfeited	**—**
Vested *(b)*	**(3,164,595)**
As at 31 December 2018	**17,977,847**

	Number of RSUs
As at 1 July 2017	8,265,281
Granted	30,000
Forfeited	(30,000)
Vested *(b)*	(3,044,695)
As at 31 December 2017	5,220,586

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 closing price of shares immediately before the date on which the RSUs were granted.

(a) On 28 August 2018, 180,000 RSUs were granted to four employees, of which 20%, 20%, 20%, 20% and 20% shall be vested within two months after 30 June 2019, 2020, 2021, 2022 and 2023, respectively.

(b) During the six months ended 31 December 2018, 3,164,595 RSUs (six months ended 31 December 2017: 3,044,695 RSUs) were vested.

(c) The Group is required to estimate the forfeiture rate in order to determine the amount of share-based compensation expenses charged to the consolidated statement of comprehensive income. As at 31 December 2018, the expected forfeiture rate was estimated at 3% (31 December 2017: 3%).

27. TRADE AND BILLS PAYABLES

	As at 31 December 2018 *RMB'000*	As at 30 June 2018 *RMB'000*
Trade payables	**279,850**	201,728
Bills payables	**21,490**	2,552
	301,340	204,280

Ageing analysis of trade payables based on date of goods received as at 31 December 2018 and 30 June 2018 was as follows:

	As at 31 December 2018 *RMB'000*	As at 30 June 2018 *RMB'000*
Within 6 months	**277,323**	192,762
6 months to 1 year	**1,559**	7,813
1 to 2 years	**580**	614
2 to 3 years	**388**	539
	279,850	201,728

28. CONTRACT LIABILITIES, ACCRUALS AND OTHER CURRENT LIABILITIES

	As at 31 December 2018	As at 30 June 2018
	RMB'000	*RMB'000*
Advances from distributors	**125,133**	—
Customer loyalty programme	**18,959**	—
Contract liabilities *(Note 4)*	**144,092**	—
Provisions for sales returns	**181,421**	56,486
Non-refundable deposits from distributors *(a)*	**91,802**	122,530
Payroll and welfare payables	**63,648**	80,346
Provisions for sales rebates	**49,487**	42,278
Distribution deposits *(b)*	**37,921**	39,785
Workforce contracting payables	**28,669**	20,913
Payables for construction-in-progress	**13,919**	10,558
Payables for leasehold improvements	**11,443**	3,676
Value-added tax and other taxes payables	**8,189**	1,110
Rentals	**3,824**	2,204
Marketing and promotions	**3,141**	6,815
Advances from distributors	—	171,492
Others	**20,548**	17,822
	514,012	576,015

(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.

29. COMMITMENTS

(a) Capital commitments

As at 31 December 2018, the capital expenditure contracted but not provided for amounted to RMB41,827,000 (30 June 2018: RMB50,415,000).

(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 31 December 2018 *RMB'000*	As at 30 June 2018 *RMB'000*
No later than 1 year	**180,103**	156,912
Later than 1 year and no later than 5 years	**149,619**	134,763
Later than 5 years	**6,319**	—
	336,041	291,675

30. RELATED-PARTY TRANSACTIONS

The following persons/companies are related parties of the Group that had balances and/or transactions with the Group for all the periods presented.

Name	**Relationship with the Group**
Wu Jian	One of the controlling shareholders
Li Ming	Director of the Company
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

(a) Significant transactions with related parties

The Group had the following significant transactions with related parties, which are all continued transactions:

	Six months ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
(i) Processing fee		
Hangzhou Shangwei Apparel Co., Ltd.	**13,917**	13,534
Hangzhou New Shangwei Finery Co., Ltd.	**706**	4,108
	14,623	17,642
(ii) Workforce contracting		
Hangzhou JNBY Finery Co., Ltd.	**16,354**	12,638
(iii) Operating lease expenses charged by related parties		
Hangzhou Huikang Industrial Co., Ltd.	**5,548**	5,104
Hangzhou JNBY Finery Co., Ltd.	**882**	840
Wu Jian	**729**	513
Li Ming	**107**	64
	7,266	6,521
(iv) Logistics and warehousing expenses charged by a related party		
Hangzhou Huikang Industrial Co., Ltd.	**16,454**	14,240

(b) Balances with related parties

	As at 31 December 2018 *RMB'000*	As at 30 June 2018 *RMB'000*
Due from related parties		
Prepaid operating lease expenses:		
— Hangzhou Huikang Industrial Co., Ltd.	**5,627**	6,559
— Hangzhou JNBY Finery Co., Ltd.	**973**	926
— Wu Jian	**800**	367
	7,400	7,852
Due to related parties		
Trade payables:		
— Hangzhou Shangwei Apparel Co., Ltd.	**4,204**	4,128
— Hangzhou New Shangwei Finery Co., Ltd.	**83**	911
	4,287	5,039
Other payables:		
— Hangzhou JNBY Finery Co., Ltd.	**3,230**	3,784
— Hangzhou Huikang Industrial Co., Ltd.	**2,438**	2,471
— Li Ming	**112**	—
	5,780	6,255
	10,067	11,294

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.

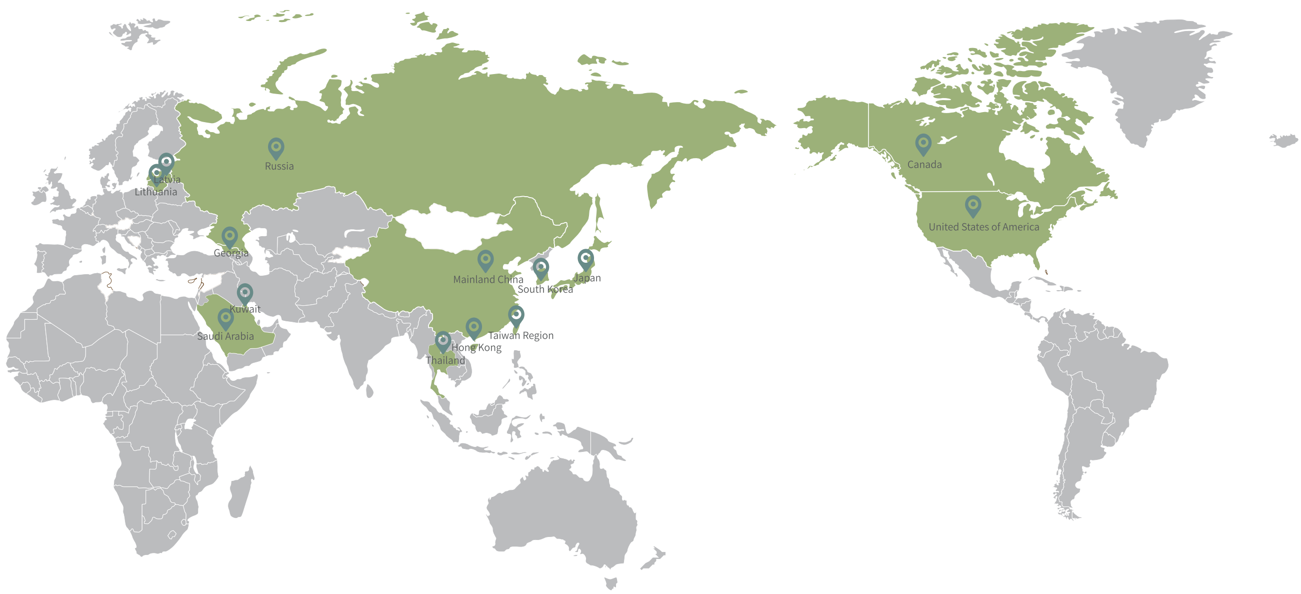
The total revenue for the six months ended December 31, 2018 amounted to RMB2,027.3 million, an increase of 22.6% or RMB373.3 million as compared with RMB1,654.0 million for the six months ended December 31, 2017. The increase in the revenue was mainly attributable to the expansion of the Group's retail network and the rapid development of e-commerce business and new business.

The total number of our standalone retail stores around the world increased from 1,831 as of June 30, 2018 to 1,994 as of December 31, 2018, coupled with our 161 points of sale abroad, our sales network has covered all provinces, autonomous regions and municipalities in Mainland China and across 17 other countries and regions around the world. The tables below set forth the information on the number of our standalone retail stores around the world by different brands and the number and geographic distribution of those standalone retail stores by sales channels, respectively:

Number of our standalone retail stores around the world by different brands		**As of December 31, 2018**	As of June 30, 2018
Mature brand	JNBY	**871**	832
	Sub-total	**871**	832
Younger brands	CROQUIS (速寫)	**342**	308
	jnby by JNBY	**504**	461
	less	**176**	150
	Sub-total	**1,022**	919
New brands	Pomme de terre (蓬馬)	**75**	76
	JNBYHOME	**3**	4
	SAMO	**4**	—
	REVERB	**16**	—
	LASU MIN SOLA	**3**	—
	Sub-total	**101**	80
Total		**1,994**	1,831

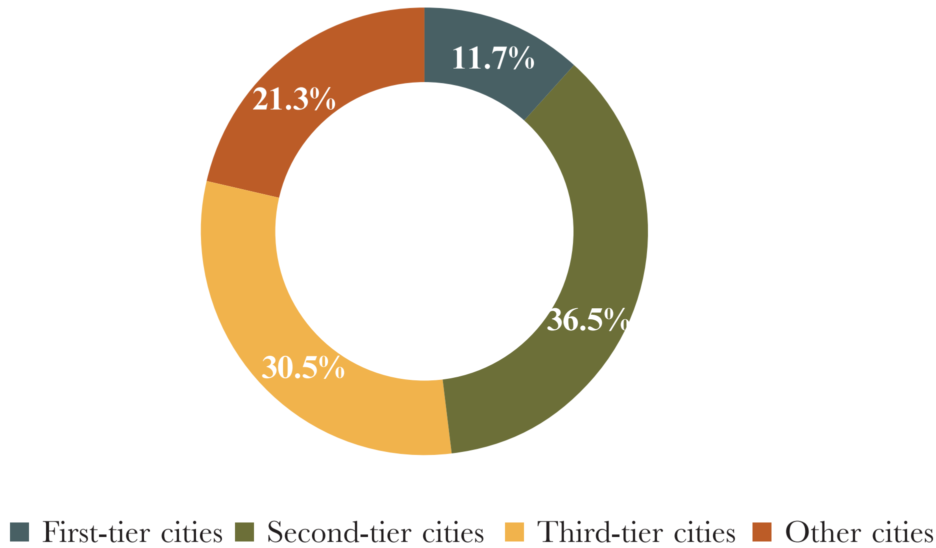
	As of December 31, 2018	As of June 30, 2018
Number and geographic distribution of our standalone retail stores by sales channels		
Mainland China		
Self-operated stores	**559**	536
Distributor-operated stores	**1,393**	1,250
Hong Kong, Taiwan region and other overseas countries and regions		
Self-operated stores	**4**	5
Distributor-operated stores	**38**	40
Total	**1,994**	1,831

The following maps and chart show the retail network distribution of our standalone retail stores in countries and regions all over the world (excluding points of sale), the geographic distribution of our retail stores (including standalone distributor-operated and self-operated stores) across Mainland China, Hong Kong and Taiwan region as well as the distribution of our stores by city tiers across Mainland China as at December 31, 2018, respectively:


Russia
Latvia
Lithuania
Georgia
Kuwait
Saudi Arabia
Mainland China
South Korea
Japan
Taiwan Region
Hong Kong
Thailand
Canada
United States of America


Heilongjiang (45)
Jilin (57)
Xinjiang (16)
Inner Mongolia (36)
Beijing (104)
Liaoning (115)
Gansu (23)
Hebei (73)
Tianjin (23)
Ningxia (6)
Shanxi (46)
Qinghai (10)
Shandong(122)
Shaanxi (71)
Henan (106)
Jiangsu (196)
Tibet (9)
Anhui (49)
Shanghai (79)
Sichuan (110)
Hubei (72)
Chongqing (32)
Jiangxi (24)
Zhejiang (270)
Hunan(80)
Guizhou(27)
Fujian (30)
Yunnan (31)
Guangxi(8)
Guangdong (69)
Taiwan Region (12)
Hong Kong (4)
Hainan (13)

The number of our stores by city tiers across Mainland China



Same Store Sales Growth

Driven by the "Fans Economy" strategy, same store sales growth rate of our retail stores reached 3.4% for the first half of fiscal year 2019, which was mainly due to:

(i) The number and loyalty of our members maintained stable growth. As of December 31, 2018, we had over 3.1 million membership accounts (without duplication) (as of June 30, 2018: over 2.5 million), including more than 2.6 million subscribers (without duplication) on our WeChat platform (as of June 30, 2018: over 2.1 million). For the first half of fiscal year 2019, the percentage of retail sales contributed by our members to our total retail sales accounted for about 70%.

(ii) The number of active members (active members accounts are membership accounts associated with at least two purchases for a period of any 180 consecutive days within the last 12 months, without duplication) increased from over 360,000 for the year ended June 30, 2018 ("**Fiscal Year 2018**") to over 395,000 for 2018, and the number of WeChat active members (WeChat active members accounts are active members subscribed to our WeChat platform, without duplication) increased from over 340,000 for Fiscal Year 2018 to over 376,000 for 2018.

(iii) The number of membership accounts with annual purchases totaling over RMB5,000 in 2018 increased from over 140,000 for 2017 to over 182,000 for 2018, thereby contributing retail sales amounting to RMB2.17 billion (2017: RMB1.67 billion), accounting for over 40% of total retail sales from offline channels, among these membership accounts the number of subscribers on our WeChat platform with annual purchases totaling over RMB5,000 in 2018 increased from over 130,000 for 2017 to over 178,000 for 2018. Driven by our social media omni-channel interactive platform, especially on WeChat, the loyalty of our fans maintained stable growth.

(iv) The incremental retail sales of RMB402.2 million generated by the inventory sharing and allocation system in the first half of fiscal year 2019, representing 13.6% of our total retail sales for the first half of fiscal year 2019 (the first half of fiscal year 2018: incremental retail sales of RMB367.8 million).

Revenue by brands

The following table sets forth a breakdown of our revenue by brands, each expressed in the absolute amount and as a percentage to our total revenue, for the half-years indicated:

	For the six months ended December 31,					
	2018		2017		Increase	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Mature brand:						
JNBY	**1,155,890**	**57.0%**	970,125	58.6%	185,765	19.1%
Sub-total	**1,155,890**	**57.0%**	970,125	58.6%	185,765	19.1%
Younger brands:						
CROQUIS (速寫)	**402,050**	**19.8%**	325,535	19.7%	76,515	23.5%
jnby by JNBY	**285,071**	**14.1%**	214,334	13.0%	70,737	33.0%
less	**150,827**	**7.4%**	120,768	7.3%	30,059	24.9%
Sub-total	**837,948**	**41.3%**	660,637	40.0%	177,311	26.8%
New brands:						
Pomme de terre (蓬馬)	**23,969**	**1.3%**	19,800	1.2%	4,169	21.1%
JNBYHOME	**4,944**	**0.2%**	3,436	0.2%	1,508	43.9%
SAMO[1]	**1,913**	**0.1%**	—	—	1,913	—
REVERB[1]	**2,555**	**0.1%**	—	—	2,555	—
LASU MIN SOLA[1]	**130**	**0.0%**	—	—	130	—
Sub-total	**33,511**	**1.7%**	23,236	1.4%	10,275	44.2%
Total revenue	**2,027,349**	**100.0%**	1,653,998	100.0%	373,351	22.6%

Note:

(1) We launched SAMO, a designer fashion brand for consummate professional men, REVERB, a brand new sustainable fashion brand and LASU MIN SOLA, a designer brands collection shop in April, June and December 2018 respectively, and no revenue was recorded under these brands in the first half of fiscal year 2018.

For the first half of fiscal year 2019, benefiting from the diversified designer brands portfolio, the revenue of the Group has shown an increasing trend. Revenue generated from the Group's mature brand with a history over 20 years, JNBY, continued to grow at a steady pace, representing an increase of 19.1% or RMB185.8 million. For the younger brands portfolio, it consists of brands which were successively launched from 2005 to 2011, namely CROQUIS (速寫), jnby by JNBY and less. Revenue generated from younger brands portfolio maintained a rapid growth, and recorded a revenue of RMB402.1 million, RMB285.1 million and RMB150.8 million respectively, with a total growth rate reached 26.8%. For new brands portfolio, it consists of Pomme de terre (蓬馬), a designer brand aiming at teenages and JNBYHOME a designer brand of household products, which were launched in 2016. During the first half of fiscal year 2019, a revenue of RMB24.0 million and RMB4.9 million were recorded respectively, showing a significant growth. For SAMO, a designer fashion brand for consummate professional men, REVERB, a brand new sustainable fashion brand and LASU MIN SOLA, a designer brands collection shop, which were launched in 2018, a revenue of RMB1.9 million, RMB2.6 million and RMB0.1 million were recorded in the first half of fiscal year 2019 respectively, showing a stable increasing trend in the percentage of their aggregate revenue to total revenue.

Revenue by sales channels

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

	For the six months ended December 31,					
	2018		2017		Increase	
	RMB'000	*(%)*	*RMB'000*	*(%)*	*RMB'000*	*(%)*
Offline channels						
Self-operated stores	**819,259**	**40.4%**	766,605	46.3%	52,654	6.9%
Distributor-operated stores [(1)]	**985,512**	**48.6%**	747,157	45.2%	238,355	31.9%
Online channels	**220,261**	**10.9%**	140,236	8.5%	80,025	57.1%
Other channels	**2,317**	**0.1%**	—	—	2,317	—
Total revenue	**2,027,349**	**100.0%**	1,653,998	100.0%	373,351	22.6%

Note:

(1) Includes stores operated by overseas customers.

In the first half of fiscal year 2019, 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 2018. Benefiting from the increase in the number of people with high fashion sense consuming on each e-commerce platform, the in-season products retail sales through our online channels accounted for more than 20% of total online retail sales. Meanwhile, revenues generated from sales through our online channels, as a percentage of our total revenue, has increased from 8.5% for the first half of fiscal year 2018 to 10.9% for the first half of fiscal year 2019, represented a growth rate over 50%, which has driven the increase in the overall revenue of the Group.

Revenue by Geographical Distribution

The following table sets forth a breakdown of our revenue by geographical distribution, each expressed in the absolute amount and as a percentage to our total revenue, for the half-years indicated:

	For the six months ended December 31,					
	2018		2017		Increase	
	RMB'000	***(%)***	*RMB'000*	*(%)*	*RMB'000*	*(%)*
Mainland China	**2,009,728**	**99.1%**	1,642,029	99.3%	367,699	22.4%
Non-Mainland China [(1)]	**17,621**	**0.9%**	11,969	0.7%	5,652	47.2%
Total revenue	**2,027,349**	**100.0%**	1,653,998	100.0%	373,351	22.6%

Note:

(1) Hong Kong, Taiwan regions, and other overseas countries and regions.

In the first year of fiscal year 2019, the absolute amounts of revenue generated from sales in Mainland China and non-Mainland China areas continued to increase as compared with that in the first half of fiscal year 2018. Due to the expansion of our retail network, revenues generated from sales in Hong Kong, Taiwan region and other overseas countries and regions increased by 47.2% in the first half of fiscal year 2019.

Gross profit and gross profit margin

The Group's gross profit increased by 20.2% from RMB1,035.4 million for the first half of fiscal year 2018 to RMB1,244.2 million for the first half of fiscal year 2019, which was primarily attributable to the expansion of the Group's retail network, the same store sales growth of the retail stores and the development of the new value-added business.

The Group's overall gross profit margin decreased from 62.6% for the first half of fiscal year 2018 to 61.4% for the first half of fiscal year 2019, which was mainly attributed to the change of our channel structure (the percentage of our offline self-operated channels with higher gross profit margin has decreased).

	For the six months ended December 31,							
	2018			2017			Increase	
	Gross Profit	**Percentage**	**Gross profit margin**	Gross Profit	Percentage	Gross profit margin	Gross Profit	Percentage
	RMB'000	***(%)***	***(%)***	*RMB'000*	*(%)*	*(%)*	*RMB'000*	*(%)*
Offline channels	**1,108,454**	**89.1%**	**61.4%**	950,742	91.8%	62.8%	157,712	16.6%
Self-operated stores	**593,220**	**47.7%**	**72.4%**	559,254	54.0%	73.0%	33,966	6.1%
Distributor-operated stores (1)	**515,234**	**41.4%**	**52.3%**	391,488	37.8%	52.4%	123,746	31.6%
Online channels	**133,917**	**10.8%**	**60.8%**	84,610	8.2%	60.3%	49,307	58.3%
Other channels	**1,826**	**0.1%**	**78.8%**	—	—	—	1,826	—
Total	**1,244,197**	**100%**	**61.4%**	1,035,352	100%	62.6%	208,845	20.2%

Note:

(1) Includes stores operated by overseas customers.

Selling and marketing expenses and administrative expenses

In the first half of fiscal year 2019, selling and marketing expenses were RMB604.7 million (the first half fiscal year 2018: RMB520.4 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 29.8% of our revenue in the first half of fiscal year 2019 (the first half of fiscal year 2018: 31.5%), the decrease in the percentage of the selling and marketing expenses to the revenue as compared with that for the corresponding period of the previous year was mainly attributable to the effective sales channels and marketing expenses control.

The administrative expenses for the first half of fiscal year 2019 was RMB158.9 million (the first half of fiscal year 2018: RMB110.7 million) which, among others, primarily consist of: (i) employee benefit expenses, including emoluments of the directors of the Company (the "**Directors**"); (ii) product development outsourcing fees; and (iii) professional service expenses. In percentage terms, administrative expenses accounted for 7.8% of our revenue in the first half of fiscal year 2019 (the first half of fiscal year 2018: 6.7%), representing an increase in the expenses related to research and development as compared with that for the corresponding period of the previous year.

Finance income, net

The Group's net finance income for the first half of fiscal year 2019 was net income of RMB9.4 million (the first half of fiscal year 2018: net income of net financial income of RMB6.3 million). The increase in net financial income was mainly due to more interest income earned.

Profit and net profit margin, net

Due to the above-mentioned factors, net profit for the first half of fiscal year 2019 was RMB380.9 million, representing an increase of 22.1% or RMB69.0 million as compared with RMB311.9 million for the first half of fiscal year 2018. Net profit margin for the first half of fiscal year 2019 was 18.8%, which was basically the same as compared with 18.9% for the first half of fiscal year 2018.

Capital expenditure

The Group's capital expenditure mainly consist 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 2019 was RMB87.7 million (the first half of fiscal year 2018: RMB52.5 million).

Profit before income tax

The Group's profit before income tax increased by 23.4%, from RMB433.0 million for the first half of fiscal year 2018 to RMB534.5 million for the first half of fiscal year 2019. 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 cash flows and banking facilities provided by the banks.

As of December 31, 2018, the Group's cash and cash equivalents were RMB362.3 million (June 30, 2018: RMB333.4 million), of which 95.5% was denominated in RMB, 2.4% in US dollars and 2.1% in other currencies. Net cash inflow from operating activities in the first half of fiscal year 2019 was RMB372.8 million, a decrease of 4.1% as compared with RMB388.8 million in the first half of fiscal year 2018.

Significant Investment Event

Subscription of financial products of commercial banks

On November 13, 2018, JNBY Finery Co., Ltd. ("**JNBY Finery**"), a subsidiary of the Company, subscribed for the short-term financial products of commercial banks of Bank of Hangzhou with a principal of RMB40,000,000. The subscription mentioned above does not constitute a notifiable transaction of the Company.

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 cope with the Group's development plan, the number of the Group's employees increased to 1,041 as of December 31, 2018 (June 30, 2018: 999). The total staff costs during the period (including basic salaries and allowances, social security insurance, discretionary bonuses and share-based compensation expenses) were RMB124.1 million (first half of fiscal year 2018: RMB92.6 million), representing 6.1% of our revenue (first half of fiscal year 2018: 5.6%).

Pledge of assets

As of December 31, 2018, the Group did not have any secured bank borrowings.

Contingent liabilities

As of December 31, 2018, the Group did not have any material contingent liabilities.

USE OF PROCEEDS FROM LISTING

The Company's net proceeds from listing were approximately HK$684.0 million (equivalent to approximately RMB596.6 million), after deduction of underwriting fees and related expenses. As of December 31, 2018, the proceeds amounting to a total of RMB440.0 million have been used. These proceeds shown as following have been used for the purposes as stated in the prospectus (the "**Prospectus**") of the Company dated October 19, 2016.

Item	**The planned use of proceeds** *(RMB million)*	**As at December 31, 2018 The actual used amount** *(RMB million)*	**For the six months ended December 31, 2018 The actual used amount** *(RMB million)*	**As at December 31, 2018 Proceeds amount** *(RMB million)*
To strengthen our omni-channel interactive platform	167.4	163.8	36.9	3.6
To expand our product offering and brand portfolio	179.3	93.5	19.0	85.8
To establish a new logistics center	220.1	152.9	65.09	67.2
For general purposes	29.8	29.8	—	—
Total	**596.6**	**440.0**	**120.9**	**156.7**

As at December 31, 2018, the balance of proceeds of approximately RMB156.7 million would continue to be used for the purposes as stated in the Prospectus. It is also expected to be fully utilised within next 18 months.

OUTLOOK

In recent years, coupled with the slowdown in the growth rate of the PRC economy, the growth of consumption also decelerated, posing greater challenge for the apparel industry. Meanwhile, benefiting from the upgraded consumption trend, with the rapid increase in the number of people pursuing distinguished life styles as well as the rising demand for personalized and stylish products, consumers have become increasingly demanding for products that can represent their personality, creating huge opportunities in the designer brand market segment. Benefiting from the diversification of designer brand portfolio and sound operation management, as the leading designer fashion group, we remain full confidence towards our future. We will continue to maintain and strengthen our position as a leading designer brand fashion house based in China, and we are committed to pursue the following major strategies, to create a lifestyle initiated by JNBY, which mainly include:

- To constantly attract and maintain new JNBY fans, we expand and diversify our designer brand portfolio by further increasing our investment in enhancement of design and R&D capabilities;

- To empower each segment market a reasonable operational capability, we further enhance our domestic and foreign retail network and optimize our omni-channel interactive platform by adopting internet thinking and technology;

- To enhance fans experience by persisting fans economy strategy as the core, encouraging operational innovation and providing value-added services to our fans continuously.

INTERIM DIVIDEND

The Board declared the payment of an interim dividend of RMB0.28 per ordinary share (equivalent to HK$0.32 per ordinary share) for the six months ended December 31, 2018. The above interim dividend is expected to be paid on May 14, 2019 to the shareholders of the Company (the "**Shareholders**") whose names appear on the Company's register of members on May 7, 2019.

CLOSURE OF REGISTER OF MEMBERS

In order to determine the identity of members who are eligible for receiving the interim dividend, the register of members of the Company will be closed from May 7, 2019 to May 8, 2019 (both days inclusive), during which period no share transfer will be registered. In order to be eligible for receiving the interim dividend, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on May 6, 2019.

CORPORATE GOVERNANCE PRACTICES

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of Shareholders and to enhance corporate value and accountability system. The Company has applied the principles and code provisions as set out in the Corporate Governance Code and Corporate Governance Report (the "**CG 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**").

The Company has complied with all applicable code provisions under the CG Code for the six months ended December 31, 2018, except for code provision A.2.1, which requires that the roles of chairman and chief executive officer should be separated and should not be performed by the same person. The Company will continue to review and monitor its corporate governance practices to ensure compliance with the CG Code.

Under code provision A.2.1 of the CG Code, the roles of chairman and chief executive officer should be separated and should not be performed by the same person. Mr. Wu Jian is the chairman of the Board and the chief executive officer of the Company (the "**CEO**"). Due to Mr. Wu Jian's background, qualifications and experience at the Company, he is considered the most suitable person to take both roles in the current circumstances. The Board is of the view that it is appropriate and in the best interests of the Company that Mr. Wu Jian holds both positions at the current stage, as it helps to maintain the continuity of the policies and the stability and efficiency of the operations of the Company. The Board also meets regularly on a quarterly basis to review the operations of the Company led by Mr. Wu Jian. Accordingly, the Board believes that this arrangement will not impact on the balance of power and authorizations between the Board and the management of the Company. The Board will continue to review and consider splitting the roles of chairman of the Board and the CEO at a time when it is appropriate and suitable by taking into account the circumstances of the Group as a whole.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuer (the "**Model Code**") set out in Appendix 10 of the Listing Rules as the code of conduct regarding Directors' securities transactions. Having made specific enquiry to the Directors, all the Directors have confirmed that they have complied with the required standard set out in the Model Code for the six months ended December 31, 2018.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the six months ended December 31, 2018, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

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, 2018.

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

This 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 interim report for the six months ended December 31, 2018 containing all the information required by the Listing Rules will be dispatched to the Shareholders and published on the aforesaid websites of the Stock Exchange and the Company in due course.

By Order of the Board of
JNBY Design Limited
Wu Jian
Chairman and Executive Director

Hong Kong, February 27, 2019

As at 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 director of the Company is Mr. Wei Zhe; and the independent non-executive directors of the Company are Mr. Lam Yiu Por, Ms. Han Min and Mr. Hu Huanxin.