江南布衣+

JNBY DESIGN LIMITED (Stock Code:03306)

2018/19 ANNUAL REPORT

This annual report is printed on environmental paper

江南布衣+

+ Better Design, Better Life +

更好地設計，更好地生活

JNBY 速写 jnby by JNBY less POMME DE TERRE 蓬马

JNBYHOME SAMO 9E/E2B LASU MIN SOLA A PERSONAL NOTE

+

JNBY

Year of launch:
1990's
Slogan:
Just Naturally Be Yourself
Target customers:
Modern women between 25 and 40 who are acutely curious and adept at discovering the surprises and poetry in everyday life, and who naturally express these attributes
Design concepts:
Modern, Vitality, Charming and Serenity

速写 CROQUIS

Year of launch:
2005
Slogan:
Re-Consider Humorously
Target customers:
Men between 25 and 35 who enjoy dressing
Design concepts:
Modern, Textured,Thoughtful and Elegant

jnby by JNBY

Year of launch:
2011
Slogan:
Free Imagination
Target customers:
Children between 0 and 10 who are from middleand upper-class families with certain qualities of life, who are independent and love life
Design concepts:
Freedom, Imagination,Joyful and sincerity

less

Year of launch:
2011
Slogan:
less is more
Target customers:
A new generation of femal professionals between 30 and 45 who are independent, sophisticated,rational, and pursue simple living
Design concepts:
Simplified, Refined, Independent and Rational

POMME DE TERRE 蓬马

Year of launch:
2016
Slogan:
Don't be Serious
Target customers:
Generation Z between 16 and 25 who pursue spiritual fulfilment through design and lifestyle.
Design concepts:
Easy, carefree, clear and yuppy

JNBYHOME

Year of launch:
2016
Slogan:
Live Lively
Target customers:
People who pursue a high quality of life with a proactive and free attitude
Design concepts:
diversity, comfort,individuality and curiosity

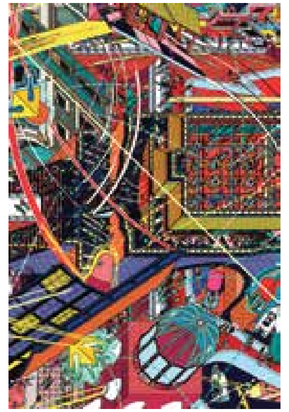
SAMO

Year of launch:
2018
Slogan:
Simplified, but better
Target customers:
Consummate professional men
Design concepts:
Elegant, Simplified,Charming and Versatile

9E/E2B

Year of launch:
2018
Slogan:
Circular Fashion
Target customers:
Young and fashionable millennials
Design concepts:
Athleisure, Genderless and Sustainability

LASU MIN SOLA



Year of launch:
2018
Slogan:
Stay curious
Target customers:
People between 25 and 45 who are just naturally themselves, gentle but not compromised, introverted, independent and openminded
Design concepts:
Aesthetic, Attractive, Diverse and Functional

A PERSONAL NOTE®

Year of launch:
2019
Slogan:
All about personality
Target customers:
The young community between 18 and 35 who are with sharp standard and judgement on uniqueness, sense of design and cultural attractiveness
Design concepts:
High street, Individualistic,Chic and Stylish

+ 品牌介紹 +

JNBY

發佈年份:

1990's

品牌理念:

Just Naturally Be Yourself

目標客戶:

介於25至40歲的好奇心強,善於發現平凡生活中的驚喜、詩意,將此自然表達的現代女性

設計理念:

現代、活力、意趣、坦然

CROQUIS 速写

發佈年份:

2005年

品牌理念:

Re-Consider Humorously

目標客戶:

介於25至35歲的追求穿衣樂趣的男士

設計理念:

當代、質感、玩味、優雅

jnby by JNBY

發佈年份:

2011年

品牌理念:

Free Imagination

目標客戶:

介於0至10歲的熱愛生活,獨立自我,具有一定生活品質的中高產階級家庭的孩子

設計理念:

自由、想像力、快樂、真實

less

發佈年份:

2011年

品牌理念:

less is more

目標客戶:

介於30至45歲的追求簡約的生活,獨立、理性的新一代職場女性

設計理念:

簡約、精緻、獨立、理性

POMME DE TERRE 蓬马

發佈年份:

2016年

品牌理念:

Don't be Serious

目標客戶:

16-25 歲,追求更為豐富的精神和生活方式的Z一代。

設計理念:

輕鬆、隨性、明朗、雅痞

JNBYHOME

發佈年份:

2016年

品牌理念:

Live Lively

目標客戶:

有積極自由的心境追求高品質生活的人

設計理念:

多樣性、舒適、自我、好奇心

SAMO

發佈年份:

2018年

品牌理念:

Simplified, but better

目標客戶:

先鋒職業男士

設計理念:

典雅、簡潔、趣味、實用

REVERB

發佈年份:

2018年

品牌理念:

Circular Fashion

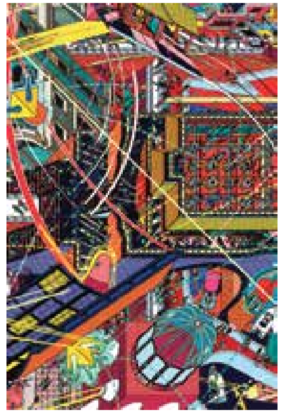
目標客戶:

當代青年

設計理念:

Athleisure、無性別、再生、靈動

LASU MIN SOLA



發佈年份:

2018年

品牌理念:

Stay curious

目標客戶:

介於25-45歲自然不做作,溫和但不妥協,內斂、獨立、寬容的人

設計理念:

富審美趣味、引人入勝、多元化、功能性

A PERSONAL NOTE 73

發佈年份:

2019年

品牌理念:

All about personality

目標客戶:

介於18至35歲對獨特性、設計感、文化磁場有犀利標準和判斷力的年輕群體

設計理念:

High street、我行我素、別致、時髦

+ CONTENTS +

COMPANY INTRODUCTION

INFORMATION ON JNBY

We are a leading designer brand fashion house based in China. According to the information provided by CIC[Note], in 2018, we ranked the first in the Chinese designer brand fashion industry in terms of total retail sales. We design, promote and sell contemporary apparel, footwear and accessories as well as household products. As at 30 June 2019, our brand portfolio comprises ten brands in three stages— the Mature brand namely JNBY, three Younger brands, namely (i) CROQUIS (速寫), (ii) jnby by JNBY, and (iii) less, as well as six Emerging brands, namely (i) POMME DE TERRE （蓬馬), (ii) JNBYHOME and other brands, each targeting at a distinct customer segment and having a uniquely defined design identity based on our Group's universal brand philosophy — "Just Naturally Be Yourself".

Our products target at middle- and upper-income customers who seek to express their individuality through fashionable products. Our broad range of product offering and brand portfolio create a lifestyle ecosystem that enables us to address our customers' needs at different stages of their lives, which in turn allows us to build a large, diversified and loyal customer base. We started our business in 1994 by selling women's apparel. According to a survey conducted by CIC[Note], our mature brand, JNBY, is considered the most unique and recognizable women's apparel designer brand in China, ranks the first in terms of brand awareness and enjoys the highest brand loyalty in terms of the number of customers with repeated purchases among top 10 women's apparel designer brands in China. We further expanded our brand portfolio between 2005 and 2011 to include CROQUIS (速寫), jnby by JNBY and less. During 2016–2019, we further launched POMME DE TERRE (蓬馬) for the Generation Z, JNBYHOME with designer household products, SAMO for consummate professional men, REVERB for a brand new sustainable fashion, LASU MIN SOLA, a designer brands collection shop brand and A PERSONAL NOTE 73, a designer brand of High-street style, so that our product mixes could be more diversified and segmented and we could cover consumers of most age groups.

Taking into account our customers' purchasing patterns and information needs, we have established an omni-channel interactive platform comprising physical retail stores, online platforms and WeChat-based social media interactive marketing service platform, with each component playing a critical role in attracting fans and transforming our potential fans into loyal fans. We aim to build up a "JNBY Fans Economy" strategy, which is based on a community of fans whose purchases are driven by their affinity to the lifestyle we aim to promote.

Note: China Insights Consultancy Limited, the industry consultant of us

CORPORATE INFORMATION

BOARD OF DIRECTORS

EXECUTIVE DIRECTORS
Mr. Wu Jian *(Chairman)*
Ms. Li Lin
Ms. Wu Huating

NON-EXECUTIVE DIRECTOR
Mr. Wei Zhe

INDEPENDENT NON-EXECUTIVE DIRECTORS
Mr. Lam Yiu Por
Ms. Han Min
Mr. Hu Huanxin

BOARD COMMITTEES

AUDIT COMMITTEE
Mr. Lam Yiu Por *(Chairman)*
Ms. Han Min
Mr. Hu Huanxin

REMUNERATION COMMITTEE
Mr. Hu Huanxin *(Chairman)*
Mr. Wu Jian
Mr. Lam Yiu Por

NOMINATION COMMITTEE
Mr. Wu Jian *(Chairman)*
Mr. Hu Huanxin
Ms. Han Min

JOINT COMPANY SECRETARIES

Ms. Wang Minyuan
Ms. Ng Sau Mei (ACIS, ACS)

AUTHORIZED REPRESENTATIVES

Mr. Wu Jian
Ms. Ng Sau Mei

REGISTERED OFFICE

Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HEADQUARTERS

3/F, Blue Ocean Times Building
No. 39 Yile Road, Xihu District
Hangzhou, Zhejiang Province
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 709, 7/F, Lippo Sun Plaza
28 Canton Road
Tsim Sha Tsui
Kowloon
Hong Kong

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants
22/F Prince's Building
Central
Hong Kong

THE CAYMAN ISLANDS PRINCIPAL REGISTRAR AND TRANSFER OFFICE

Codan Trust Company (Cayman) Limited
Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HONG KONG SHARE REGISTRAR

Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL BANKS

Bank of Hangzhou, Guanxiangkou Branch
Huaxia Bank, Heping Branch

COMPANY'S WEBSITE

http://www.jnbygroup.com/

STOCK CODE

3306

LISTING DATE

October 31, 2016

FINANCIAL SUMMARY

For the year ended June 30,	2019 RMB'000	2018 RMB'000	Increase %
FINANCIAL SUMMARY			
Revenue	**3,358,168**	2,864,059	17.3%
Gross profit	**2,056,059**	1,825,800	12.6%
Operating profit	**644,973**	556,064	16.0%
Net profit	**484,779**	410,351	18.1%
Net cash flow from operating activities	**335,612**	378,838	-11.4%
Basic earnings per share (RMB)	**0.95**	0.80	
Diluted earnings per share (RMB)	**0.94**	0.79	
Financial Ratios			
Gross profit margin	**61.2%**	63.7%	−2.5%
Operating profit ratio	**19.2%**	19.4%	−0.2%
Net profit margin	**14.4%**	14.3%	0.1%

	As of June 30, 2019	As of June 30, 2018
Liquidity Ratios		
Trade receivables turnover days	**11.4**	11.3
Trade and bills payables turnover days	**56.9**	62.5
Inventory turnover days	**227.5**	234.4
Capital Ratios		
Debt to assets ratio[Note]	**38.2%**	39.3%

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

CONSOLIDATED RESULTS

For the year ended June 30,	2019 RMB'000	2018 RMB'000	2017 RMB'000	2016 RMB'000	2015 RMB'000
Revenue	**3,358,168**	2,864,059	2,332,290	1,902,642	1,613,093
Gross profit	**2,056,059**	1,825,800	1,474,608	1,190,459	990,551
Gross profit margin	**61.2%**	63.7%	63.2%	62.6%	61.4%
Operating profit	**644,973**	556,064	459,636	343,004	296,365
Net profit	**484,779**	410,351	331,572	239,336	196,952
Net profit margin	**14.4%**	14.3%	14.2%	12.6%	12.2%
Profit attributable to the shareholders	**484,787**	410,351	331,572	239,336	196,819
ASSETS					
Non-current assets	**455,509**	318,054	208,815	156,338	96,934
Current assets	**1,829,443**	1,803,795	1,716,167	838,175	940,504
EQUITY AND LIABILITIES					
Total equity	**1,411,076**	1,287,879	1,257,239	287,942	499,454
Non-current liabilities	**13,105**	10,541	13,449	8,500	120,825
Current liabilities	**860,771**	823,429	654,294	698,071	417,159

CHAIRMAN'S STATEMENT

With the slowdown of the China's economy in recent years, the growth in consumption also decelerated, which has posed a greater challenge to the apparel industry. Meanwhile, there is a rapid increase in the number of people who pursue distinguished lifestyles. Consumers are increasingly craving for products that can represent their personality. Therefore, the segment of designer brands still has tremendous potential. As consumers become younger, their demand for personalized and fashionable products continue to increase, the designer brand market is becoming more and more segmented and its competition is intensifying as well.

As a leading designer brand fashion group in China, JNBY Design Limited (the "**Company**") and its subsidiaries (the "**Group**") continued to penetrate into this market segment, adhering to the strategic guidelines of "design-driven" and nurturing a "fans economy", and with the concerted efforts of all our staff, under the backdrop of a relatively challenging macro-environment in the garment industry, the Group continued to make breakthroughs in its results. For the year ended June 30, 2019 ("**Fiscal Year 2019**"), our income and net profit maintained steady growth and our operating cash flow remained healthy. In Fiscal Year 2019, the Group's revenue was RMB3,358 million, representing an increase of 17.3% as compared with the year ended June 30, 2018 ("**Fiscal Year 2018**"), our net profit exceeded RMB485 million, representing an increase of 18.1% as compared with Fiscal Year 2018.

During Fiscal Year 2019, revenue from JNBY brand, the Group's Mature brand with over 20 years of history, continued to maintain rapid growth. Revenue from Younger brands portfolio launched from 2005 to 2011, namely CROQUIS (速寫), jnby by JNBY and less brands maintained steady growth, while the proportion of revenue to total revenue from Emerging brands portfolio launched from 2016 to 2019, including POMME DE TERRE (蓬馬) for the Generation Z, JNBYHOME with designer household products and furniture products, SAMO for consummate professional men, REVERB, a brand new sustainable fashion, LASU MIN SOLA, a designer brands collection shop brand and A PERSONAL NOTE 73, a designer brand featuring the high-street style, showed a steady growth trend. Diversified brand portfolio matrix drives the sustainable revenue stream, and the Group recorded a steady revenue growth trend.

In Fiscal Year 2019, we focused on building our fans, utilized internet infrastructure and technologies, and constantly strengthened and optimized the establishment of our omni-channel interactive platform. As of June 30, 2019, the standalone retail stores operated by us globally reached 2,018, including 161 overseas points of sales, and our sales network has covered all provinces, autonomous regions and municipalities in China and across 17 other countries and regions around the world. During Fiscal Year 2019, driven effectively by our social media omni-channel interactive platforms mainly under WeChat, we already had over 3.6 million membership accounts including more than 3.1 million subscribers on the WeChat platform. Retail sales contributed by our members accounted for around 70% of our total retail sales, and retail sales contributed by membership accounts with an annual purchase over RMB5,000 accounted for over 40% of total retail sales from offline channels, and in-season products sales through our online platforms accounted for over 20% of its total retail sales. While our fans base has constantly enlarged and diversified, the loyalty of our fans was also maintained at a high level.

As a review particularly for three years after listing, we have doubled our net profit in these three fiscal years and delivered successful results. We share our growth with our shareholders and distributed dividends of over HK$1 billion throughout these three years. Going forward, we still seek to leverage our fans base to constantly optimize our designer brand portfolio in line with our Group's universal brand philosophy. We will also fully utilize internet mindsets and technologies, to continuously strengthen our domestic and foreign retail network and optimize our omni-channel interactive platform and supply chain capability, and constantly create and provide scenarios for value-added services and customer touchpoints to our fans who wish to express their individuality, so as to lead the way in building up a JNBY lifestyle ecosystem. We also believe that, with the constant expansion and diversification of our products and brand portfolio, and through building a larger and more diversified loyal fans groups could let us further develop our design-driven platform, so as to achieve sustainable long-term growth on the basis of such foundation.

Last but not least, on behalf of the board of director of the Company (the "**Board**"), I would like to take this opportunity to express my heartfelt gratitude to all our shareholders, business partners and staff for their continued support and confidence in the Group. The Group is committed to its sustainable and sound development and at the same time creating greater value for our fans and the shareholders of the Company (the "**Shareholders**").

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.

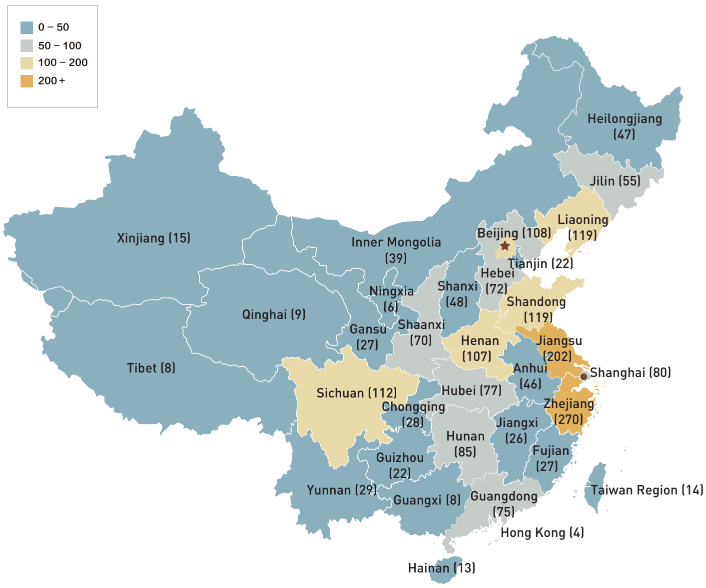
The total revenue for Fiscal Year 2019 amounted to RMB3,358.2 million, an increase of 17.3% or RMB494.1 million as compared with RMB2,864.1 million for Fiscal Year 2018. The increase in the revenue was mainly attributable to the expansion of the Group's retail network and the rapid development of e-commerce 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 2,018 as of June 30, 2019, 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:

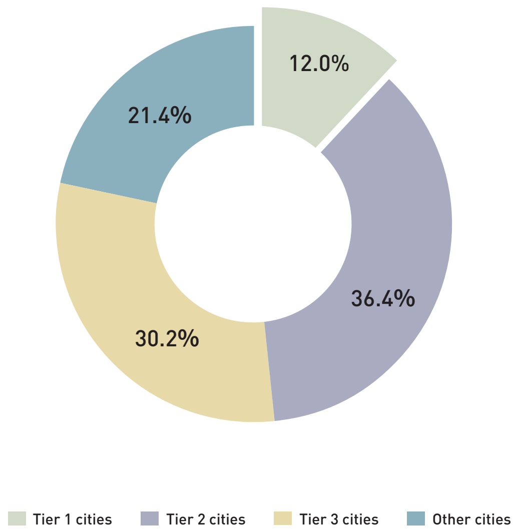
Number of our standalone retail stores around the world by different brands	As of June 30, 2019	As of June 30, 2018
Mature Brand		
JNBY	**884**	832
Subtotal	**884**	832
Younger Brands		
CROQUIS (速寫)	**338**	308
jnby by JNBY	**514**	461
less	**186**	150
Subtotal	**1,038**	919
Emerging Brands		
POMME DE TERRE (蓬馬)	**59**	76
JNBYHOME	**—**	4
SAMO	**10**	—
REVERB	**23**	—
LASU MIN SOLA	**4**	—
Subtotal	**96**	80
Total	**2,018**	1,831

	As of June 30, 2019	As of June 30, 2018
Number and geographic distribution of our standalone retail stores by sales channels		
Mainland China		
Self-operated stores	**574**	536
Distributor-operated stores	**1,397**	1,250
Hong Kong, Taiwan region and other overseas countries and regions		
Self-operated stores	**4**	5
Distributor-operated stores	**43**	40
Total	**2,018**	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 June 30, 2019 respectively:



Number of stores by city tiers across Mainland China



SAME STORE SALES GROWTH OF OFFLINE SHOPS

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

(i) the number and loyalty of our members maintained stable growth. As of June 30, 2019, we had over 3.6 million membership accounts (without duplication) (as of June 30, 2018: over 2.5 million), including more than 3.1 million subscribers (without duplication) on our WeChat platform (as of June 30, 2018: over 2.1 million). The contribution of our members to the total retail sales is accounted for around 70% during the Fiscal Year 2019.

(ii) the number of active membership accounts for Fiscal Year 2019 (active membership 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 Fiscal Year 2018 to over 450,000 for Fiscal Year 2019, and the number of WeChat active membership accounts (WeChat active membership accounts are active members who are also the subscribers of our WeChat platform, without duplication) increased from over 340,000 for Fiscal Year 2018 to over 430,000 for Fiscal Year 2019.

(iii) the number of membership accounts with annual purchases totaling over RMB5,000 increased from over 162,000 for Fiscal Year 2018 to over 203,000 for Fiscal Year 2019, and the retail sales contributed by those membership accounts has reached RMB2.4 billion (the Fiscal Year 2018: RMB1.9 billion), accounting for over 40% to the 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 increased from over 157,000 for Fiscal Year 2018 to over 199,000 for Fiscal Year 2019. 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 generated by the inventory sharing and allocation system was RMB776.2 million in Fiscal Year 2019 (Fiscal Year 2018: RMB642.4 million).

REVENUE BY BRANDS

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

	For the year ended June 30,					
	2019		2018		Increase	
	RMB'000	(%)	RMB'000	(%)	RMB'000	(%)
Mature Brand:						
JNBY	**1,879,120**	**56.0%**	1,621,827	56.6%	257,293	15.9%
Subtotal	**1,879,120**	**56.0%**	1,621,827	56.6%	257,293	15.9%
Younger Brands:						
CROQUIS (速寫)	**644,654**	**19.2%**	564,847	19.7%	79,807	14.1%
jnby by JNBY	**476,009**	**14.2%**	394,204	13.8%	81,805	20.8%
less	**286,962**	**8.5%**	237,909	8.3%	49,053	20.6%
Subtotal	**1,407,625**	**41.9%**	1,196,960	41.8%	210,665	17.6%
Emerging Brands:						
POMME DE TERRE (蓬馬)	**45,993**	**1.4%**	39,236	1.4%	6,757	17.2%
JNBYHOME[1]	**10,915**	**0.3%**	6,036	0.2%	4,879	80.8%
SAMO[2]	**6,085**	**0.2%**	—	—	6,085	—
REVERB[2]	**7,031**	**0.2%**	—	—	7,031	—
Others	**1,399**	**0.0%**	—	—	1,399	—
Subtotal	**71,423**	**2.1%**	45,272	1.6%	26,151	57.8%
Total revenue	**3,358,168**	**100.0%**	2,864,059	100.0%	494,109	17.3%

Notes:

(1) For the year ended June 30, 2019, JNBYHOME does not have any standalone retail store. During Fiscal Year 2019, any revenue recorded from such brand is mainly generated from online and other channels.

(2) We launched SAMO, a designer fashion brand for consummate professional men and REVERB, a brand new sustainable fashion brand in April and June 2018, respectively.

For Fiscal Year 2019, benefiting from the diversified designer brands portfolio, the revenue of the Group has shown a stable increasing trend. Revenue generated from the Group's Mature brand with a history over 20 years, JNBY brand, continued to grow at a rapid pace, representing an increase of 15.9% or RMB257.3 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 steady growth, with a total growth rate reached 17.6% or RMB210.7 million. For Emerging brands portfolio, it consists of POMME DE TERRE (蓬馬), JNBYHOME and six other brands in total, which were launched progressively during 2016 to 2019. Revenue from Emerging brands portfolio totaling of RMB71.4 million were recorded, showing an aggregate of 2.1% to the total revenue. A stable increasing trend in such percentage is recorded.

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 years indicated:

	For the year ended June 30,					
	2019		2018		Increase	
	RMB'000	(%)	RMB'000	(%)	RMB'000	(%)
Offline channels						
Self-operated stores	**1,489,413**	**44.3%**	1,401,076	48.9%	88,337	6.3%
Distributor-operated stores[1]	**1,470,094**	**43.8%**	1,197,160	41.8%	272,934	22.8%
Online channels	**393,186**	**11.7%**	265,823	9.3%	127,363	47.9%
Other channels	**5,475**	**0.2%**	—	—	5,475	—
Total revenue	**3,358,168**	**100.0%**	2,864,059	100.0%	494,109	17.3%

Note:

(1) Includes stores operated by overseas customers.

In Fiscal Year 2019, the absolute amounts of revenue generated from sales through our offline and online channels continued to increase as compared with that in 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 9.3% for Fiscal Year 2018 to 11.7% for Fiscal Year 2019, represented a growth rate over 40%, 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 an absolute amount and as a percentage to our total revenue, for the years indicated:

	For the year ended June 30,					
	2019		2018		Increase	
	RMB'000	(%)	RMB'000	(%)	RMB'000	(%)
Mainland China	**3,325,822**	**99.0%**	2,836,242	99.0%	489,580	17.3%
Non-Mainland China[1]	**32,346**	**1.0%**	27,817	1.0%	4,529	16.3%
Total revenue	**3,358,168**	**100.0%**	2,864,059	100.0%	494,109	17.3%

Note:

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

Due to the expansion of our retail network, in 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 Fiscal Year 2018.

GROSS PROFIT AND GROSS PROFIT MARGIN

The Group's gross profit increased by 12.6% from RMB1,825.8 million for Fiscal Year 2018 to RMB2,056.1 million for 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 63.7% for Fiscal Year 2018 to 61.2% for 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).

The following table sets forth a breakdown of our gross profit and gross profit margin of products by each brand and each sales channel:

	For the year ended June 30,					
	2019		2018		Increase	
	RMB'000	(%)	RMB'000	(%)	RMB'000	(%)
Mature brand:						
JNBY	**1,164,043**	**61.9%**	1,031,191	63.6%	132,852	12.9%
Subtotal	**1,164,043**	**61.9%**	1,031,191	63.6%	132,852	12.9%
Younger brands:						
CROQUIS (速寫)	**413,535**	**64.1%**	377,368	66.8%	36,167	9.6%
jnby by JNBY	**259,065**	**54.4%**	228,943	58.1%	30,122	13.2%
less	**190,261**	**66.3%**	164,999	69.4%	25,262	15.3%
Subtotal	**862,861**	**61.3%**	771,310	64.4%	91,551	11.9%
Emerging brands:						
POMME DE TERRE (蓬馬)	**20,882**	**45.4%**	20,527	52.3%	355	1.7%
JNBYHOME	**4,258**	**39.0%**	2,772	45.9%	1,486	53.6%
SAMO[1]	**2,395**	**39.4%**	—	—	2,395	—
REVERB[1]	**942**	**13.4%**	—	—	942	—
Others	**678**	**48.5%**	—	—	678	—
Subtotal	**29,155**	**40.8%**	23,299	51.5%	5,856	25.1%
Total	**2,056,059**	**61.2%**	1,825,800	63.7%	230,259	12.6%

(1) We launched SAMO, a designer fashion brand for consummate professional men and REVERB, a brand-new sustainable fashion brand in April and June 2018, respectively.

	For the year ended June 30,					
	2019		2018		Increase	
	RMB'000	(%)	RMB'000	(%)	RMB'000	(%)
Offline channels						
Self-operated stores	**1,055,654**	**70.9%**	1,022,907	73.0%	32,747	3.2%
Distributor-operated stores	**767,681**	**52.2%**	635,798	53.1%	131,883	20.7%
Online channels	**228,409**	**58.1%**	167,095	62.9%	61,314	36.7%
Other channels	**4,315**	**78.8%**	—	—	4,315	—
Total	**2,056,059**	**61.2%**	1,825,800	63.7%	230,259	12.6%

SELLING AND MARKETING EXPENSES AND ADMINISTRATIVE EXPENSES

In Fiscal Year 2019, selling and marketing expenses were RMB1,170.3 million (Fiscal Year 2018: RMB1,037.4 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 34.8% of our revenue in Fiscal Year 2019 (Fiscal Year 2018: 36.2%), the decrease in the expenses was mainly attributable to the improvements of operational efficiency in self-operated stores. The administrative expenses for Fiscal Year 2019 were RMB301.6 million (Fiscal Year 2018: RMB250.8 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 9.0% of our revenue in Fiscal Year 2019 (Fiscal Year 2018: 8.8%), representing an increase in the expenses related to research and development and an increase in the professional service expenses as compared with that for the corresponding period of the previous year.

FINANCE INCOME, NET

The Group's net finance income for Fiscal Year 2019 was net income of RMB18.3 million (Fiscal Year 2018: net income of net financial income of RMB13.4 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 Fiscal Year 2019 was RMB484.8 million, representing an increase of 18.1% or RMB74.4 million as compared with RMB410.4 million for Fiscal Year 2018. Net profit margin increased from 14.3% for Fiscal Year 2018 to 14.4% for Fiscal Year 2019.

CAPITAL EXPENDITURE

The Group's capital expenditure mainly consists 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 Fiscal Year 2019 was RMB163.7 million (Fiscal Year 2018: RMB119.1 million).

PROFIT BEFORE INCOME TAX

The Group's profit before income tax increased by 16.6%, from RMB569.1 million for Fiscal Year 2018 to RMB663.3 million for 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.

As of June 30, 2019, the Group's cash and cash equivalents were RMB216.5 million (June 30, 2018: RMB333.4 million), of which 78.0% was denominated in RMB, 4.1% in US dollars and 17.9% in other currencies. Net cash inflow from operating activities in Fiscal Year 2019 was RMB335.6 million, a decrease of 11.4% as compared with RMB378.8 million in 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 Bank of Hangzhou with a principal of RMB40,000,000. The subscription mentioned above does not constitute a notifiable transaction of the Company under Chapter 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

On January 3, 2019, JNBY Finery subscribed for the short-term financial products of Hangzhou United Bank with a principal of RMB40,000,000. The subscription mentioned above does not constitute a notifiable transaction of the Company under Chapter 14 of the Listing Rules.

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' 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 1,267 as of June 30, 2019 (June 30, 2018: 999). The total staff costs during Fiscal Year 2019 (including basic salaries and allowances, social security contribution, discretionary bonuses and share-based compensation expenses) were RMB239.0 million (Fiscal Year 2018: RMB201.1 million), representing 7.1% of our revenue (Fiscal Year 2018: 7.0%).

PLEDGE OF ASSETS

As at June 30, 2019, the Group did not have any secured bank borrowings.

CONTINGENT LIABILITIES

As at June 30, 2019, 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 June 30, 2019, the proceeds amounting to a total of RMB524.9 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 June 30, 2019 The actual used amount (RMB million)	For the year ended June 30, 2019 The actual used amount (RMB million)	As at June 30, 2019 Proceeds Amount (RMB million)
To strengthen our omni-channel interactive platform	167.4	167.4	40.5	—
To expand our product offering and brand portfolio	179.3	107.6	33.1	71.7
To establish a new logistics center	220.1	220.1	132.3	—
For general purposes	29.8	29.8	—	—
Total	596.6	524.9	205.9	71.7

As at June 30, 2019, the balance of proceeds of approximately RMB71.7 million would continue to be used for the purposes as stated in the Prospectus. It is also expected to be fully utilised within next 24 months. Taking into account that the Company has no material acquisition plan currently, a degree of uncertainties will be involved in the actual useful life of certain of our proceeds from our listing.

OUTLOOK

With the slowdown of the China's economy in recent years, the growth in consumption also decelerated, which has posed a greater challenge to the apparel industry. Meanwhile, there is a rapid increase in the number of people who pursue distinguished lifestyles. Consumers are increasingly craving for products that can represent their personality. Therefore, the segment of designer brands still has tremendous potential. As consumers become younger, their demand for personalized and fashionable products continue to increase, the designer brand market is becoming more and more segmented and its competition is intensifying as well.

As the leading designer brand fashion group in China, benefiting from the diversified brand portfolio matrix and sound operation management, 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 pursuing the following strategies thus to nurture the JNBY lifestyle ecosystem we advocate:

- To constantly attract and cultivate new JNBY fans through brand portfolios optimization and by further enhancement of design innovation and R&D capabilities;

- Adopting internet thinking and technology to further enhance our domestic and foreign retail network, to optimize our omni-channel interactive platform and supply chain management capability, as well as to be capable to establish an appropriate scaled operation in each sub-segment;

- To enhance fans experience by persisting fans economy strategy as the core, encouraging operational innovation, continue in creating and providing scenarios for value-added services and customer touchpoints to our fans.

FINAL DIVIDEND

The Board has recommended the payment of a final dividend of HK$0.48 per ordinary share (equivalent to approximately RMB0.43 per ordinary share) for the year ended June 30, 2019, representing a total payout of HK$249.0 million. Together with the payment of an interim dividend of HK$0.32 per ordinary share paid during the six months ended December 31, 2018, the total dividend for the year will amount to HK$415.0 million, accounting for 75% of the net profit of the Company for Fiscal Year 2019.

This proposed final dividend is subject to the approval of the Shareholders at the annual general meeting (the "**AGM**") to be held on October 18, 2019, and will be paid on November 5, 2019 to those Shareholders whose names appear on the Company's register of members on October 24, 2019.

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

The Board currently consists of 7 directors ("**Directors**"), comprising 3 executive Directors, 1 non-executive Director and 3 independent non-executive Directors.

EXECUTIVE DIRECTORS

Mr. Wu Jian (吳健), aged 51, is the co-founder of our Group and an executive Director and the Chairman of our Company. Mr. Wu is primarily responsible for formulating the overall development strategies and overseeing the operation of our Group. Since late 1994, Mr. Wu has been devoted to retailing of Ms. Li Lin's apparel designs and the establishment and development of our Group. With over 25 years of experiences of business operation in the apparel industry, Mr. Wu has been the key driver of our business strategies and achievements to date and will continue to oversee the management of our operations and business.

Mr. Wu graduated from Zhejiang University (浙江大學) with a bachelor's degree in refrigeration equipment and cryogenic technology in July 1990. He obtained an Executive Master of Business Administration from Business School of City University of Hong Kong at the end of 2017. Currently he is studying part time programs in Business School of City University of Hong Kong for a Doctoral degree of Business Administration. Mr. Wu is the husband of Ms. Li Lin, our executive Director and chief creative officer, and brother of Ms. Wu Liwen, the general manager of Production and Purchase Center of our Group

Ms. Li Lin (李琳), aged 48, is the co-founder of our Group and an executive Director and chief creative officer of our Group. With over 25 years of experience in the apparel designing and retailing business, Ms. Li is primarily responsible for the design and innovation of our apparel business. In late 1994, Ms. Li began selling womenswear in Hangzhou, and gradually created and developed her own designs. Ms. Li and Mr. Wu opened their first retail store offering Ms. Li's own designs in 1996, and established Hangzhou JNBY in 1997.

Ms. Li has served as a council member of Beijing Ullens Center for Contemporary Art (UCCA) since November 2013, and a board member of Institute of Asian Art of Vancouver Art Gallery since October 2015. Ms. Li graduated from Zhejiang University (浙江大學) with a bachelor's degree in chemistry in July 1992 with a bachelor's degree in chemistry. Ms. Li is the wife of Mr. Wu Jian, the Chairman and executive Director of our Group.

Ms. Wu Huating (吳華婷), 44, is the chief executive officer and an executive Director of our Company. Ms. Wu has nearly 21 years of experience in the operation, management and investment of retail and Internet industries. She was a partner of Vision Knight Capital General Partners Ltd., a private equity investment fund, from 2011 to 2018. Prior to joining Vision Knight Capital General Partners Ltd., Ms. Wu had been employed by Alibaba (China) Network Technology Co., Ltd. and served as senior director since 2006. She was mainly responsible for company brand, business marketing operations as well as marketing channel management, operation and optimization of Internet online marketing. In addition, she served as director of market development for UTStarcom Holdings Corp. from 2002 to 2006. She was also the product manager of Hangzhou Tingyi International Food Co., Ltd. under Ting Hsin International Group from 1998 to the end of 2001.

Ms. Wu graduated from Zhejiang University in the PRC in 1997 with a bachelor's degree in mechanical engineering. She holds the professional certificate in Project Management Professional (PMP) issued by Project Management Institute (PMI) and the qualification certification of Asset Management Association of China.

NON-EXECUTIVE DIRECTOR

Mr. Wei Zhe (衛哲), aged 48, joined our Group on June 24, 2013 when he was appointed as a non-executive Director of our Company. He is mainly responsible for providing strategic advice on the business development of our Group. Mr. Wei has over 20 years of experience in both investment and operational management in the PRC. Prior to joining our Group, Mr. Wei served as corporate finance manager at Coopers & Lybrand (now part of PricewaterhouseCoopers) from 1995 to 1998, and as managing director and head of investment banking at Orient Securities Company Limited from 1998 to 2000. Mr. Wei was a vice chairman, from 2002 to 2006, and a consultant, from 2007 to 2011, of China Chain Store & Franchise Association (中國連鎖經營協會). From 2003 to 2006, Mr. Wei was also the chief representative for Kingfisher's China sourcing office, Kingfisher Asia Ltd. Mr. Wei joined Alibaba Group and served as senior vice president of the B2B Division from November 2006 to January 2007, and president of the B2B Division and executive vice-president of Alibaba Group, from February 2007 to February 2011. He was the chief executive officer of Alibaba. com Limited, a leading worldwide B2B e-commerce company once listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") (Stock Code: 01688 and delisted in June 2012) from October 2007 to February 2011. He was voted as one of "China's Best CEOs" by FinanceAsia magazine in 2010.

He has served as a director of Vision Knight Capital General Partners Ltd., a private equity investment fund since June 2011. Mr. Wei graduated from Shanghai International Studies College (上海外國語學院), Shanghai, with a bachelor's degree in international business management in July 1993. He also completed the EMBA corporate finance evening program at London Business School, London, United Kingdom in June 1998.

Currently, Mr. Wei has served as a non-executive director of PCCW Limited, a company listed on the Main Board of the Stock Exchange (Stock Code: 00008) since May 2012. Prior to this, he was an independent non-executive director of PCCW Limited from November 2011 to May 2012. Mr. Wei served as an independent director of 500.com Limited, a company listed on the New York Stock Exchange (Stock Code: WBAI) from October 2013 to November 2015. Mr. Wei has also served as a non-executive director in Zhong Ao Home Group Limited, a company listed on the Main Board of the Stock Exchange (Stock Code: 01538) since April 2015. Mr. Wei has been an independent director of two listed companies, including Leju Holdings Limited since April 2014, a company listed on the New York Stock Exchange (Stock Code: LEJU), and Zall Smart Commerce Group Ltd. (formally named as Zall Development Group Ltd.) since April 2016, a company listed on the Main Board of the Stock Exchange (Stock Code: 02098).

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Lam Yiu Por (林曉波), aged 42, is an independent non-executive Director of our Company. He is primarily responsible for providing independent advice and judgment to our Board, and supervising operations of our Group. He joined our Group on October 13, 2016 when he was appointed as an independent non-executive Director. The following table sets forth the summary of Mr. Lam's working experience prior to joining our Group:

Period of Services	Name of the Companies	Principal Business Activities	Position	Responsibilities
Since November 2013	L'sea Resources International Holdings Limited (listed on the Stock Exchange, Stock Code: 00195)	Mining and sales of tin metal	Vice president and chief financial officer	Accounting, compliance matters and investor relations
Since November 2015	DeNOx Environmental & Technology Holdings Limited (listed on the Stock Exchange, Stock Code: 01452)	Manufacturing of platetype DeNOx catalyst	Independent non-executive director	Providing independent advice and judgment to the board of directors
November 2016 to November 2018	China Tontine Wines Group Limited (listed on the Stock Exchange, Stock Code: 00389)	Manufacturing and sale of wine	Independent non-executive director	Providing independent advice and judgment to the board of directors
July 2004 to December 2005	Zhongtian International Limited (listed on the Stock Exchange, Stock Code: 02379)	Property holding and sale of intelligent electronic products	Qualified accountant and financial controller	Financial reporting and investor relations
December 2005 to May 2008	SSY Group limited (formerly known as Lijun International Pharmaceutical (Holding) Co., Ltd., listed on the Stock Exchange, Stock Code: 02005)	Research, development, manufacturing and sale of finished medicines and pharmaceutical products	Qualified accountant, chief financial officer and company secretary	Company secretarial matters and financial reporting
June 2012 to February 2014	GR Properties Limited (formerly known as Buildmore International Limited, listed on the Stock Exchange, Stock Code: 00108)	Property investment, hotel management and manufacture and sales of dye-sublimation printed products	Independent non-executive director, chairman of the audit committee	Providing independent advice and judgment to the board of directors
December 2014 to March 2016	Yat Sing Holdings Limited (listed on the Stock Exchange, Stock Code: 03708)	Provision of building maintenance and renovation services	Independent non-executive director	Providing independent advice and judgment to the board of directors
April 2015 to May 2017	Zhong Ao Home Group Limited (listed on the Stock Exchange, Stock Code: 01538)	Provision of property management services	Non-executive director	Providing independent advice and judgment to the board of directors

Mr. Lam received his bachelor degree of arts in accountancy from the Hong Kong Polytechnic University (香港理工大學) in November 1997. Mr. Lam has been a member of the Hong Kong Institute of Certified Public Accountants, an associate of the Institute of Chartered Secretaries and Administrators, an associate of the Hong Kong Institute of Chartered Secretaries, a chartered financial analyst of the CFA Institute and a fellow of the Association of Chartered Certified Accountants since October 2004, March 2006, March 2006, September 2006 and November 2007, respectively.

Ms. Han Min (韓敏), aged 45, is an independent non-executive Director of our Company. She is primarily responsible for providing independent advice and judgment to our Board, and supervising operations of our Group. She joined our Group on October 13, 2016 when she was appointed as an independent non-executive Director. Ms. Han has been working at Alipay (China) Information Technology Co., Ltd. (支付寶(中國)信息技術有限公司) ("**Alipay**") since January 2006. She served in a number of positions in Alipay from her joining in January 2006, including the director of the marketing operation department, the general manager of the merchants business department, the general manager of the consumers business department. Ms. Han worked at Alibaba (China) Network Technology Co., Ltd. (阿里巴巴(中國)網絡技術有限公司) from September 1999 to December 2005, during which she served various positions in the company, including director of the operation department, director of the international cooperation and development department, and director of the marketing department. Ms. Han graduated from Hangzhou Dianzi University (杭州電子科技大學) (formerly known as Hangzhou Dianzi Industrial College (杭州電子工業學院)), Hangzhou, with a bachelor's degree majoring in foreign trade in July 1997. In November 2008, she graduated from the University of Bath, U.K., with a master's degree of business administration.

Mr. Hu Huanxin (胡煥新), aged 51, is an independent non-executive Director of our Company. He is primarily responsible for providing independent advice and judgment to our Board, and supervising operations of our Group. Mr. Hu joined our Group on October 13, 2016 when he was appointed as an independent non-executive Director. Prior to joining our Group, Mr. Hu served in various roles with Cadbury, including general manager of Great China supply chain. From 2008 to 2009, Mr. Hu was employed by Vivalis, a cosmetics company based in the United Kingdom. Mr. Hu also served as the chief operating officer of Daphne International Holdings Limited, a company listed on the Stock Exchange (Stock Code: 00210) from 2010 to 2015. From March 2015 to December 2017, Mr. Hu has served as the chief operating officer of Yango Holdings Company Limited, the parent company of Yango Group Co., Ltd, a company listed on the Shenzhen Stock Exchange (Stock Code: 000671) and Fujian Longking Co., Ltd., a company listed on the Shanghai Stock Exchange (Stock Code: 600388). He has founded two companies, namely Shanghai Baolu Technology Co., Ltd. (上海寶履科技有限公司), a company engaging in Internet tailor-made male shoes, and Wuxi Baoding Investment Management Co., Ltd. (無錫寶頂投資管理有限公司), a company engaging in risk investment.

Mr. Hu graduated from Sun Yet-Sun University (中山大學), Guangzhou, with a bachelor's degree in international economics and trade in July 1990. Mr. Hu has served as a director of the board of Lingnan (University) College of Sun Yet-Sun University and as president of the Shanghai alumni association of Lingnan University since September 2014.

SENIOR MANAGEMENT

Mr. Zhu Qian (朱乾), aged 38, was appointed as chief financial officer when he joined our Group in November 2013. He is primarily responsible for the Group's overall business strategy, planning, development, operation and financial management, as well as capital market issues of our Group, and he has been in charge of the overseas market and domestic distribution business of our JNBY, CROQUIS (速寫), jnby by JNBY, less and POMME DE TERRE (蓬馬) brands, the direct sale business of jnby by JNBY and POMME DE TERRE (蓬馬) brands of our Group simultaneously from November 2014 to April 2019. He currently mainly focuses on the overall strategies, business planning and development, merge and acquisition as well as capital market matters of the Group.

Mr. Zhu has over 16 years of working experience in the auditing and financial industry. Prior to joining our Group, Mr. Zhu worked at PriceWaterhouseCoopers LLP from August 2003 to November 2013, where he last served as a senior manager and was primarily responsible for assurance business.

Mr. Zhu was granted with the qualification of Certified Public Accountant issued by Shanghai Institute of Certified Public Accountants in August 2006. Mr. Zhu received a certificate for SHICPA-SNAI TOPCPA executive (上海市註冊會計師協會行業優秀人才) jointly issued by Shanghai Institute of Certified Public Accountant and Shanghai National Accounting Institute in August 2013. Mr. Zhu graduated from Shanghai University of Finance and Economics (上海財經大學), Shanghai, in July 2003 with a bachelor degree of economics majoring in public finance (asset management and evaluation) and a dual degree of management majoring in accounting.

Mr. Nie Yanlu (聶延路), aged 48, joined our Group in August 2002 and was appointed as the vice president of the Group from April 2019. Mr. Nie has over 21 years of working experience in operating and marketing. Since he joined our Group, he served in various positions in Huikang Industrial responsible for marketing of JNBY brand, including marketing director and general manager of business department from August 2002 to June 2011. Mr. Nie joined JNBY Finery in June 2011, and served as general manager of JNBY Brand Business Center. He was appointed as the general manager of JNBY Brand & CROQUIS (速寫) Brand Business Department of our Group in August 2015. Upon his appointment as the vice president of the Group in April 2019, he is primarily responsible for the distribution of our JNBY brand and CROQUIS (速寫) brand products, as well as the distribution and self-operated businesses of jnby by JNBY and POMME DE TERRE (蓬馬) brands.

Prior to joining our Group, Mr. Nie worked in Zhuhai Special Economic Zone Philips Household Appliance Co., Ltd. (珠海經濟特區飛利浦家庭電器有限公司), a household appliance manufacturing company engaging in the research and development, as well as manufacturing and sales of household appliances. He had also worked at Maybelline (Suzhou) Cosmetics Co., Ltd. (美寶蓮 (蘇州) 化妝品有限公司), a company engaged in the manufacturing and sales of cosmetics products and later acquired by L'Oreal China Co., Ltd.

Mr. Nie graduated from Harbin Radio & TV University (哈爾濱廣播電視大學), Harbin, in July 1995, majoring in management of industrial enterprise. He received a Master of Executive Master of Business Administration from the Guanghua School of Management, Peking University in July 2018.

Mr. Shen Chenxi (申晨曦), aged 52, has been the vice president for retail operation of our Group since joining our Group in November 2014. He is primarily responsible for direct sale business management for four of our brands, including JNBY brand, CROQUIS (速寫) brand, less brand and REVERB brand. Mr. Shen has also served as general manager in two of our subsidiaries.

Mr. Shen has over 20 years of working experience in the retail business and operation. Prior to joining our Group, Mr. Shen worked at Walmart China Investment Co., Ltd. (沃爾瑪中國投資有限公司), a retail corporation that runs a chain of supermarkets, as a general manager of shopping center from December 1995 to December 2002, during which period he was primarily responsible for overall operation management. He worked at B&Q China Decoration and Building Materials Co., Ltd. (百安居中國裝飾建材有限公司) from January 2003 to January 2011, a company focused on retails of household building materials, during which period he served as vice president for operation and was primarily responsible for retail operations. He successively worked as general manager of Operation Centre of North Management Department and Xi'an Area Business Management Company at Dalian Wanda Commercial Real Estate Co., Ltd. (大連萬達商業地產股份有限公司), a commercial real estate development and management company, from April 2011 to August 2013, and his responsibilities included operation management of Wanda Plaza in the Northern part of China, as well as attracting investments for and property management of Wanda Plaza in Xi'an Area.

Mr. Shen received a certificate for completing junior college courses majoring in English in Selftaught Higher Education Examinations issued by Shanxi Province Self-taught Higher Education Examinations Commission in June 1989.

Ms. Wu Liwen (吳立文), aged 56, was appointed as the general manager of Production and Purchase Center of our Group since joining our Group on July 23, 2004. She is primarily responsible for overseeing manufacturing and purchasing affairs for our business operation. She has served as director in a number of our subsidiaries. Ms. Wu has over 10 years of working experience in the apparel manufacturing business. From July 2004 to October 2012, Ms. Wu served as the general manager of production and purchase center of Huikang Industrial. Ms. Wu worked in Shenyang No.9 People's Hospital (瀋陽市第九人民醫院) from July 1987 to July 2004, where she last served as the director of ultra-sonographic section.

Ms. Wu has been the chairman of the Second Committee of the Second Branch of Taiwan Democratic Self-Government League (台灣民主自治聯盟) of Hangzhou city, Zhejiang Province since October 2016, and a member of the 11th Zhejiang Hangzhou Committee of the Chinese People's Political Consultative Conference (CPPCC) since March 2017. She graduated from China Medical University (中國醫科大學), Shenyang, in July 1987 with a bachelor's degree of medical science majoring in hygiene, and in June 2004 with a master's degree of medical science majoring in medical imaging and nuclear medicine. Ms. Wu is the sister of Mr. Wu Jian, Chairman of the Board and executive Director of our Company.

Mr. Fan Yongkui (範永奎), aged 35, was appointed as the financial director of our Group when he joined our Group in September 2015. He is primarily responsible for accounting, financial management and corporate merger and acquisition businesses of our Group. Since joining our Group, Mr. Fan has served as supervisor in a number of our subsidiaries.

Mr. Fan has over 10 years of working experience in the accounting and financial industry. Prior to joining our Group, Mr. Fan worked at Zhejiang Zhongcheng Accounting Firm (浙江中誠會計師事務所) as an auditor from September 2006 to April 2008. He also worked as project manager at Lixin Accounting Firm (立信會計師事務所) from May 2008 to June 2010, mainly responsible for projects of initial public offering in Shanghai Stock Exchange and Shenzhen Stock Exchange. From July 2010 to September 2015, he served as financial analysis manager of Zhejiang Dahua Technology Co., Ltd. (浙江大華技術股份有限公司), a company listed on the Shenzhen Stock Exchange (Stock Code: 002236) and engaged in the design, manufacturing, development of computer software and electronics.

Mr. Fan was granted with the qualification of Certified Public Accountant issued by Zhejiang Province Institute of Certified Public Accountants in April 2009. He also received a certificate for Certified Public Valuer from Zhejiang Province Ministry of Human Resources and Social Security in December, 2011. He was granted with the qualification of Registered Tax Agent issued by Zhejiang Province Ministry of Human Resources and Social Security in June 2013. Mr. Fan graduated from Zhejiang University (浙江大學), Hangzhou, with a bachelor's degree in landscape architecture in June 2006.

Mr. Xie Peiwang (謝培旺), aged 37, joined our Group in December 2015. Since joining our Group, he is primarily responsible for the overall operation of e-commerce. He serves as the general manager of our e-commerce operation centre, serves as the director of our omnichannel membership operation department since March 2017 and also serves as the general manager of the business centre of JNBYHOME since March 2019. Mr. Xie has over 15 years of working experience in the internet industry, and worked at Alibaba Group from 2008 to 2015, during which he served in various operation roles across men's apparel and women's apparel.

Mr. Xie received a graduation certificate of diploma courses from Xiamen Nanyang University, majoring in E-commerce.

DIRECTORS' REPORT

The Board is pleased to announce the annual report (the "**Annual Report**") and the audited consolidated financial statements of the Group for the year ended June 30, 2019.

GLOBAL OFFERING

The Company was incorporated in the Cayman Islands with limited liability on November 26, 2012, the shares of which were listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on October 31, 2016 (the "**Listing Date**").

PRINCIPAL BUSINESS

The Company is principally engaged in the design, promotion and sales of female, male and youth contemporary apparel, footwear and accessories. The analysis of the Group's principal business for the year ended June 30, 2019 is set out in note 5 of the consolidated financial statements.

RESULTS

The results of the Group for the year ended June 30, 2019 are set out in the consolidated statement of comprehensive income on page 72 of this Annual Report.

DIVIDEND POLICY

The Board shall declare whether dividend will be paid and determine its amount after considering the following aspects:

- The actual and expected results of the Company;
- The retained profit and distributable reserve of the Group and each subsidiaries of the Group;
- The expected operating capital requirement, capital expense requirement and future expansion plan of the Group;
- The position of the Group's current capital;
- The general economic condition, and the internal and external factors that may affect the business, financial results and positioning of the Company; and
- Other matters the Board may consider related.

FINAL DIVIDEND

The Board has recommended the payment of a final dividend of HK$0.48 per ordinary share (equivalent to approximately RMB0.43 per ordinary share) for the year ended June 30, 2019, representing a total payout of HK$249.0 million. Together with the payment of an interim dividend of HK$0.32 per ordinary share paid during the six months ended December 31, 2018, the total dividend for the year will amount to HK$415.0 million, accounting for 75% of the net profit of the Company for Fiscal Year 2019.

This proposed final dividend is subject to the approval of the Shareholders at the AGM to be held on October 18, 2019, and will be paid on November 5, 2019 to those Shareholders whose names appear on the Company's register of members on October 24, 2019.

BUSINESS REVIEW

In recent years, following the decelerated rate of growth in the Chinese economy, coupled with the slower growth in spending, the apparel industry is expected to face greater challenge. Meanwhile, there is a rapid growth in the number of people pursuing distinguished life styles thanks to the expansion of consumption. Consumers have become increasingly demanding for products that can express their individuality, thereby creating huge opportunities in the designer brand market segment. As there are increasingly young consumers, the demand on stylish and fashion product is continuously increasing, which also appear a trend of disaggregation where competition within the designer brand marketing is increasing.

As a leading designer brand fashion group in China, the Group continued to penetrate into this market segment. Adhering to the strategic guidelines of "design-driven" and nurturing a "Fans Economy", the Group has once again achieved a breakthrough in its results. Details of business review and prospect of the Company are disclosed in the section headed "Management Discussion and Analysis" on pages 7 to 15 of this Annual Report. Details of the key financial performance indicators are set out in the section headed "Financial Summary" on page 4 to 5 of this Annual Report.

MAJOR RISKS AND UNCERTAINTIES

The results of the Group and business operations may be affected by a number of factors, some of which are from outside while some of which are inherent in the industry. The main risks are summarised as follows:

(I) RISKS RELATING TO BRAND RECOGNITION

Consumers in the designer brand fashion market tend to focus more on a brand's design philosophy and to make more individualistic decisions when making purchases. We believe our brand image has contributed significantly to the success of our business, and, therefore, maintaining and enhancing the recognition, image and acceptance of our brands is critical to differentiate our products and services and to compete effectively with our peers. Our brand image, however, could be jeopardized if we fail to maintain high product quality, pioneer and keep pace with evolving fashion trends, or timely fulfill orders for popular items. In addition, any negative publicity or disputes regarding our products, services, or our Group or our management could also materially harm our brand image.

In order to capture business opportunities in the fast growing designer brand fashion market, in addition to our flagship brand JNBY, we currently market our products under nine additional brands, namely, CROQUIS (速寫), jnby by JNBY, less, POMME DE TERRE (蓬馬), JNBYHOME, SAMO, REVERB, LASU MIN SOLA and A PERSONAL NOTE 73 brands, to appeal to different consumer groups. Each of our brands has its own designs, features and characteristics that fit the tastes and needs of our different target consumer groups. However, the designer brand fashion market may experience significant changes in consumer preferences and tastes over time. Our brand image may be negatively affected if the products offered under any of our brands are unable to meet consumer expectations with respect to quality or style. Failure to successfully promote and maintain the image of any of our brands would have a material adverse effect on our business, results of operation and financial condition. In addition, we may not be continuously successful in expanding our brand portfolio and product supply, and any new brands or product categories launched or may be launched may not reach the expected sales target. We cannot guarantee that such new brands or product categories will be able to generate positive cash flow or realise an earnings cycle similar to other existing successful brands.

(II) FIERCE COMPETITION

We operate in the designer brand fashion industry, which is highly competitive and relatively fragmented. We face a variety of competitive challenges from both existing and new competitors in the designer brand fashion industry. Some of our competitors may possess stronger brand recognition, larger consumer bases, or greater financial, marketing and/or other resources than us. Our competitors may be acquired by or enter into strategic relationships with larger, more established and better capitalized companies or investors. Some of our competitors may be able to secure merchandise from suppliers on more favorable terms, devote greater resources to marketing and brand promotion, adopt more aggressive pricing policies, or devote substantially more resources to online portals, e-commerce and information technology systems than us. In particular, although we have established an omni-channel interactive platform to facilitate consumer purchases of our products via both our online channels and offline channels, we may lose sales to competitors that provide more advanced and efficient online shopping platforms and door-to-door delivery services than us. There is also a risk that companies which focus on other market segments, such as luxury brand or fast fashion brand, may decide to enter China's designer brand fashion market and develop new products that are more popular with our consumers. Increased competition could result in price reductions, increased marketing expenditures and loss of market share, any of which could have a material adverse effect on our results of operations and financial condition, including, but not limited to, declines in profit and gross profit margin. There can be no assurance that we will be able to address these challenges and compete successfully against current and future competitors, and those competitive pressures may have an adverse effect on our business and results of operations.

(III) RISKS RELATING TO EXPANSION OF BRAND AND PRODUCT PORTFOLIO

Historically, a significant portion of our revenue has been generated from sales of women's apparel. Over the years, we have gradually diversified our product offerings to include other product categories, such as men's apparel and children's apparel, which have demonstrated strong growth over recent years. Going forward, our goal is to leverage our established brand image to further develop our comprehensive design-driven platform and expand our product offerings to include furniture and household products. However, any new brands or product categories that we may launch may not achieve anticipated sales targets. To support our product expansion plan, we will need to recruit more personnel with expertise in managing different brands and product categories, and enhance our operational and financial systems, procedures, controls and information management system. Moreover, we will need to devote significant financial and managerial resources to the research and development of new brands and products. We will also need to engage suitable outsourced OEM suppliers to manufacture new brands and products and develop new marketing strategies to promote new brands and products. All of these endeavors involve risks, and require substantial planning, skillful execution, and significant expenditures. We are involved in the risks of unsuccessful expansion of new brands or new product categories, which may result in any new brand or product category launched not being able to generate positive cash flows and thereby may have an adverse effect on our business and growth prospects.

(IV) SUPPLY CHAIN

Currently, we outsource the production of all of our products to selected domestic OEM suppliers. A majority of our OEM suppliers are located in Mainland China. Their operations are particularly vulnerable to business interruptions, which can be caused by industry downturns, natural disasters or other catastrophic events. The occurrence of any such industry downturn, natural disaster or catastrophic event could cause shortages or delay of supply of products by our OEM suppliers. In addition, although we strictly control the quality of our operations, we may not be able to monitor the production quality of the OEM suppliers as directly and effectively as with our own production. If the OEM suppliers fail to supply products in accordance with our delivery schedule, quality standards or product specifications, we may be forced to provide these products on a delayed basis or cancel our product offering, either of which could harm our reputation and our relationships with distributors and consumers and expose us to the risks such as potential litigation and damage claims.

(V) INFORMATION TECHNOLOGY SYSTEMS

Our business relies on the proper functioning of our information technology systems. We use our advanced information technology platform, which seamlessly integrates our customer relationship management system, information management system, including POS terminals, and warehouse management system, to enable us to quickly and efficiently retrieve and analyze our operational data and information including procurement, sales, inventory, logistics, consumer and membership data and financial data on a real time basis, as well as to provide information technology support to all of our self-operated and distributor-operated stores and compile and analyze their operational and financial data on a daily basis. We use our information technology systems to assist us in planning and managing our product design, budgeting, human resources, inventory control, retail management and financial reporting. As a result, our information technology system is critical for us in monitoring the inventory and sales levels and results of operation of our retail stores and for our retail stores to place orders with us. As our retail network is highly integrated, any malfunction to a particular part of our information technology system may result in a breakdown throughout our network and our ability to continue our operations smoothly may be affected, which in turn could adversely affect our results of operations. In addition, we may not always be successful in developing, installing, running or implementing new software or advanced information technology systems as required by our business development. Even if we are successful in this regard, significant capital expenditure may be required, and we may not be able to benefit from the investment immediately. We need to constantly upgrade and improve our information technology systems to keep up with the continuous growth of our operations and business.

KEY RELATIONSHIPS

(I) FANS

Our fans include end consumers and potential consumers. We are committed to conveying the brand philosophy of the Group and each brand as well as information on fashion and matching through individual brand to our customers and providing our customers with contemporary apparel, footwear and accessories as well as household products. Maintaining VIP database and information on our fans, we interact with fans through the Company's website, public platform, mail, marketing campaigns and social media. In addition to providing quality and value-added experience services for our fans using retail channels, we also provide training to our sales representatives in all channels and visual merchandisers.

(II) DISTRIBUTORS

We engage third-party distributors in different regions of the globe which operate stores by adopting the same brand management model as our self-operated stores to ensure our retail network presents a consistent brand image. We believe that the distribution business model allows us to expand our retail network efficiently with various resources, making significant contributions in enhancement of our brands' revenue, market share and brand awareness.

(III) EMPLOYEES

The Group regards the personal development of its employees as highly important. The Group intends to continue to be an attractive employer for committed employees. The Group strives to motivate its employees with a clear career path and opportunities for advancement and improvement of their skills.

The Group provides pre-employment and on-the-job training and development opportunities to its employees. The training programs cover areas such as managerial skills, sales and production, quality control, matching display and training of other areas relevant to the industry.

In addition, the Group offers competitive remuneration packages to its employees. The Group has also adopted the restricted share unit scheme (the "**RSU Scheme**") with a view to incentivizing senior management, designers and key employees for their contribution to our Group and to attract and retain suitable personnel to enhance the development of our Group.

(IV) SUPPLIERS

We have developed long-standing and good relationships with our vendors and we take great care to ensure that they can share our commitment to product quality. We carefully select our OEM suppliers and raw material suppliers and require them to satisfy certain assessment criteria including track record, experience, financial strength, reputation, ability to produce high-quality products and quality control effectiveness.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is committed to supporting environmental sustainability. The Group's commitment to protect the environment is well reflected by its continuous efforts in promoting green measures and awareness in its daily business operations. The Group encourages environmental protection and promotes awareness towards environmental protection to the employees. Adhering to the principle of recycling and reducing, the Group implements green office practices such as doublesided printing and copying, setting up recycling bins, advocating the use of recycled paper, promoting the user manuals in electronic formats, and reducing energy consumption by switching off idle lightings and electrical appliance. The Group will review its environmental practices from time to time and has implemented further eco-friendly measures and practices in the operation of the Group's businesses.

For details, please refer to the Environmental, Social and Governance Report of this Annual Report.

FINANCIAL SUMMARY

A summary of the results and the assets and liabilities of the Group for the last five financial years is set out on page 5 of this Annual Report. This summary does not form part of the audited consolidated financial statements.

USE OF THE PROCEEDS FROM LISTING

The Company's net proceeds from listing are approximately HK$684.0 million (equivalent to approximately RMB596.6 million), after deduction of underwriting fees and commissions and related expenses. The proceeds amounting to a total of RMB524.9 million for Fiscal Year 2019 have been used. These proceeds have been used for the purposes stated in the Prospectus as follows.

Item	Planned Use of Proceeds (RMB million)	Actual Amount Used as of 30 June 2019 (RMB million)	Actual Amount Used from 1 July 2018 to 30 June 2019 (RMB million)	Amount as of 30 June 2019 (RMB million)
To strengthen our omni-channel interactive platform	167.4	167.4	40.5	—
To expand our product offering and brand portfolio	179.3	107.6	33.1	71.7
To establish a new logistics center	220.1	220.1	132.3	—
For general purposes	29.8	29.8	—	—
Total	596.6	524.9	205.9	71.7

As of 30 June 2019, the remaining proceeds of approximately RMB71.7 million will continue to be used in accordance with the purposes set out in the Prospectus and are expected to be fully utilized within the next 24 months. Taking into account that the Company has no material acquisition plan currently, a degree of uncertainties will be involved in the actual useful life of certain of our proceeds from our listing.

MAJOR CUSTOMERS AND SUPPLIERS

MAJOR CUSTOMERS

The transaction amounts of our Group's top five customers accounted for 5.3% of the Group's total revenues (Fiscal Year 2018: 5.0%) for the Fiscal Year 2019 while the transaction amounts of our single largest customer accounted for 1.5% of the Group's total revenues (Fiscal Year 2018: 1.3%).

MAJOR SUPPLIERS

The transaction amounts of our Group's top five suppliers accounted for 16.4% of the total purchases (Fiscal Year 2018: 13.6%) for the Fiscal Year 2019 while the transaction amounts of our single largest supplier accounted for 3.7% of the Group's total purchases (Fiscal Year 2018: 3.1%).

None of the Directors, any of their respective close associates or any Shareholders (which to the knowledge of the Directors owns more than 5% of the Company's shares in issue) are interested in the five top clients or suppliers of the Group during the Fiscal Year 2019.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Company and the Group during the Fiscal Year 2019 are set out in note 13 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the Company's share capital during the Fiscal Year 2019 are set out in note 23 to the consolidated financial statements.

RESERVES

Details of the movements in the reserves of the Company and the Group during the Fiscal Year 2019 are set out in note 24 to the consolidated financial statements on page 113.

RESERVES AVAILABLE FOR DISTRIBUTION

During the Fiscal Year 2019, the Company's reserves available for distribution amounted to approximately RMB858.8 million (June 30, 2018: approximately RMB817.3 million).

BANK AND OTHER BORROWINGS

Details of the bank and other borrowings of the Company and the Group during the Fiscal Year 2019 are set out in note 22 to the consolidated financial statements.

DIRECTORS

The Directors during the Fiscal Year 2019 and up to the date of this Annual Report are as follows:

EXECUTIVE DIRECTORS:

Mr. Wu Jian *(Chairman)*
Ms. Li Lin
Ms. Wu Huating (appointed on May 8, 2019)
Mr. Li Ming (resigned on May 8, 2019)

NON-EXECUTIVE DIRECTORS:

Mr. Wei Zhe
Mr. Zhang Beili (resigned on February 20, 2019)

INDEPENDENT NON-EXECUTIVE DIRECTORS:

Mr. Lam Yiu Por
Ms. Han Min
Mr. Hu Huanxin

In accordance with article 83 of the Company's articles of association (the "**Articles of Association**"), any Director appointed by the Board to fill a casual vacancy and as an addition to the existing Board shall hold office until the first general meeting of members after his appointment and until the next following annual general meeting, respectively, and shall then be eligible for re-election. Accordingly, Ms. Wu Huating shall retire from office at the forthcoming AGM and, being eligible, will offer herself for re-election at the forthcoming AGM.

In accordance with article 84 of the Articles of Association, at each annual general meeting one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation. Accordingly, Mr. Lam Yiu Por, Mr. Hu Huanxin and Mr. Wei Zhe, shall retire from office at the forthcoming AGM and, being eligible, will offer themselves for re-election at the forthcoming AGM.

The particulars of Directors who are subject to re-election at the AGM are set out in the circular to Shareholders to be dated September 17, 2019.

DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the Directors and senior management of the Company are set out on pages 16 to 20 of this Annual Report.

CONFIRMATION OF INDEPENDENCE FROM THE INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of the independent non-executive Directors a confirmation of his/her independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities (the "**Listing Rules**") and the Company considers all of the independent non-executive Directors are independent persons during this Fiscal Year.

DIRECTORS' SERVICE CONTRACTS AND LETTERS OF APPOINTMENT

Each of our executive Directors, except Ms. Wu Huating, has entered into a service contract with our Company on October 13, 2016, and we have issued letters of appointment to each of our non-executive Directors and each of our independent non-executive Directors. The service contracts with each of our executive Directors, except Ms. Wu Huating, and the letters of appointment with each of our non-executive Directors are for an initial fixed term of three years commencing from October 13, 2016. The letters of appointment with each of our independent non-executive Directors are for an initial fixed term of three years. Ms. Wu Huating has entered into the service contract with the Company for an initial term of three years from May 8, 2019. The service contracts and the letters of appointment are subject to termination in accordance with their respective terms. The service contracts are renewable in accordance with our Articles of Association and the applicable Listing Rules.

Save as disclosed above, none of our Directors has entered into, or has proposed to enter into, a service contract with any member of our Group (other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation)).

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Save as disclosed in the paragraph of "Connected transactions" below and in this Annual Report, no Director has a material interest, either directly or indirectly, in any transaction, arrangement or contract of significance to the business of the Group to which the Company, any of its subsidiaries or fellow subsidiaries was a party during the Fiscal Year 2019 and up to the date of this Annual Report.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the Fiscal Year 2019.

EMOLUMENT POLICY

The Remuneration Committee was set up for reviewing the Group's emolument policy and structure of the Directors and senior management of the Group, having regard to the Group's operating results, individual performance of the Directors and senior management and comparable market practices.

Details of the emoluments of the Directors, and the five highest paid individuals during the Fiscal Year 2019 are set out in notes 33 and 8 to the consolidated financial statements.

RETIREMENT AND EMPLOYEE BENEFITS SCHEME

Details of the retirement and employee benefits scheme of the Company are set out in note 8 to the consolidated financial statements.

CHANGES OF INFORMATION IN RELATION TO THE DIRECTORS

Set out below are the changes in the information of the Directors and the chief executive required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules:

With effect from 20 February 2019, Mr. Zhang Beili has resigned as a non-executive Director of the Company.

With effect from March 7, 2019, Mr. Wu Jian has resigned as the chief executive officer of the Company and continued to serve as the chairman of the Board and an executive Director. On the same date, Ms. Wu Huating has been appointed as the chief executive officer of the Company.

With effect from May 8, 2019, Mr. Li Ming has resigned as an executive director of the Company. On the same date, Ms. Wu Huating, the chief executive officer of the Company, has been appointed as an executive director of the Company.

The biographical details of the current Directors and senior management of the Company as at the date of this Annual Report are set out in "Directors and Senior Management" in this Annual Report. Save as disclosed above and therein, there are no changes in the information which are required to be disclosed by the current Directors pursuant to paragraphs (a) to (e) and (g) of Rule 13.51(2) of the Listing Rules.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at June 30, 2019, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**")) which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company pursuant to section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 of the Listing Rules were as follows:

Name of Directors	Nature of Interests	Number of Shares	Approximate Percentage of Shareholding in the Company (%)	Long Position/ Short Position/ Lending Pool
Mr. Wu Jian[1]	Founder of a discretionary trust; Beneficiary of a trust; Spouse interest	318,881,000	61.47	Long position
Ms. Li Lin[2]	Founder of a discretionary trust; Beneficiary of a trust; Spouse interest	318,881,000	61.47	Long position
Ms. Wu Huating [3]	Beneficial owner; Beneficiary of a trust	10,020,000	1.93	Long position
Mr. Wei Zhe [4]	Interest in a controlled corporation	7,621,000	1.47	Long position

Notes:

(1) Ahead Global Holdings Limited, a company indirectly wholly owned by the Wu Family Trust, directly holds the entire issued share capital of Ninth Capital Limited which in turn holds 152,100,000 shares of the Company. The Wu Family Trust is a discretionary trust established by Mr. Wu Jian (as the settlor), and its discretionary beneficiaries include Mr. Wu Jian, Ms. Li Lin, their children and the W&L Trust. The W&L Trust is a discretionary trust established by Mr. Wu Jian and Ms. Li Lin (both as the settlors), and its discretionary beneficiaries are Mr. Wu Jian, Ms. Li Lin and their children. Ms. Li Lin is beneficially interested in the entire issued share capital of Ninth Investment Limited which in turn holds 154,781,000 shares of the Company. Pursuant to the Li Personal Trust, the Li Personal Trust Nominee holds 12,000,000 shares as the nominee of The Core Trust Company Limited. The Li Personal Trust Nominee is wholly owned by The Core Trust Company Limited in his capacity as the nominee of the Li Personal Trust, and Ms. Li Lin is the settlor of the Li Personal Trust. Accordingly, Mr. Wu Jian was deemed to be interested in the 152,100,000 shares, 154,781,000 shares and 12,000,000 shares held by Ninth Capital Limited, Ninth Investment Limited and the Li Personal Trust Nominee, respectively. Pursuant to the SFO, Mr. Wu Jian, as the spouse of Ms. Li Lin, was deemed to be interested in the same number of shares in which Ms. Li Lin is interested.

(2) Puheng Limited, a company indirectly wholly owned by the Li Family Trust, directly holds the entire issued share capital of Ninth Investment Limited which in turn holds 154,781,000 shares of the Company. The Li Family Trust is a discretionary trust established by Ms. Li Lin (as the settlor), and its discretionary beneficiaries include Ms. Li Lin, Mr. Wu Jian, their children and the W&L Trust. The W&L Trust is a discretionary trust established by Mr. Wu Jian and Ms. Li Lin (both as the settlors), and its discretionary beneficiaries are Mr. Wu Jian, Ms. Li Lin and their children. Pursuant to the Li Personal Trust, the Li Personal Trust Nominee holds 12,000,000 shares as the nominee of The Core Trust Company Limited. The Li Personal Trust Nominee is wholly owned by The Core Trust Company Limited in his capacity as the nominee of the Li Personal Trust, and Ms. Li Lin is the settlor of the Li Personal Trust. Mr. Wu Jian is beneficially interested in the entire issued share capital of Ninth Capital Limited which in turn holds 152,100,000 shares of the Company. Accordingly, Ms. Li Lin was deemed to be interested in the 154,781,000 shares, 12,000,000 shares and 152,100,000 shares held by Ninth Investment Limited, the Li Personal Trust Nominee and Ninth Capital Limited, respectively. Pursuant to the SFO, Ms. Li Lin, as the spouse of Mr. Wu Jian, was deemed to be interested in the same number of shares in which Mr. Wu Jian is interested.

(3) Ms. Wu Huating is interested in (i) 20,000 shares of the Company held by her and (ii) restricted share units ("**RSUs**") representing 10,000,000 shares of the Company that were granted to her pursuant to the RSU Scheme, which are subject to the vesting schedule and performance targets or review.

(4) Bund View Capital Limited, a company wholly owned by Mr. Wei Zhe, holds 43.60% of the interest of Vision Knight Capital General Partners Ltd., which holds 100% issued share capital of Vision Knight Capital (China) Fund I, L.P., and Vision Knight Capital (China) Fund I, L.P. holds 100% of the issued shares of the Company and Bright Sunshine Group limited holds 7,621,000 of the issued shares of the company. Accordingly, Mr. Wei Zhe was deemed to be interested in the 7,621,000 shares held by Bright Sunshine Group Limited.

Save as disclosed above, as at June 30, 2019, none of the Directors or the chief executive of the Company had or was deemed to have any interest or short position in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) that was required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or required to be recorded in the register required to be kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as otherwise disclosed in this Annual Report, at no time during the Fiscal Year 2019 was the Company or its subsidiaries a party to any arrangement that would enable the Directors to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the Directors or any of their spouses or children under the age of 18 were granted any right to subscribe for the equity or debt securities of the Company or any other body corporate or had exercised any such right.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at June 30, 2019, as far as the Directors are concerned, the following persons (other than the Directors and chief executives of the Company) had interests or short positions in the shares or underlying shares of the Company which were required to be disclosed to the Company pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, and which were required to be entered in the register maintained by the Company pursuant to Section 336 of the SFO:

Name of Shareholders	Nature of Interests	Number of Shares	Percentage of Shareholding in the Company (%)	Long Position/ Short Position/ Lending Pool
Credit Suisse Trust Limited[(1), (2)]	Trustee	306,881,000	59.16	Long position
Ahead Global Holdings Limited[(1)]	Interest in a controlled corporation	152,100,000	29.32	Long position
Li Family Limited[(2)]	Interest in a controlled corporation	154,781,000	29.84	Long position
Ninth Capital Limited[(1)]	Beneficial owner	152,100,000	29.32	Long position
Ninth Investment Limited[(2)]	Beneficial owner	154,781,000	29.84	Long position
Puheng Limited[(2)]	Interest in a controlled corporation	154,781,000	29.84	Long position
Seletar Limited[(1), (2)]	Nominee for another person	306,881,000	59.16	Long position
Serangoon Limited[(1), (2)]	Nominee for another person	306,881,000	59.16	Long position
Wu Family Limited[(1)]	Interest in a controlled corporation	152,100,000	29.32	Long position
TCT (BVI) Limited[(3)]	Trustee	26,012,500	5.01	Long position
The Core Trust Company Limited[(3)]	Trustee	26,012,500	5.01	Long position

Notes:

(1) As at the date of this Annual Report, to the best knowledge of the Directors, Ninth Capital Limited holds 152,100,000 shares of the Company, representing approximately 29.32% of the issued shares of the Company. Credit Suisse Trust Limited, as the trustee of the Wu Family Trust, holds the entire issued share capital of Wu Family Limited through its nominee companies Seletar Limited and Serangoon Limited. Wu Family Limited holds the entire issued share capital of Ahead Global Holdings Limited which in turn holds the entire issued share capital of Ninth Capital Limited. Ninth Capital Limited holds 152,100,000 shares of the Company. The Wu Family Trust is a discretionary trust established by Mr. Wu Jian (as the settlor), and its discretionary beneficiaries are Mr. Wu Jian, Ms. Li Lin, their children and the W&L Trust. The W&L Trust is a discretionary trust established by Mr. Wu Jian and Ms. Li Lin (both as settlors), and its discretionary beneficiaries are Mr. Wu Jian, Ms. Li Lin and their children. Accordingly, each of Mr. Wu Jian, Credit Suisse Trust Limited, Seletar Limited, Serangoon Limited, Wu Family Limited and Ahead Global Holdings Limited is deemed to be interested in the 152,100,000 shares of the Company held by Ninth Capital Limited.

(2) As at the date of this Annual Report, to the best knowledge of the Directors, Ninth Investment Limited holds 154,781,000 shares of the Company, representing approximately 29.84% of the issued shares of the Company. Credit Suisse Trust Limited, as the trustee of the Li Family Trust, holds the entire issued share capital of Li Family Limited through its nominee companies Seletar Limited and Serangoon Limited. Li Family Limited holds the entire issued share capital of Puheng Limited, which in turn holds the entire issued share capital of Ninth Investment Limited. Ninth Investment Limited holds 154,781,000 shares of the Company. The Li Family Trust is a discretionary trust established by Ms. Li Lin (as the settlor), and its discretionary beneficiaries are Ms. Li Lin, Mr. Wu Jian, their children and the W&L Trust. The W&L Trust is a discretionary trust established by Mr. Wu Jian and Ms. Li Lin (both as settlors), and its discretionary beneficiaries are Mr. Wu Jian, Ms. Li Lin and their children. Accordingly, each of Ms. Li Lin, Credit Suisse Trust Limited, Seletar Limited, Serangoon Limited, Li Family Limited and Puheng Limited is deemed to be interested in the 154,781,000 shares of the Company held by Ninth Investment Limited.

(3) TCT (BVI) Limited is the wholly-owned subsidiary of The Core Trust Company Limited. Such 26,012,500 shares represent the same batch of shares.

Save as disclosed above, as at June 30, 2019, the Directors were not aware of any persons (who were not Directors or chief executive of the Company) who had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or which would be required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein.

RESTRICTED SHARE UNIT SCHEME

We have adopted the RSU Scheme in order to incentivize senior management, designers and key employees for their contribution to our Group and to attract and retain suitable personnel to enhance the development of our Group. The total number of shares under the RSU Scheme does not exceed 40,000,000 shares and is valid for a period to June 30, 2029, with the remaining period of about 9 years and 9 months. The RSU Scheme was approved and adopted by the Board on May 16, 2014, and amended on February 3, 2018, May 14, 2018 and May 8, 2019, a summary of principal terms of which is set out in "Statutory and General Information — D. Share Incentive Scheme — 1. RSU Scheme" in Appendix IV of the Prospectus, and the Company's announcements dated February 3, 2018, May 14, 2018 and May 8, 2019.

OUTSTANDING RSUS

Prior to the Company's shares listed on the Main Board of the Stock Exchange, RSUs in respect of an aggregate of 11,776,040 shares of the Company, representing approximately 2.27% of the total issued shares of the Company as at June 30, 2019, had been granted to 89 RSU participants pursuant to the RSU Scheme. We have appointed The Core Trust Company Limited as the trustee to assist with the administration and vesting of RSUs granted pursuant to the RSU Scheme.

There are eight vesting schedules under the RSU Scheme: (i) the RSU participants shall vest as to 20%, 20%, 30% and 30% prior to August 31, 2015, 2016, 2017 and 2018, respectively; (ii) the RSU participants shall vest as to 25%, 25%, 25% and 25% prior to August 31, 2016, 2017, 2018 and 2019, respectively; (iii) the RSU participants shall vest as to 25%, 25%, 25% and 25% prior to August 31, 2017, 2018, 2019 and 2020, respectively; (iv) the RSU participants shall vest as to 20%, 20%, 30% and 30% prior to August 31, 2017, 2018, 2019 and 2020, respectively; (v) the RSU participants shall vest as to 25%, 25%, 25% and 25% prior to August 31, 2018, 2019, 2020 and 2021; (vi) the RSU participants shall vest as to 20%, 20%, 20%, 20% and 20% prior to August 31, 2019, 2020, 2021, 2022 and 2023, respectively; (vii) the RSU participants shall vest as to 25%, 25%, 25% and 25% prior to August 31, 2020, 2021, 2022 and 2023, respectively; (viii) the RSU participants shall vest as to 1/3, 1/3 and 1/3 prior to August 31, 2021, 2022 and 2023, respectively; and (iv) the RSU participants shall vest as to 20%, 20%, 20%, 20% and 20% prior to August 31, 2020, 2021, 2022, 2023 and 2014, respectively. Unless the Company shall otherwise determine and so notify the RSU Participants in writing, the RSU participants shall vest following their respective vesting schedules described above.

During the year ended June 30, 2019, 10,180,000 RSUs have been granted, 4,536,410 RSUs have been forfeited and expired. As at June 30, 2019, there were a total of 29,870,647 RSUs outstanding.

The following is a summary table showing details of the RSUs granted under the RSU Scheme as at June 30, 2019. As of June 30, 2019, a total of 11,875,000 RSUs, representing 11,875,000 shares, were granted to the connected persons of the Company, among which 10,000,000 RSUs were granted to a Director.

Shares Represented by RSUs	Date of Grant	As at July 1, 2018 Outstanding	Year ended June 30, 2019 Granted	Exercised	Expired	Forfeited	As at June 30, 2019 Outstanding
9,764,560	June 30, 2014	7,903,651	—	844,500	450	48,460	**7,010,241**
711,480	November 20, 2014	213,906	—	213,500	—	—	**406**
10,000	March 9, 2015	7,500	—	5,000	—	—	**2,500**
280,000	September 10, 2015	140,000	—	70,000	—	—	**70,000**
50,000	November 23, 2015	50,000	—	—	—	—	**50,000**
500,000	December 7, 2015	400,000	—	100,000	—	—	**300,000**
80,000	December 15, 2016	60,000	—	20,000	—	—	**40,000**
680,000	February 25, 2017	660,000	—	17,500	—	37,500	**605,000**
30,000	August 29, 2017	30,000	—	7,500	—	—	**22,500**
15,000,000	February 3, 2018	14,800,000	—	—	—	4,450,000	**10,350,000**
1,240,000	May 14, 2018	1,240,000	—	—	—	—	**1,240,000**
180,000	August 28, 2018	—	180,000	—	—	—	**180,000**
10,000,000	May 8, 2019	—	10,000,000	—	—	—	**10,000,000**
Total		25,505,057	10,180,000	1,278,000	450	4,535,960	**29,870,647**

Notes:

(1) The closing price of the shares immediately before the date on which the RSUs were granted on August 28, 2018 was HK$16.86.

(2) The closing price of the shares immediately before the date on which the RSUs were granted on May 8, 2019 was HK$15.34.

The weighted average closing price of the shares immediately before the dates on which the RSUs were exercised in Fiscal Year 2019 was approximately HK$14.14.

EXPECTED RETENTION RATE OF GRANTEES

The Group estimates the expected yearly percentage of grantees that will stay within the Group at the end of vesting periods of RSUs in order to determine the amount of share-based compensation expenses charged to the condensed consolidated statement of comprehensive income.

EQUITY-LINKED AGREEMENT

There was no equity-linked agreement entered into by the Company or any of its subsidiaries in the Fiscal Year 2019 or subsisted at the end of the year.

PURCHASE, REDEMPTION OR SALE OF THE LISTED SECURITIES

In Fiscal Year 2019, save as the trustee of the RSU Scheme purchases a total of 4,209,000 shares of the Company with HK$54.8 million at the Stock Exchange pursuant to rules of the RSU Scheme and terms of the trust in order to grant shares to selected participants, none of the Company or any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

PRE-EMPTIVE RIGHTS

There is no provision for the pre-emptive rights under the Articles of Association and the laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

NON-COMPETITION UNDERTAKING

To safeguard our Group from any potential competition, each of Ms. Li Lin and Mr. Wu Jian (the "**Covenantors**") has entered into a deed of non-competition (the "**Deed of Non-Competition**") in favor of our Company on October 13, 2016 pursuant to which the Covenantors have unconditionally, irrevocably and jointly and severally undertaken with our Group that they shall not (except through the Group and any investment or interests held through the Group), and shall procure that his/her close associates (other than any member of our Group) shall not, during the Restricted Period (as defined below), directly or indirectly (including through nominees), either on his/her own account or in conjunction with or on behalf of any person, firm or company, among other things, invest in, participate in, engage in and/or operate or be interested in (in each case whether as a shareholder, partner, agent, employee or otherwise) any business which competes or is likely to compete, directly or indirectly, with the existing businesses (the "**Design Business**") of any member of our Group described in this Prospectus.

For details of the Deed of Non-Competition, please see "Non-Competition Undertaking" under the section headed "Relationship with Our Controlling Shareholders" in the Prospectus.

Based on the information and confirmation provided by the controlling Shareholders, the independent non-executive Directors have reviewed the implementation of non-competition undertaking during the Fiscal Year 2019, and are satisfied that the controlling Shareholders have complied with the Deed of Non-Competition.

DIRECTORS' INTEREST IN COMPETING BUSINESS

Save as disclosed in this Annual Report, none of the Directors or their associates had any interest in any business which directly or indirectly compete or may compete with the businesses of our Group during the Fiscal Year 2019.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

For the year ended June 30, 2019, the non-exempt connected transaction and continuing connected transactions conducted by the Group were described as follows:

LEASE OF OFFICES AND RETAIL STORES

The Group, as tenant, entered into a number of leases on December 1, 2012, December 25, 2015 and July 1, 2016 and/or amended on June 29, 2016 and May 14, 2018 with Mr. Wu Jian and Ms. Li Lin (the "**Founders**"), entities controlled by the Founders (collectively, the "**Lessors**"). Pursuant to which the Lessors agreed to lease to us the properties in Hangzhou for offices or retail stores purpose. The term of the lease is from the Listing Date and is due to expire on June 30, 2019. For the year ended June 30, 2019, the annual cap for such transactions of the Group was RMB12.9 million, and the total lease payment actually paid or payable was RMB12.3 million without exceeding the annual cap for such transactions.

Hangzhou Liancheng Huazhuo Industrial Co., Ltd. ("**Liancheng Huazhuo**"), an indirect wholly-owned subsidiary of the Company, as tenant, entered into a new lease agreement on August 30, 2017 with our former executive director Mr. Li Ming and his spouse Ms. Tang Yu (as lessor). Pursuant to which the lessor agreed to lease the tenant a property located at 67 Yi Le Road, Hangzhou City, Zhejiang Province, China for office purpose. The term of lease is from 1 September, 2017 and is due to expire on June 30, 2019. For the year ended June 30, 2019, the annual cap for such transactions of the Group was RMB0.2 million, and the total lease payment actually paid or payable was RMB0.2 million without exceeding the annual cap for such transactions.

On November 23, 2018, the Group entered into two lease agreements with Huizhan Technology (Hangzhou) Co., Ltd. ("**Huizhan Technology**"), which is controlled by the Founder, pursuant to which Huizhan Technology agreed to lease an office building and a multi-function hall to us, for office purpose and advertising campaign purpose, respectively, for a term of three years commencing from December 1, 2019. For more details, please see the announcement of the Company regarding continuing connected transaction dated November 23, 2018. On February 27, 2019, the Group entered into a series of lease agreements with the Lessors and Hangzhou Huikang Industrial Co., Ltd. ("**Huikang Industrial**") a company indirectly owned by the Founders, pursuant to which the Group and the Lessors and Huikang Industrial agreed to renew certain of the leases for offices purpose for a term of five months commencing from July 1, 2019 and for retail stores purpose for a term of three years commencing from July 1, 2019, and agreed to entered a lease for employee dormitory purpose for a term of three years commencing from July 1, 2019. The annual caps for our continuing connected lease transactions are approximately RMB32.5 million, RMB46.0 million and RMB46.0 million for the years ended June 30, 2020, 2021 and 2022, respectively. For more details, please see the announcement of the Company regarding connected transaction and continuing connected transaction dated February 27, 2019.

LOGISTICS AND WAREHOUSING SERVICES AND EQUIPMENT PURCHASE

Huikang Industrial entered into an agreement on December 25, 2015 and amended on October 13, 2016 with Liancheng Huazhuo , under which Huikang Industrial agreed to provide to us logistics and warehousing services. The term of the agreement is from the Listing Date and is due to expire on June 30, 2019 at an annual fee of RMB2.64/piece for the first year. For the year ended June 30, 2019, the annual cap for such transactions of the Group was RMB37.1 million, and the total fees for logistics and warehousing services actually paid or payable was RMB21.5 million without exceeding the annual cap for such transactions.

On February 27, 2019, Liancheng Huazhuo entered into a logistics equipment purchase agreement with Huikang Industrial, pursuant to which Huikang Industrial agreed to sell and Liancheng Huazhuo agreed to purchase certain logistics equipment at the consideration of approximately RMB6.5 million. For more details, please see the announcement of the Company regarding connected transaction and continuing connected transaction dated February 27, 2019.

APPAREL MANUFACTURING AGREEMENT

Hangzhou Shangwei Apparel Co., Ltd. ("**Shangwei Apparel**") is an entity controlled by the Founders, thus, pursuant to Chapter 14A of the Listing Rules, Shangwei Apparel is a connected person of the Company.

We entered into a framework apparel manufacturing agreement on December 25, 2015 and amended on June 13, 2016 with Shangwei Apparel, pursuant to which Shangwei Apparel, together with its subsidiary, manufacture apparel for us. The term of the apparel manufacturing agreement is from the Listing Date to June 30, 2019.

For the year ended June 30, 2019, the annual cap for such transactions of the Group was RMB48.0 million, and the total fees for apparel manufacturing actually paid or payable was RMB24.8 million without exceeding the annual cap for such transactions.

On February 27, 2019, Liancheng Huazhuo entered into a new framework apparel manufacturing agreement with Shangwei Apparel and Hangzhou New Shangwei Finery Co., Ltd. (collectively, "**Shangwei Group**"), pursuant to which Liancheng Huazhuo, and Shangwei Group agreed to renew the previous framework apparel manufacturing agreement and Shangwei Group agreed to manufacture apparel products for us for a term of three years commencing from July 1, 2019. The annual caps for such transactions are approximately RMB40.0 million, RMB40.0 million and RMB40.0 million for the years ended June 30, 2020, 2021 and 2022, respectively. For more details, please see the announcement of the Company regarding connected transaction and continuing connected transaction dated February 27, 2019.

SAMPLES OUTSOURCING AGREEMENT

Hangzhou JNBY Finery Co., Ltd. ("**Hangzhou JNBY**") is an entity controlled by the Founders of the Company, thus, pursuant to Chapter 14A of the Listing Rules, Hangzhou JNBY is a connected person of the Company. We entered into a framework samples outsourcing service agreement on May 30, 2015 and amended on October 13, 2016 with Hangzhou JNBY, under which Hangzhou JNBY agreed to provide samples manufacturing service for us. The term of the service is from the Listing Date to June 30, 2019. For the year ended June 30, 2019, the annual cap for such transactions of the Group was RMB35.4 million, and the total fees for outsourcing services actually paid or payable was RMB34.0 million without exceeding the annual cap for such transactions.

On February 27, 2019, Liancheng Huazhuo entered into new framework sample apparel agreement with Hangzhou JNBY, pursuant to which Liancheng Huazhuo and Hangzhou JNBY agreed to renew the framework sample outsourcing service agreement, and Hangzhou JNBY agreed to manufacture and provide sample apparel for our designs for a term of three years commencing from July 1, 2019. The annual caps for such transactions are approximately RMB36.0 million, RMB36.0 million and RMB36.0 million for the years ended June 30, 2020, 2021 and 2022, respectively. For more details, please see the announcement of the Company regarding connected transaction and continuing connected transaction dated February 27, 2019.

For details of the above connected transactions and continuing connected transaction, please refer to note 31 to the consolidated financial statements.

In the Fiscal Year 2019, our independent non-executive Directors have reviewed the above connected transaction and continuing connected transactions and have confirmed that such transactions were entered into:

(i) in the ordinary and usual course of business of the Group;

(ii) on normal or better commercial terms; and

(iii) in accordance with the agreements for such transactions, the terms of which are fair and reasonable, and are in the interest of the shareholders as a whole.

The auditors of the Company have performed certain agreed-upon audit procedures for the above continuing connected transactions entered into by the Group in the year ended June 30, 2019, and concluded that such transactions:

(1) have been approved by the Board;

(2) have followed the pricing policies of the Group in all material aspects, if they involve the goods or services provided by the Group;

(3) were conducted in accordance with the relevant agreements for such transactions in all material aspects; and

(4) have an aggregate amount not exceeding the relevant cap disclosed in the Prospectus and the Company's announcement dated April 5, 2017, August 30, 2017, May 14, 2018, November 23, 2018 and February 27, 2019.

The related party transactions mentioned in note 31 to the consolidated financial statements constituted the connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules, and are in compliance with the disclosure requirements in Chapter 14A of the Listing Rules.

Save as disclosed in this Annual Report, there were no connected transactions or continuing connected transactions which are required to be disclosed by the Company in the Fiscal Year 2019 in accordance with the provisions concerning the disclosure of connected transactions under Chapter 14A of the Listing Rules.

CHARITY DONATION

The charity donation of the Group and other donation aggregately account for RMB0.6 million during the Fiscal Year 2019.

MATERIAL LEGAL PROCEEDINGS

During the Fiscal Year 2019, the Company were not involved in any material legal proceedings or arbitrations. To the best knowledge of the Directors, there is no material legal proceeding or claim which is pending or threatening against the Company.

PERMITTED INDEMNITY PROVISIONS

In the Fiscal Year 2019 and up to the date of this Annual Report, there were no permitted indemnity provisions which were or are currently in force, and are beneficial to the Directors (whether they were entered into by the Company or others) or any directors of the Company's connected companies (if they were entered into by the Company). The Company has purchased appropriate directors', supervisors' and officers' liability insurance for its Directors and senior staff.

TAX RELIEF AND EXEMPTION OF HOLDERS OF LISTED SECURITIES

The Company is not aware of any tax relief or exemption available to the Shareholders by reason of their respective holding of the Company's securities.

AUDIT COMMITTEE

The Audit Committee of the Company ("**Audit Committee**") has, together with the senior management and the external auditor of the Company, reviewed the accounting principles and practices adopted by our Group as well as the audited consolidated financial statements of the Group for the Fiscal Year 2019.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining high level of corporate governance practices. Information about the corporate governance practices adopted by the Company are set out in the corporate governance report on pages 36 to 48 in this Annual Report.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and to the best knowledge of the Directors, at least 25% (being the minimum public float prescribed by the Stock Exchange and the Listing Rules) of the Company's entire issued share capital were held by the public at any time during Fiscal Year 2019 and up to the date of this Annual Report.

AUDITOR

PricewaterhouseCoopers ("**PwC**") is appointed as auditor of the Company for the year ended June 30, 2019. PwC has audited the accompanying financial statements which were prepared in accordance with the HKFRSs.

PwC is subject to retirement and, being eligible, offers itself for re-appointment at the forthcoming AGM. A resolution for reappointment of PwC as auditor of the Company will be proposed at the AGM.

By Order of the Board
Chairman
Wu Jian
Hong Kong, August 27, 2019

CORPORATE GOVERNANCE REPORT

The Board is pleased to present this corporate governance report set out in the Company's Annual Report for the Fiscal Year 2019.

CORPORATE GOVERNANCE PRACTICES

The Group is committed to maintaining a high standard of corporate governance to safeguard the interests of its shareholders and enhance its value and accountability. The Company has adopted the Corporate Governance Code and Corporate Governance Report (the "**Corporate Governance Code**") contained in Appendix 14 to the Listing Rules as its own corporate governance code. The Company has been in compliance with all applicable code provisions under the Corporate Governance Code during the Fiscal Year 2019, except for the disclosures in this Annual Report. The Company will continue to review and monitor its corporate governance practices in order to ensure the compliance with the Corporate Governance Code.

THE BOARD

RESPONSIBILITIES

The Board is responsible for the overall leadership of the Group, oversees the Group's strategic decisions and monitors business and performance. The Board has delegated the authority and responsibility for day-to-day management and operation of the Group to the senior management of the Group. To oversee particular aspects of the Company's affairs, the Board has established three Board committees, including the Audit Committee, the remuneration committee (the "**Remuneration Committee**") and the nomination committee (the "**Nomination Committee**") (collectively, the "**Board Committees**"). The Board has delegated to the Board Committees responsibilities as set out in their respective terms of reference.

All Directors shall ensure that they carry out their duties in good faith, in compliance with applicable laws and regulations, and in the interests of the Company and its shareholders at all times.

The Company has arranged appropriate insurance coverage in respect of liability arising from legal action against its Directors, and will conduct annual review on such insurance coverage.

BOARD COMPOSITION

During the year ended June 30, 2019 and as at the date of this Annual Report, the Board comprised three executive Directors, one non-executive Director and three independent non-executive Directors as set out below:

EXECUTIVE DIRECTORS:

Mr. Wu Jian
Ms. Li Lin
Ms. Wu Huating (appointed on May 8, 2019)
Mr. Li Ming (resigned on May 8, 2019)

NON-EXECUTIVE DIRECTORS:

Mr. Wei Zhe
Mr. Zhang Beili (resigned on February 20, 2019)

INDEPENDENT NON-EXECUTIVE DIRECTORS:

Mr. Lam Yiu Por
Ms. Han Min
Mr. Hu Huanxin

The biographies of the Directors are set out under the section headed "Directors and Senior Management" of this Annual Report.

During Fiscal Year 2019, the Board has met the requirements of Rules 3.10(1) and 3.10(2) of the Listing Rules relating to the appointment of at least three independent non-executive directors with at least one possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has also complied with Rule 3.10A of the Listing Rules, which relates to the appointment of independent non-executive directors representing at least one-third of the Board.

The Company believes that the diversity of Board members will be immensely beneficial for the enhancement of the Company's performance. Therefore, the Company has adopted a board diversity policy to ensure that the Company will, when determining the composition of the Board, consider board diversity in terms of, among other things, age, cultural and educational background, professional experience, skills and knowledge. All appointments by the Board will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board. The board diversity policy is summarised as follows: Board composition to be reviewed in terms of the size of the Board, the number of non-executive Directors and executive Directors in relation to the overall Board; Board effectiveness which requires members to have diverse skills, knowledge and experiences that combine to provide different perspectives and effective board dynamics; and nominations and appointments to be carried out in view of maintaining an appropriate mix of required skills, experience, expertise and diversity on the Board.

The Nomination Committee is responsible to review the board diversity policy and any measurable objectives for its implementation and to review the progress on achieving the objectives.

Each of the independent non-executive Directors has confirmed his/her independence pursuant to Rule 3.13 of the Listing Rules and the Company considers each of them to be independent.

Save as disclosed in the biographies of the Directors as set out in the section headed "Directors and Senior Management" of this Annual Report, none of the Directors has any personal relationship (including financial, business, family or other material/relevant relationship) with any other Directors or any chief executive.

All Directors, including independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and expertise to the Board for its efficient and effective functioning. Independent non-executive Directors are invited to serve on the Audit Committee, the Remuneration Committee and the Nomination Committee.

As regards the code provision under the Corporate Governance Code requiring directors to disclose the number and nature of offices held in public companies or organisations and other significant commitments as well as their identity and the time involved to the issuer, the Directors have agreed to disclose their commitments to the Company in a timely manner.

INDUCTION AND CONTINUOUS PROFESSIONAL DEVELOPMENT

All newly appointed Directors would be provided with necessary induction and information to ensure that they have a proper understanding of the Company's operations and businesses as well as their responsibilities under relevant statutes, laws, rules and regulations. The Company also arranges regular seminars to provide Directors with updates on latest development and changes in the Listing Rules and other relevant legal and regulatory requirements from time to time. The Directors are also provided with regular updates on the Company's performance, position and prospects to enable the Board as a whole and each Director to discharge their duties.

During the year ended June 30, 2019, the Company has arranged all Directors to watch a series of videos regarding "Duties of Directors and Role and Function of Board Committees" launched on the website of the Stock Exchange. In addition, all Directors developed themselves through 1) conducting focused discussion on issues relating to the business and operations of the Company at committee meetings; and 2) research, reading and study of relevant regulations and standards in order to strengthen the skills and knowledge relevant for their respective roles.

All Directors have provided the Company with their respective training records in compliance with Code Provision A.6.5 of the Corporate Governance Code.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Under Code Provision A.2.1 of the Corporate Governance Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Wu Jian resigned as the chief executive officer of the Company (the "**Chief Executive Officer**") since March 7, 2019 and on the same day, Ms, Wu Huating has been appointed as the Chief Executive Officer. The Chairman of the Board and the Chief Executive Officer are currently two separate positions held by Mr. Wu Jian and Ms. Wu Huating, respectively, with clear distinction in responsibilities. The Chairman of the Board is responsible for providing strategic advice and guidance on the business development of the Group, while the Chief Executive Officer is responsible for the day-to-day operations of the Group.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

The Company has entered into a service contract with each of the executive Directors, save for Ms. Wu Huating, and a letter of appointment with the non-executive Director for an initial fixed term of three years commencing from October 13, 2016. The letter of appointment entered into with each of the independent non-executive Directors was for an initial fixed term of three years. Ms. Wu Huating has entered into a service contract with the Company for an initial term of three years commencing from May 8, 2019. The service contracts and letters of appointment are subject to termination in accordance with their respective terms. The service contracts may be renewed in accordance with the Articles of Association and the applicable Listing Rules.

Save as disclosed above, none of the Directors has a service contract with the Group which is not determinable by the Company within one year without the payment of compensation (other than statutory compensation).

In accordance with the Articles of Association, at each annual general meeting one-third of the Directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not less than one-third) shall retire from office by rotation, provided that every Director shall be subject to retirement at an annual general meeting at least once every three years.

The procedures and process of appointment, re-election and removal of Directors are set out in the Articles of Association. The Nomination Committee is responsible for reviewing the Board composition, and for making recommendations to the Board on the appointment, re-election and succession planning of Directors.

BOARD MEETINGS

The Company adopts the practice of holding Board meetings regularly, at least four times a year, and at approximately quarterly intervals. Notices of no less than fourteen days are given for all regular Board meetings to provide all Directors with an opportunity to attend and include matters in the agenda for a regular meeting.

For other Board meetings and Board Committee meetings, reasonable notice is generally given by the Company. The agenda and accompanying Board papers are dispatched to the Directors or committee members at least three days before the Board meetings or Board Committee meetings to ensure that the Directors have sufficient time to review the papers and be adequately prepared for the meetings or Board Committee meetings.

When Directors or committee members are unable to attend a meeting, they will be advised of the matters to be discussed and given an opportunity to make their views known to the Chairman prior to the meeting. Minutes of meetings shall be kept by the company secretary with copies circulated to all Directors for information and records.

Minutes of the Board meetings and Board Committee meetings are recorded in sufficient detail on the matters considered by the Board and the Board Committees and the decisions reached, including any concerns raised by the Directors. Draft minutes of each Board meeting and Board Committee meeting are/will be sent to the Directors for comments within a reasonable time after the date on which the meeting is held. The minutes of the Board meetings are open for inspection by all Directors.

During Fiscal Year 2019, four Board meetings and one general meeting were held, and the attendance of the individual Directors at the Board meetings is set out in the table below:

Directors	Board meetings attended/Eligible to attend Board meetings	General meetings attended/Eligible to attend General meetings
Mr. Wu Jian	4/4	1/1
Ms. Li Lin	4/4	1/1
Mr. Li Ming	4/4	1/1
Ms. Wu Huating	0/0	0/0
Mr. Wei Zhe	4/4	1/1
Mr. Zhang Beili	2/2	1/1
Mr. Lam Yiu Por	4/4	1/1
Ms. Han Min	4/4	1/1
Mr. Hu Huanxin	4/4	1/1

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as its own code of conduct regarding Directors' securities transactions. Specific enquiry has been made to all the Directors and each of the Directors has confirmed that he/she has complied with the required standards as set out in the Model Code during Fiscal Year 2019.

DELEGATION BY THE BOARD

The Board reserves for its decision on all major matters of the Company, including: approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those that may involve conflict of interests), financial information, appointment of Directors and other significant financial and operational matters. Directors could have recourse to seek independent professional advice in performing their duties at the Company's expense. Directors are encouraged to access and to consult with the Company's senior management independently.

The daily management, administration and operation of the Group are delegated to the senior management. The delegated functions and responsibilities are periodically reviewed by the Board. Approval has to be obtained from the Board prior to any significant transactions entered into by the management.

CORPORATE GOVERNANCE FUNCTION

The Board is responsible for the corporate governance of the Group, it fulfills the corporate governance functions as required by the provisions of the Corporate Governance Code, and reviews the corporate governance practices at appropriate time. During Fiscal Year 2019, the Board reviewed the corporate governance policies and practices of the Company and reviewed the disclosures made in this corporate governance report. The Board has approved and adopted the terms of reference in relation to the fulfillment of corporate governance functions as set out in the Corporate Governance Code.

BOARD COMMITTEES

AUDIT COMMITTEE

The Audit Committee comprises three members, namely Mr. Lam Yiu Por (chairman), Ms. Han Min and Mr. Hu Huanxin, all of them are independent non-executive Directors.

The main duties and responsibilities of the Audit Committee are as follows:

(a) be primarily responsible for making recommendations to the Board on the appointment, re-appointment and removal of the external auditor, and approve the remuneration and terms of engagement of the external auditor, and any questions of its resignation or dismissal;

(b) review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards, and discuss with the auditor the nature and scope of the audit and reporting obligations before the audit commences;

(c) develop and implement policy on engaging an external auditor to supply non-audit services. For this purpose, "external auditor" includes any entity that is under common control, ownership or management with the audit firm or any entity that a reasonable and informed third party knowing all relevant information would reasonably conclude to be part of the audit firm nationally or internationally. The committee should report to the Board, identifying and making recommendations on any matters where action or improvement is needed;

(d) where the Board disagrees with the Audit Committee's view on the selection, appointment, resignation or dismissal of the external auditors, the Company should include in the Corporate Governance Report a statement from the Audit Committee explaining its recommendation and also the reason(s) why the Board has taken a different view;

(e) monitor integrity of the Company's financial statements and annual report and accounts, and half-year report, review significant financial reporting judgments contained in them;

(f) regarding (e) above:

    (i) members of the committee should liaise with the Board and senior management and the committee must meet, at least twice a year, with the Company's auditors; and

    (ii) the committee should consider any significant or unusual items that are, or may need to be, reflected in the report and accounts, it should give due consideration to any matters that have been raised by the Company's staff responsible for the accounting and financial reporting function, compliance officer or auditors.

(g) review the systems on financial controls of the Company, and unless expressly addressed by a separate Board risk committee, or by the Board itself, review the Company's internal control system (including without limitation the procedures for compliance with the requirements of Listing Rules) and risk management system;

(h) discuss the risk management and internal control systems with management to ensure that management has performed its duty to have effective systems. This discussion should include the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function;

(i) consider major investigation findings on risk management and internal control matters as delegated by the Board or on its own initiative and management's response to these findings;

(j) where an internal audit function exists, ensure co-ordination between the internal and external auditors, and ensure that the internal audit function is adequately resourced and has appropriate standing within the Company, and review and monitor its effectiveness;

(k) review the financial and accounting policies and practices of the Group;

(l) review the external auditor's management letter, any material queries raised by the auditor to management about accounting records, financial accounts or systems of control and management's response;

(m) ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;

(n) review the arrangements that employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters. The committee should ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action;

(o) act as the key representative body for overseeing the Company's relations with the external auditor;

(p) report to the Board on the matters set out herein; and

(q) the committee should establish a whistleblowing policy and system for employees and those who deal with the Company to raise concerns, in confidence, with the committee about possible improprieties in any matter related to the Company.

The written terms of reference of the Audit Committee are available on the websites of the Stock Exchange and the Company.

During Fiscal Year 2019, the Audit Committee held three meetings to discuss and consider the following:

- review the annual results for the year ended June 30, 2018 of the Company and its subsidiaries;
- review the interim results for the six months ended December 30, 2018 of the Company and its subsidiaries; and
- review the audit service plan and the plan on preparing environmental, social and governance report.

The attendance of members of the Audit Committee at the meetings is set out in the following table:

Name of Directors	Actual attendance/ Required attendance
Mr. Lam Yiu Por	3/3
Ms. Han Min	3/3
Mr. Hu Huanxin	3/3

NOMINATION COMMITTEE

The Nomination Committee currently comprises three members, including one executive Director, namely Mr. Wu Jian (chairman), and two independent non-executive Directors, namely Mr. Hu Huanxin and Ms. Han Min.

The main duties and responsibilities of the Nomination Committee are as follows:

(a) review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;

(b) formulate a policy of selection and nomination of Directors and the procedures for the sourcing of suitably qualified Director for consideration of the Board and implement such plan and procedures approved;

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

(d) ensure sufficient biographical details of nominated candidates are provided to the Board and Shareholders to enable them to make a decision regarding selection of the Board members;

(e) assess the independence of independent non-executive Directors;

(f) make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the Chairman and the Chief Executive Officer; and

(g) conform to and abide by any requirement, direction and regulation that may be prescribed by the Board or contained in the constitutional documents of the Company or imposed by the Listing Rules or applicable laws.

The Nomination Committee will assess the candidate or incumbent on criteria such as integrity, experience, skill and ability to commit time and effort to carry out the duties and responsibilities. The recommendations of the Nomination Committee will then be put to the Board for decision. The written terms of reference of the Nomination Committee are available on the websites of the Stock Exchange and the Company.

During Fiscal Year 2019, the Nomination Committee held two meetings to discuss and consider the following:

Review the structure, size and composition of the Board, the multicultural policy of Board members and the independence of independent non-executive Directors, discuss candidates for re-election of Directors, and nominate executive Director.

The attendance of members of the Nomination Committee at the meetings is set out in the following table:

Name of Directors	Actual attendance/ Required attendance
Mr. Wu Jian	2/2
Ms. Han Min	2/2
Mr. Hu Huanxin	2/2

Board Diversity Policy

The Company agreed the importance of the diversity of members of the Board to the effectiveness of corporate governance and the Board. In order to enhance effective operation of the Board and maintain high standard of corporate governance, Nomination Committee has formulated diversity policies of the Board to ensure the appropriate balance in the aspects of diversity including skills, experience and perspectives of the members of the Board. Details are set out below:

The nomination and appointment of members of the Board will continue to follow the principle of meritocracy based on the demand of daily business and consideration of benefits due to diversity of Board members. The principal responsibilities of Nomination Committee are to seek the people qualified for being Directors and give sufficient consideration on the policy of Board members diversity throughout the selection process.

Nomination Committee will formulate measurable objectives for the selection of Directors. The selection of Director candidates will be based on a series of diversified aspects and references made to the business model and specific demand of the Company (including, but not limited to, sex, age, race, language, cultural background, education background, industrial experience and professional experience).

Nomination Committee is responsible for reviewing the diversity policies of the Board to ensure the implementation of such policies, and responsible for the expansion and review of the measurable objectives and supervising the implementation progress of the measurable objectives. To ensure sustainable effectiveness of the Board, Nomination Committee reviews the policy and measurable objectives at least once a year.

Currently, the Board consist of 7 members (3 females and 4 males) who have professional experience and qualification in various industries which include apparel, finance, accounting and information technology. Having regard to the composition of the Board and the measurable objectives, the Company considers that the Board is sufficiently diversified.

Nomination Policies of Directors and Standard for Selection and Recommendations

1. Policies and Principles

1.1 With a view of achieving a sustainable and balanced development, the Company sees increasing diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and its sustainable development.

1.2 In determining the Board's composition, the Company would access the skills, experiences and diversified views and perspectives brought by the candidate as well as how he/she could contribute to the Board. Board diversity has been considered from a wide range of aspects, including but not limited to gender, age, cultural and educational background, geographical location, professional experiences, skills, knowledge and duration of service, as well as any other factors deemed to be relevant and applicable factors by the Board from time to time.

1.3 Appointment of members of the Board is based on the skills and experiences required for the sound operation of the Board as a whole, to ensure a balanced composition of skills and experiences at the Board level, while taking full consideration of the above objectives and requirements of Board diversity.

2. Measurable Objectives

2.1 The selection of candidates of directorship will be based on the Company's nomination policy and will take into account of this policy. The ultimate decision will be based on the merit of the relevant candidate, the benefits of diversity and his/her contribution to the Board.

REMUNERATION COMMITTEE

The Remuneration Committee comprises three members, including two independent non-executive Directors, namely Mr. Hu Huanxin (chairman) and Mr. Lam Yiu Por, and one executive Director, namely Mr. Wu Jian.

The main duties and responsibilities of the Remuneration Committee are as follows:

(a) to make recommendations to the Board on the Company's policy and structure for all Directors and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy;

(b) to develop the remuneration policy for executive Directors, assess performance of executive Directors and approve the terms of executive Directors' service contracts;

(c) to review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives;

(d) either:

   (i) to determine, with delegated responsibility granted by the Board, the remuneration packages of individual executive Directors and senior management; or

   (ii) to make recommendations to the Board on the remuneration packages of individual executive Directors and senior management.

   This should include benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment:

(e) to make recommendations to the Board on the remuneration of non-executive Directors;

(f) to consider salaries paid by comparable companies, time commitment and responsibility and employment conditions elsewhere in the Group;

(g) to review and approve compensation payable to executive Directors and senior management for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive for the Company;

(h) to review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate;

(i) to ensure that no Director or any of his/her associates is involved in deciding his/her own remuneration; and

(j) to consider other topics as defined or designated by the Board.

The written terms of reference of the Remuneration Committee are available on the websites of the Stock Exchange and the Company.

During Fiscal Year 2019, the Remuneration Committee held two meetings to discuss and consider the following:

- to review the members and remuneration plan of the Company and its subsidiaries;
- to make recommendations on the remuneration policy, plan and structure for the coming year; and
- to make recommendations to the Board on the remuneration package of the Chief Executive Officer.

The attendance of members of the Remuneration Committee at the meetings is set out in the following table:

Name of Directors	Actual attendance/Required attendance
Mr. Hu Huanxin	2/2
Mr. Wu Jian	2/2
Mr. Lam Yiu Por	2/2

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

The remuneration of Directors and senior management of the Company (whose biographies are set out on pages 16 to 20 of this Annual Report) for the Fiscal Year 2019 falls under the following bands:

Band of remuneration	Number of individuals
Below RMB1,000,000	4
RMB1,000,000 to RMB2,000,000	1
RMB2,000,000 to RMB3,000,000	5
Above RMB3,000,000	3

DIRECTORS' RESPONSIBILITIES FOR FINANCIAL REPORTING IN RESPECT OF FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended June 30, 2019 which give a true and fair view of the affairs of the Company and the Group and of the Group's results and cash flows.

The management has provided to the Board such explanation and information as are necessary to enable the Board to carry out an informed assessment of the Company's financial statements, which are put to the Board for approval. The Company provides all members of the Board with monthly updates on the Company's performance, positions and prospects.

The Directors were not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Group's ability to continue as a going concern.

The statement by the auditors regarding their reporting responsibilities on the consolidated financial statements of the Company is set out in the Independent Auditor's Report on page 70 of this Annual Report.

RISK MANAGEMENT AND INTERNAL CONTROL

The Group believes that good corporate governance practices are very important for maintaining and promoting investor confidence and for the sustainable growth of the Group. The Group has therefore made continued efforts to uplift its quality of corporate governance. It has established a highly effective system of internal control and risk management and adopted a series of measures to ensure their safety and effectiveness. As a result, the Group is able to safeguard its assets and protect the interests of its shareholders. During the Fiscal Year 2019, the Board has conducted a review on the effectiveness of the Group's internal control and risk management systems which covers financial, operational, compliance procedural and risk management functions and have considered the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function. The Board is not aware of any significant internal control and risk management weaknesses nor significant breach or limits of risk management policies, and considers the existing internal control system and risk management systems effective and adequate. During the year ended June 30, 2019, the Company has complied with all of the provisions in relation to risk management and internal control under the Corporate Governance Code.

The Group has an independent internal audit department, which is responsible for reviewing risk management procedures and internal control system annually. This is part of the on-going process to ensure that the effectiveness of material controls is monitored.

PROCESS USED TO IDENTIFY, EVALUATE AND MANAGE SIGNIFICANT RISKS

The processes used to identify, evaluate and manage significant risks by the Group are summarised as follows:

RISK IDENTIFICATION

- Identify risks that may potentially affect the Group's business and operations.

RISK ASSESSMENT

- Assess the risks identified by using the assessment criteria developed by the management; and
- Consider the impact on the business and the likelihood of their occurrence.

RISK RESPONSE

- Prioritise the risks by comparing the results of the risk assessment; and
- Determine the risk management strategies and internal control processes to prevent, avoid and mitigate the risks.

RISK MONITORING AND REPORTING

- Perform ongoing and periodic monitoring of the risk and ensure that appropriate internal control processes are in place;
- Revise the risk management strategies and internal control processes in case of any significant change of environment; and
- Report the results of risk monitoring to the management and the Board regularly.

INFORMATION DISCLOSURE POLICY

An information disclosure policy is in place to ensure potential inside information being captured and confidentiality of such information being maintained until consistent and timely disclosure are made in accordance with the Listing Rules. The policy regulates the handling and dissemination of inside information, which includes:

- Designated reporting channels from different operations informing any potential inside information to designated departments;
- Designated persons and departments to determine further escalation and disclosure as required; and
- Designated persons authorised to act as spokespersons and respond to external enquiries.

AUDITOR'S REMUNERATION

The auditor's remuneration in respect of the audit and non-audit services provided to the Company for the Fiscal Year 2019 is as follows:

Type of services	Amount (RMB'000)
Audit services	2,680
Non-audit services	20
Total	**2,700**

JOINT COMPANY SECRETARIES

Ms. Wang Minyuan has been appointed as the joint company secretary of the Company on November 23, 2018 and is responsible for advising the Board on corporate governance matters and ensuring that Board policy and procedures, and applicable laws, rules and regulations are followed.

In order to uphold good corporate governance and ensure compliance with the Listing Rules and applicable Hong Kong laws, the Company also engages Ms. Ng Sau Mei of TMF Hong Kong Limited, a company secretarial service provider, as another joint company secretary of the Company, to assist Ms. Wang Minyuan with the duties of the Company's company secretary. Ms. Wang Minyuan, is the primary contact person of Ms. Ng Sau Mei in the Company.

For the Fiscal Year 2019, Ms. Wang Minyuan and Ms. Ng Sau Mei have undertaken no less than 15 hours of relevant professional training in compliance with Rule 3.29 of the Listing Rules.

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONSHIP ENQUIRIES TO THE BOARD

The Company considers that effective communication with Shareholders is essential for enhancing investor relations and understanding of the Group's business, performance and strategies. The Company also recognises the importance of timely and non-selective disclosure of information on the Company for the Shareholders and investors to make informed investment decisions.

The annual general meetings of the Company provide opportunity for shareholders to communicate directly with the Directors. The chairman of the Company and the chairmen of the Board Committees of the Company will attend the annual general meetings to answer Shareholders' questions. The auditor will also attend the annual general meetings to answer questions about the conduct of the audit, the preparation and content of the auditor's report, the accounting policies and auditor's independence.

To promote effective communication and to build an inter-relationship and communication channel between the Company and the Shareholders, the Company adopts a shareholders' communication policy and maintains a website at http://www.jnbygroup.com/, where the up-to-date information on the Company's business operations and developments, financial information, corporate governance practices and other information are available for public access. Shareholders may at any time send their enquiries and concerns to the Board in writing either by email to ir@jnby.com or direct mailing to the principal place of business of the Company in Hong Kong for the attention of the company secretary. In addition, Shareholders who have any inquiries about their shares and dividends may contact the Company's share registrar in Hong Kong.

GENERAL MEETINGS

To safeguard the Shareholders' interests and rights, a separate resolution will be proposed for each issue at general meetings, including the election of individual directors.

All resolutions put forward at general meetings will be voted on by poll pursuant to the Listing Rules and the poll results will be posted on the websites of the Stock Exchange and the Company in a timely manner after each general meeting.

CONVENING AN EXTRAORDINARY GENERAL MEETING AND PUTTING FORWARD PROPOSALS

According to the Articles of Association, the Board may whenever it thinks fit convene extraordinary general meetings. Any one or more member(s) of the Company holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the company secretary of the Company to require an extraordinary general meeting to be convened by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two (2) months after the deposit of such requisition. If within 21 days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself/herself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board to convene such general meeting shall be reimbursed to the requisitionist(s) by the Company.

As regards proposing a person for election as a Director by the Shareholders, the procedures are available on the website of the Company.

INVESTOR RELATIONS

The Company will also address to the investors' inquiries on the Company's situation through convening meetings, attending to the investor forum and participating roadshow and provide the updated information on the Company's business and development in order to strengthen the relationship and communication between the Company and the investors.

AMENDMENTS TO CONSTITUTIONAL DOCUMENTS

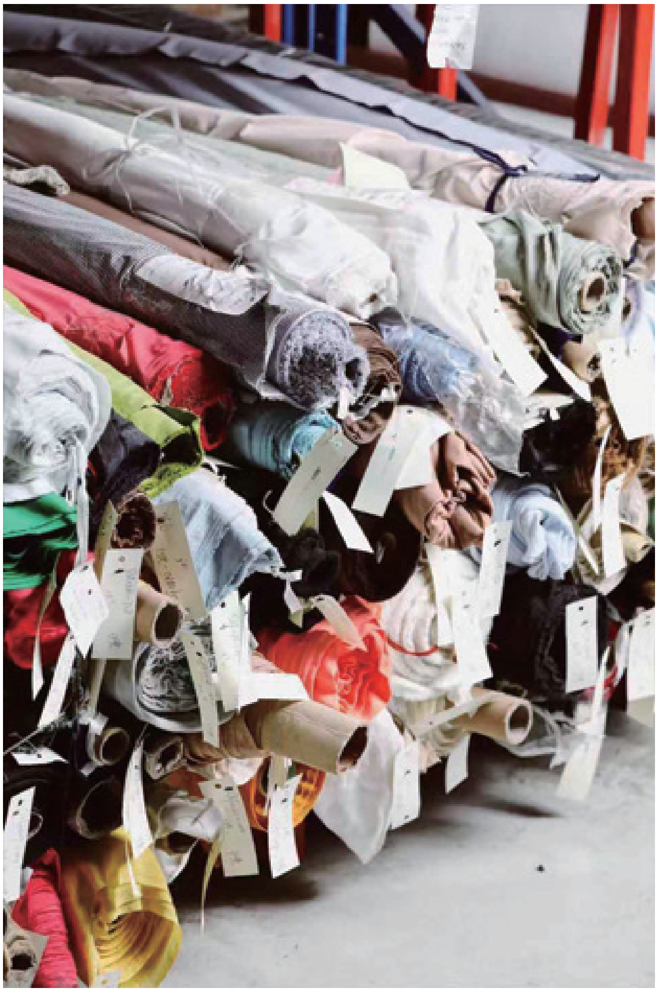
There were no changes in the Memorandum and Articles of Association of the Company during Fiscal Year 2019.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

(1) INTRODUCTION

JNBY Design Limited is a leading designer brand fashion house based in China. We design, promote and sell contemporary apparel, footwear and accessories as well as household products. During Fiscal Year 2019, our brand portfolio comprises ten brands in three stages, each targeting at a distinct customer segment and having a uniquely defined design identity based on our Group's universal brand philosophy — "Just Naturally By Yourself". We place utmost value on the experiences customers may receive, therefore the high quality products and services are of our persistence. We have set up an omni-channel interactive platform comprising physical retail stores, online platforms and WeChat-based social media interactive marketing service platform. Committing to provide our customers with quality experience services, we build up a "JNBY Fans Economy" strategy based on a community of fans whose purchases are driven by their affinity to the lifestyle we aim to promote.

We believe that sustainability is the key to the Group's long-term development. JNBY provides a platform gathering people holding various life attitudes and encourages each member of our team to devote in the lives, environment and society they desired and work thoroughly. We believe a group of exceptional dream chasers bring fascinating engagements in the pursue towards a mutual goal. Pursuant to the Environmental, Social and Governance Reporting Guide as set out in Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange team of Hong Kong Limited, the Group has prepared the Environment, Social and Governance Report (the "**ESG Report**") this fiscal year for the period during July 1, 2018 to June 30, 2019 ("**Fiscal Year 2019**"). This report elaborates our philosophy in sustainable development and social responsibility in respect of the environment and the society and covers our headquarters and the subsidiaries in various regions.



Photographer: Zhu Di

(2) ESG SUMMARY

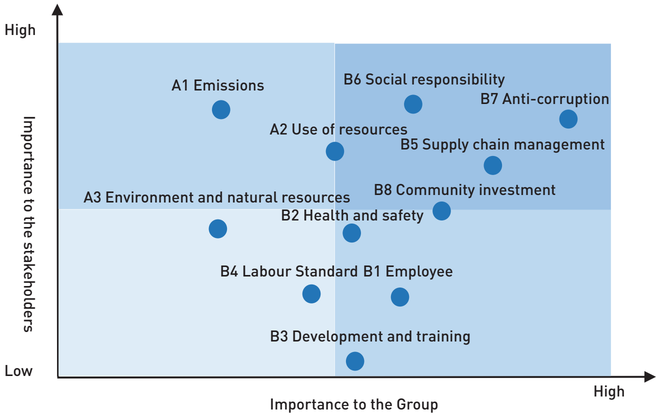
In order to have comprehensive management on environment, society and governance, the Group has set up an ESG working team which is led by the Internal Control, Audit and Compliance Departments, with direct participation of the department heads from the Affairs Department and Brand Department of the Group, the Human Resources Department at the headquarters and the Human Resources Department of self-operated stores, the Production and Procurement Centre, the Research and Development Centre, the Electronic Commerce Operation Centre and other departments. The Group also has designated personnel responsible for ESG management and reporting. The ESG working team regularly reports to our management and gives proper advices on improvement.

ESG GOVERNANCE PHILOSOPHY

Adhering to the philosophy of "People and nature-oriented", the Group places high concerns to the developmental sustainability of the environment by regarding the corporate social commitments as our intrinsic duty and the extension of corporate value. We believe that the construction of a harmonious environment performs our corporate responsibility. The Group has all the time advocated the message of waste reduction and resources saving with a proactive implementation of waste separation. We at the same time established measures in regard to special wastes such as "fabric wastes" and "fabric treasury" in the great effort to substantially reduce the waste of resources and conduct utilization after secondary processes. We aim to demonstrate the green and environmental-friendly concept in each aspect of cooperate operation. In addition, the Group shows its concerns on the sustainability of the society by a consistent compliance with a philosophy of "circular" in staff relationship, supply chain management, product and service management, anti-corruption, social care and other corporate daily operations. This promotes stable business development while presenting a reputable corporate image. We value the experience gained from the arts sector and proactive promotion of arts as an important component of our brand value, adhere to the designers' artistic pursuit and social responsibility. We believe that fashion is circular instead of linear with a cycle of cause and effect.

IMPORTANCE ASSESSMENT

On the basis of the stakeholders and Importance assessments, we identified the following aspects recognized as the key concerns to the Group's sustainability, which substantially impact the sustainability of the Group:



KEY IDENTIFICATIONS OF STAKEHOLDERS

Communication with stakeholders is material to our corporate responsibility and realization of sustainable development. We have identified eight major groups of stakeholders by industry nature and the business features of our group, including government and regulatory authorities, shareholders and investors, employees, distributors and suppliers, media, customers, communities and the public, artists and fashion industry. We maintain close liaise with stakeholders through various channels and proactively respond to their demands and expectations.

Stakeholders	Communication Channels	ESG issues of concern	The Group's actions
Government and regulatory authorities	Policy guideline Regulations Industrial meetings On-site Inspection Off-site supervisory	Quality assurance Compliant operation Policy implementation	Implement regulatory policies Take supervisory assessments Carry out green operation Improve corporate governance system
Shareholders and investors	Information disclosure General meetings Road shows Results announcements	Product quality Business strategy Investment returns	Uphold our brand value Publish results announcements on a regular basis Promote risk internal control management
Employees	Trade union Workers' Congress Intranet email Corporate events	Protection of employees' rights Remuneration and welfare Training and development	Utilize functions of labor union Enrich employees' lives Establish learning platform Protect employees' rights
Distributors and suppliers	Regular Meetings Daily interactions Partnering agreements Strategy negotiations	Win-win cooperation Integrity in contract fulfillment Transparent supply chain Sustainable procurement	Establish a transparent and fair procurement system Increase awareness in environmental and social risks Build positive business cooperative relationships
Media	News release Media Platforms On-site interviews	Brand promotion Advertising Transparent disclosures	Organize media open day on a regular basis Publish news in real time In-time and objective information disclosure
Customers	Customer hotline Satisfaction survey Marketing events Official websites	Customer services Product quality After sales services Privacy protection	Establish a comprehensive quality management and control system Enhance service quality Protect consumer rights
Communities and the public	Charity activities Voluntary activities Community events	Community and charity Environmental protection	Increase external donations Organize volunteering activities on a regular basis Promote cultural knowledge
Artists and fashion industry	Sponsorship events Communication activities	Fashion trends Promotion of art Art exchange	Collaboration with designers Sponsor art exhibitions

(3) QUALITY PRODUCTS AND SERVICES

The Group attaches great importance to the quality of products and services. In strict compliance with the laws and regulations in relation to product responsibility such as the Product Quality Law of the People's Republic of China (《中華人民共和國產品質量法》) and the Consumer Protection Law of the People's Republic of China (《中華人民共和國消費者權益保護法》), the Group strives to establish the best fashion brand design platform in China and conveys its core values of "Better Design, Better Life" to consumers with quality products and genuine services.

DESIGN, RESEARCH AND DEVELOPMENT

The Group uses a design-driven retailing model which allows our designer team considerable creative freedom and autonomy to leverage their experiences and pursue their artistic vision. The Group adheres to the design philosophy of getting close to the nature and persists to use quality raw materials, such as the organic cotton recognised by the GOTS and pure wool verified by the Woolmark Company. We proactively choose the environmental-friendly raw materials such as regenerated terylene from plastic bottles and recycled nylon from discarded fishnet after decomposition. Besides, the JNBY fabric laboratory upholds the passion to stylish characters and the persistence of handicraft, to develop a series of unique fabric and provide its brands with bespoke original raw fabric designs.

Additionally, the Group launched the first store in Joy City, Hangzhou of its sustainable fashion brand REVERB with focus on social responsibility and sustainability on August 28, 2018. REVERB targets at "circular fashion" and focuses on the three design concepts of "Athleisure, Genderless and Sustainability". It has been pursuing the trend of green fashion at all times. Through building up a comprehensive circular system, we have discovered the potential of "Circular Fashion" and strive to broaden the approaches to a sustainable lifestyle. Taking REVERB19 Spring Summer Series as the example, we have reduced carbon dioxide emissions to 55% by the use of recycled nylon fabric from the circular craftmanship as compared to that of traditional craftmanship; the use of other materials such as recycled polyester fibers from PET recycling plastic bottles has contributed a reduction of energy consumption and water consumption to 2/3 and 90%, respectively, comparing to that from the approach of oil crackling raw materials; the use of recycling fabric such as recycled wool fabric and hemp fiber also contribute to the reduction of carbon dioxide emissions, energy consumption and water consumption in practical sense.

QUALITY ASSURANCE

In strict compliance with the relevant industry standards such as the National General Safety Technical Code for Textile Products (《國家紡織產品基本安全技術規範》) (GB 18401–2010), the Group organizes training on knowledge of the standards, so as to ensure the quality control staff can execute the standards and their responsibilities clearly. On top of the Group's existing stringent standard system, we published《樣品准入及淘汰制度》and《成衣供應商遵守規範》this Fiscal Year to further improve the Group's internal standards system and ensuring product quality. The Group has established a quality control system co-managed by product managers, standardization department, quality management committee, R&D centre and data assessment department, and set up a quality management committee to increase the awareness of quality management responsibilities in each aspect, clarify management responsibilities, enhance market satisfaction and user experience, and protect reputation of our brand. The Group puts great emphasis on quality control in every respect of business operations and strives to make sure that our products fulfil all internal reference standards and specifications. From raw material procurement and OEM production to packaging and inventory storage, we put stringent quality control standards in place during business operations. We also follow up key junctures specifically to ensure the quality are standardised.

OEM suppliers directly procure raw materials while the Group requires them to procure raw materials from designated raw materials suppliers based on design and specifications. Before ordering from suppliers, our Group will specify the quality control standards in contracts to meet or exceed national standards. For instance, the down content and filling power of down products of Group which consist of 95% white goose down and 90% white duck down are well above those stated in national standards.

95% white goose down

Down content ≥91%
Filing power ≥22cm
National standard GB/T14272－2011
Down content ≥85.5%
Filing power ≥15cm

90% white duck down

Down content ≥85%
Filing power ≥17cm
National standard GB/T14272－2011
Down content ≥81%
Filing power ≥14cm

When developing a fabric, the internal laboratory of the Group inspects colour fastness, slippage, pilling, bursting strength, breaking strength, shrinkage and other physical indicators for raw materials. Before proceeding with mass production, the Group also conducts a complete colour inspection on all fabrics through our internal laboratory and simulates the wearing and washing habits of consumers with small samples to test the deformity and pilling of fabric after a dozen times of washing. In addition, the Group will engage our partnering party to conduct inspection over the content, colour fastness, harmful substance (formaldehyde, azo dyestuffs, PH value and odour) on the basis of respective national and industrial indications so as to ensure internal standards are met.

When storing the garments in the warehouse, the Group arranges our quality control staff to conduct on-site inspections of all raw materials used in the production process and semi-finished products and parts by sampling in the key operation points at the forepart, middle and end of the production lines. Meanwhile, the Group appoints professional partnering party to inspect the garments to ensure they meet the related national and industrial standards. In the whole process, the Group realizes the docking of the fabric team and the quality control team from headquarter with the production line. The product is subject to strict internal and external inspection, which require standardization in terms of function, safety and quality, before the delivery of the products by OEM suppliers, and hence the qualified products will be delivered to the customer. At the same time, the Group regularly communicates the feedback from the distributors and consumers on the quality of the products to the quality control personnel to enable they to implement remedial measures for the quality control mechanism when necessary.

QUALITY SERVICES

The Group expects to build up a JNBY lifestyle ecosystem with its multi-brand strategy in the future. We have set up an omni-channel interactive platform comprising physical retail stores, online platforms and WeChat-based social media interactive marketing service platform. The Group persists to take "fan-based economy" as the core and regards quality service as its core competitiveness. Strengthening its communication with customers, improving customers' satisfaction and enhancing competitiveness, the Group provides considerate sales services, thoughtful after-sale services and personalised membership activities.

- Considerate sales services
  In the nationwide retail stores, we adhere to the service-first philosophy. We provide training and conduct inspection on the services staff provided in our five core services areas, store image and employee quality, to show positive attitude to welcome guests, understand their needs and introduce clothing as well as strengthening the team spirit amongst. We consider that the sales skills and positive attitudes of sales persons are essential service quality. In order to improve the sales skills of staff in retail stores, we insist on the integration of intensive lectures and on-the-job training, with an equal emphasis on soft and hard skills, so as to empower a sales person to provide professional opinions for customers.

- Thoughtful after-sale services
  The Group has formulated the Customer Complaint Process Management《(客戶投訴流程管理》), the Shopping Guide Working Duties《(導購工作職責》) and other systems to enhance its after-sale services, including follow-ups on product quality, providing follow-up services and maintenance outlets and others. The Group mainly acquires the after-sale feedback from customers through 400 customer service hotlines, online chat windows of online sales platforms and customer feedback portal of WeChat Mall and has formulated the specific response procedures for complaint through stores, mail, media and other channels. With respect to customer's complaints, the Group requires the online customer service staff to handle customer complaints with patience and sincerity and keep records for such complaints; the Group also requires offline follow-up trackings on the product quality and provision of follow-up services and maintenance outlets information for customers.

- Personalised membership activities
  To enhance the loyalty of our members, our national retail stores hold different membership events such as promotions (membership offers, membership giveaway, birthday discount, special offer, seasonal discount and credit redemption), new members events, membership credit gain and other diverse forms of brand promotion events. These aim to enhance the loyalty of the existing members and attract new registrations. The Group proactively established a data base filing the information of members to enable membership register, transfer, cancellation and other regulatory management. Besides, the Group conducts regular checks on the abnormal consumption of regular members to better monitor the abnormal consumption history of local membership card by facilitating the Monitor Procedures of Abnormal Membership Consumption (《會員消費異常監控流程》).

COMPLIANCE IN OPERATIONS

We strictly comply with the Company Law of the People's Republic of China (《中華人民共和國公司法》), "Law of the People's Republic of China Against Corruption and Bribery (《中華人民共和國反貪污賄賂法》), the Anti-Unfair Competition Law of the People's Republic of China (《中華人民共和國反不正當競爭法》), the Interim Provisions on Prohibiting Commercial Bribery《(關於禁止商業賄賂行為的暫行規定》) and other laws and regulations. To prevent, control and mitigate the possible risks that the Group may encounter alongside the challenging business environment, and guarantee the implementation of the Company's strategic goals and sustainable, stable and healthy development, the Group has established a sound internal control system comprised of the Internal Audit System, the Anti-corruption System and relevant requirements.

In Fiscal Year 2019, the Group issued a new "Employee Complaint and Report" section in the Employee Manual to clarify the channel, content and handling of employee complaints. Employees of the Group can directly report to the internal control and compliance department by means of telephone, email and interviews to report abuse of power or other acts causing harm to company's interests. Staff can also express their feedbacks through report hotline, company integrity mailbox, WeChat enterprise number and letters. The Group has zero tolerance toward corruption and deals with employees who violate laws and regulations thoroughly. The Internal Control and Compliance Department will evaluate and receive all kinds of complaints and reported cases, transfer, submit, supervise and report cases according to the actual situation to the case, coordinate important complaints and report and report the results to the real-name whistleblowers. For anonymous complaints and reports, the relevant personnel will keep the complainants and the informers confidential. The Internal Control and Compliance Department will maintain the lawful rights and interests of real-name informers and anonymous informers in accordance with the law.

The Group has provided various ways, including telephone and email, as well as adding employee response function in our public social media account and building effective communication channels, for reporting and releasing on anti-bribery and whistle-blowing procedures. The Group regularly provides training and education to the employees to ensure that they understand all the relevant information of the Company's anti-bribery policy, and the role of the Company and themselves in anti-bribery policy. We regularly conduct specialized audit, assess and update internal control and implement rectification measures. The Group stimulates all the business departments to build on integrity and fairness when conducting business with customers, suppliers and other relevant business units. We also communicate the relevant information and requirements of the Company's anti-bribery policy to them. Meanwhile, the Group requires the human resources department to carry out checks on key personnel to be appointed or promoted on their education background, work experience, integrity, act etc. No one is allowed to be appointed or promoted to the key personnel positions if any record of corruption is discovered. Employees conducting proven corruption act are subject to the Company's penalty in accordance with the relevant regulations and even juridical authorities' ruling if it violates any laws.

(4) SUPPLIER MANAGEMENT

The Group attaches great importance to the management of supply chains and suppliers, manages suppliers with grading system, and develops a multi-dimensional Supplier Rating Program. In the future, we will consider the harmonious labor relations, health and safety of employees and environmental protection to be applied into the supplier management evaluation system, and actively encourage suppliers to fulfill their social and environmental responsibilities, so as to achieve sustainable development values which are mutually beneficial with supply chain partners. The suppliers of the Group consist of four types: fabric suppliers, finished product suppliers, processing suppliers and other suppliers. The Group has established strict procedures and standards for supplier access, regularly maintains and cleans up supplier profile information, and conducts regular assessments on suppliers. The Group actively pays attention to the environmental and social performance of the suppliers, and investigates their employment and environmental protection performance.

GRADING ACCESS SYSTEM

Production suppliers (including fabric suppliers, finished product suppliers, processing suppliers) are subject to our grading access system, namely "trial access" and "formal access". The company will only issue a small number of orders to "trial access" suppliers for cooperation, and they can become "formal access" suppliers upon completion of the trial orders and our regular appraisal. If it is expected that the trial orders from "trial access" suppliers will exceed the trial order limit in the current quarter, the re-examination program will be executed before placing the order to obtain "formal access" qualification. Suppliers with access can only be registered on the qualified suppliers list and cooperate with us according to the quota requirements after our strict approval.

INFORMATION MAINTENANCE

Financial center designates file managers to create or improve supplier information in the system, register legal review and confirm the supplier's information about "Book one cards three" (《三證一書》) (or "Book one cards five" (《五證一書》)); The designated personnel of the production procurement center maintain the "Remarks" item in accordance with the advantages, disadvantages and other matters that may need attention during cooperation of that supplier in the "Supplier Access Review Form", and consider matters worthy of attention during future cooperation. Supplier files of the Group are cleaned up regularly, and they can only be cleaned up 2 years after the date of termination of the cooperation with that supplier. Integrated group from production procurement center organizes each production business group to clean up at least once a year.

APPRAISAL AND RATING

In order to effectively obtain the first-hand information of each supplier's integrity, quality, delivery date, degree of cooperation, and post-maintenance services, controls the supplier's capacity and business suitability to ensure the quality and timeliness of order completion, the Group has formulated the relevant system of "Supplier Annual Appraisal Management Operation Standards and Processes". The production procurement center organizes relevant departments to set up an evaluation team, integrates the daily recorded "Supplier Accident Record Form" and the annual order volume to rate the suppliers and determine their grades, and updates the list of supplier access accordingly to determine priority of cooperation and make necessary order adjustments.

Sustainable fabric：ECONYL® regenerated nylon

Promoting the natural brand style, the Group proactively conducts procurement of sustainable fabrics. We are concerned with the relevant environmental certifications of our suppliers, including the Global Organic Textile Standard, the Bluesign Standard, the Biological Certification Tag for Textiles and the Global Recycling Standards. We implement integrated management to our sustainable suppliers list and reduce the environmental and social risks involved in the procurement process. The ECONYL® regenerated nylon in the above picture is a regenerated high-quality nylon refined from fishing nets and other wastes from sea salvage.

(5) STAFF RELATIONS

Corporate success relies on the quality and reliable services provided by the employees, and good staff relations are essential to the development of the Group. Therefore, the Group actively establishes favourable cooperative relations with the staff and adopts people-oriented approach. The Group is committed to providing employees with a safe, healthy and comfortable working environment. The Group protects the legitimate rights and interests of employees, care for their health and safety, and pay attention to their sustainable development. We believe that good staff relations will bring incredible value to the company.

PROTECTING STAFF INTERESTS

The Group has strictly complied with the requirements of laws and regulations such as the Labour Law of the People's Republic of China (《中華人民共和國勞動法》) and the Labour Contract Law of the People's Republic of China (《中華人民共和國勞動合同法》). On this basis, the Group has formulated the system comprised of the Recruitment System, the Entry and Demission Management System, the Attendance System, the Remuneration System, Travel Management System and the Promotion System, which are applicable to all employees in headquarters. The Group has also established a complete set of systems for its retail system, such as the Administrative Measures for Recruitment of Oversea Retail Staff, Attendance and Vocation Management System of Retail Staff, Terminal Store Salary and Welfare Management System to regulate the recruitment, entry and dismissal procedures for the retail store employees. In addition, the Group has strictly complied with the local laws and regulations such as Disability Discrimination Ordinance, Sex Discrimination Ordinance, and Rules on the Labor Protection of Female Employees, that all employees are treated equally without discrimination regardless of gender, race, religion, political affiliation, sexual orientation, marital status and other factors. The Group advocates fair competition and provides equal opportunities for all employees, which are well implemented during recruitment, appointment and promotion.

The Group insists on the recruitment principle of "impartiality and openness" and "recommendation of talents regardless of whether they are relatives or not". All employees are treated equally and equality, fairness and transparency are highly emphasized. We have opened a social recruitment channel, a school recruitment channel, an internal channel and a part-time channel at WeChat public interface to attract internal and external talents. At the same time, the Group has proposed the "Headhunter Program" (「伯樂計畫」) to attract talents to join the Group. The Human Resources Department of the Group is responsible for monitoring and ensuring that the Group complies with the latest relevant laws and regulations prohibiting the employment of child labor and forced labor. It requires applicants to provide valid identification and academic credentials to ensure that applicants are legally employed and prevent the risk of employing child labor. Adhering to the principle of "valuing both moral and talent, and offering equal opportunities", the Group provides the employees with dual-channel development opportunities which create a promotion path for horizontal development between positions and offer wider promotion and development space to the employees. In addition, the Group has also formulated the dismissal leaving office procedures to complete the leaving office of employees in accordance with reasonable and lawful procedures.

"Left-behind children" (「小候鳥」) program — Employees' Children Caring Summer Special Action

The "Left-behind children" (「小候鳥」) program is designed to provide a place for children who are living in Hangzhou or unattended at home during the summer vacation, thus building a bridge of communication between children, children and parents, and promoting feelings between each other. This is a good example of showing the company's humane care. The company provides venues and material support, so that employees and their children can feel the company's care in all aspects while maintaining normal order in the workplace and ensuring children's safety: It not only solves the problem that employees can't look after their children during work, but also allows their children to learn and play in a safe environment.

The Group has adopted standard working hour system, cumulative working hour system and flexible working hour system which have been approved by the competent administrative department. The human resources department sets the overtime-hour risk warning limits for every business division and conducts supervision and inspection in order to avoid any breach of labour regulations. The Group has established the Attendance System to regulate the working hours and leaves of the employees. Other than the statutory holidays, the employees of the Group can also enjoy benefit holidays, such as "Jiangnan Filial Holiday" and "Jiangnan Goddess Holiday", which are featured with JNBY characteristics.

The Group offers competitive remuneration system to attract quality talents, stimulate employees and enhance labour efficiency, realising the optimization of position values and the rapid enhancement of individual capability. The Group offers market-leading remuneration for the key positions with core functions that support the company to perform the strategies. The Group provides the employees with various extra benefits apart from the statutory benefits by different measures, such as staff canteen, internal purchase activities, travel activities, newborn baby gifts etc. In addition, in order to enrich their lifestyle after work, the company regularly carries out diverse employee activities. In Fiscal Year 2019, a number of various activities were organized, such as the summer "Left-behind children" (「小候鳥」) activity taking care employees' children, company-wide trailwalker activities, etc. The duration of events ranged from 1 day to 60 days, with a total of 128 days and 2,613 participants. In addition, JN's unique "Sesame Classroom" (「芝麻課堂」) provides employees with creative space to stimulate their imagination and discover the subtlety and beauty of life.

"Sesame Classroom" (「芝麻課堂」) — A platform for employees to learn, create and share independently

"Sesame Classroom" (「芝麻課堂」) was founded by Ms. Li Lin, the Co-Founder and Chief Creative Officer of the Group. It aims to allow employees within the group to spend 1–2 hours changing the environment to learn, share and interact with art, culture and design. The classroom uses recyclable materials or a variety of media to create, hoping to inspire employees' creativity and discover the fun and beauty of life. With this classroom, the Group fosters a platform for spontaneous participation, recruitment and sharing, and hopes to serve as a unique corporate culture communication platform for the Group, and outstanding works will be included in the Group's branding works.

DEVELOPMENT AND TRAINING

Talent cultivation is an important aspect of enterprise development. An excellent organization is bound to be a learning-oriented organization. The Group regards talent development as the core of talent management strategy. Accordingly, based on the company's demand for talent supply in key positions in the process of incubation of new brands and rapid development of traditional brands, the Group has established the following talent review projects. The Group will be conducting talent demand planning through preliminary organizational research and organizational review. Then, with the help of talent evaluation and interpretation meeting and talent calibration meeting, the Group will be identifying and reviewing the potential and shortcomings of key talents and initially establishing a talent pool. In terms of training and development, based on team assessment data and portraits, the Group will be conducting NM management training projects for new managers and promoting the pilot of personalized IDP development plan to focus on the cultivation and retention of key talents, and ultimately to ensure the supply of talents to key positions in emerging businesses and traditional businesses. A total of 120 people participated in the talent review project in Fiscal Year 2019. With the help of the talent evaluation and interpretation meeting and the talent calibration meeting, a total of six meetings covered 73% of the assessed personnel, and accordingly a talent pool of the Group was established.

Adhering to the concept of joint development of the company and employees, the Group combines training needs and resource allocation and combines training objectives with enterprise strategies to conduct job training and special training in an orderly and efficient manner, to improve the learning ability and knowledge level of employees, and to promote the career development ability of employees. A number of special training sessions were conducted for new employees, incumbent employees and managers in Fiscal Year 2019. A total of 792 people participated in the training sessions for a total of 4,935 hours. The average length of training for employees was about 6.2 hours.

In addition, on the basis of the original system Administrative Measures for Training of Headquarters, the Management Measures for Internal Trainers was supplemented, and the first "Plan of Grain" in Ear for internal trainers of the Group was launched. The company upholds the principles of openness, fairness and objectivity, insists on the principles of combining morality with ability and quality over quantity and adheres to the principle of combining voluntary, recommendation and assignment to select internal trainers. The company carried out the course of Special Training Camp for Teaching Skills to train the members of the expected internal trainer project, and trained the first internal trainers of the Group. The internal trainers are divided into group internal trainers and department internal trainers according to the scope of the courses, and are divided into sprouting star lecturers, elite lecturers and glory lecturers according to the different qualifications. The internal trainer adopts the engagement system and the engagement period is one year. A special internal trainer jury is set up to evaluate, promote and dismiss trainers according to the lectures given by the trainers and the feedback of the trainees in the previous year in order to maintain a high-quality team of internal trainers. Training in the form of internal trainer can effectively develop and share knowledge resources within the company, laying the foundation for the company's knowledge management and the establishment of learning organization. The team of internal trainers has grown stronger, providing employees with a broader platform for training and growth and more diverse training resources. The Group conducted a total of 12 trainings led by internal trainers in the current fiscal year. The total number of trainees was 332, and the satisfaction with the courses of the trainees was generally high.

In addition, in the internal training of the direct sales system, the new employee training mode has been optimized and on-line and off-line training has been synchronized. Through the on-line Super Guide App, a one-to-one learning mode has been increased to ensure the synchronization of employee's learning and trainer's guidance. Employees can view their information such as path map of learning and growth, learning progress, records of trainer's guidance at any time in order to learn and grow more targeted.

HEALTH AND SAFETY

The Group strictly abides by the Law on the Prevention and Control of Occupational Diseases of the People's Republic of China (《中華人民共和國職業病防護法》), Regulations Concerning the Labour Protection of Female Staff and Workers (《女職工勞動保護規定》) and other relevant laws and regulations to proactively provide a comfortable and safe working environment for employees. The Group attaches great importance to the physical condition of its employees and organises annual body checks for all staff to prevent and control disease. The Group also regularly organises a wide range of lectures on health knowledge and various sports activities, such as football matches and basketball games, to enhance employees' sense of belonging and improve organizational cohesion.

The Group has formulated the Employees Occupational Injury Management Regime (《員工工傷管理制度》), for which a chosen safety personnel is responsible for investigation and rectification of the safety pitfalls and monitoring in the respective district, actively taking measures to prevent accidents and ensure that industrial accidents can be dealt with in a timely manner. The Group established the Management System for Safety (Health) Production(《安全 (衛生) 生產管理制度》) in Fiscal Year 2019 to further strengthen fire safety management, ensure fire safety in the office area and protect the personal safety of all employees. The Group actively implemented the signing of the responsibility letters on management of safety (health) production target and regularly conducted safety training and the exercises of fire-fighting, escape and cardiopulmonary resuscitation. The Group equipped fire-fighting equipments according to the requirements of fire control regulations, posted safety warning signs such as safe use of electricity and no stocking, conducted fire-fighting linkage tests and checked the fire safety hazards of all office sites. The Group installed the electrical fire remote monitoring and wireless smoke detectors at various office sites to monitor fire safety hazards 24 hours a day and ensure the fire safety of office areas.

(6) ENVIRONMENTAL PROTECTION

The Group strictly abides by the Law of Environmental Protection of the People's Republic of China (《中華人民共和國環境保護法》), Renewable Energy Law of the People's Republic of China (《中華人民共和國可再生能源法》) and the Energy Conservation Law of the People's Republic of China (《中華人民共和國節約能源法》) and other relevant laws and regulations. To reduce energy consumption, the Group encourages employees to cut consumption and reduce waste from the source to promote green office; in order to increase resource utilization, the Group encourages secondary or even multiple uses of resources to enhance environmental awareness.

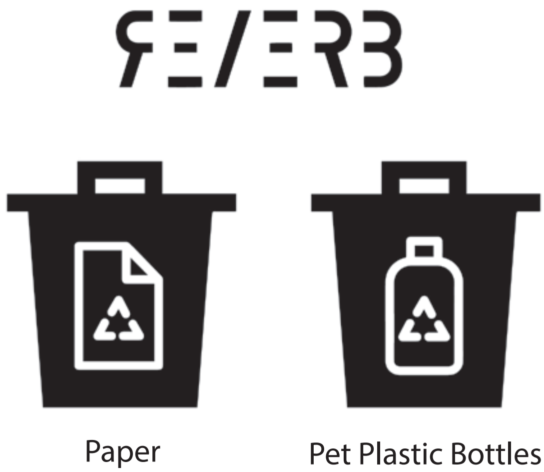
ENERGY CONSUMPTION

Utilization of water and electricity: The major consumption of the Group is domestic water in offices. The Group promotes water conservation at all levels through various means, including putting up watersaving signs in office premises and installing sensor faucets to improve water efficiency. The Group continues to raise employees' awareness of electricity saving and use energy-saving lamps to reduce energy consumption. The logistics center of the Group adopted T8LED energy-saving lamp lighting system in Fiscal Year 2019. A total of 3,900 sets of energy-saving lamps were installed, which have the environmental protection characteristics of high luminous efficiency, low power consumption of light source and long service life of light source, providing employees with a better working and living environment and saving production costs.

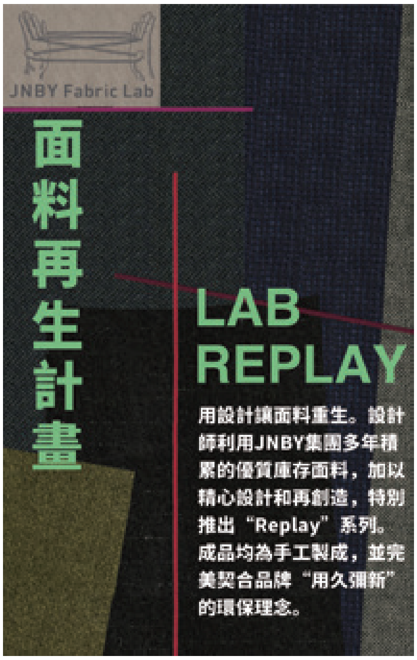
Utilization of paper: The Group requires its employees to print on both sides, print informal documents with recycled paper, and actively promote paperless office by encouraging employees to think twice before printing, so as to cultivate staff awareness of resource conservation. The Group implements electronic management on its members by issuing electronic membership cards and electronic coupons to replace physical cards.

USE OF RESOURCES

With urban development and population growth, the amount of urban waste is increasing day by day. The Group actively responded to the call for waste classification, took the lead in setting up classification boxes for pet plastic bottles and paper in the REVERB brand design office for trial operation, and conducted processing and re-utilization activities of office recyclable waste to reduce solid waste discharge and improve the rate of waste recovery and utilization. We will reduce the production of domestic waste from ourselves and contribute to the environment and circular economy. Through the Recycling Program Questionnaire, the Group understands employees' views and opinions on waste classification, thereby increasing employees' attention and hoping to gradually promote the initiative to the entire company. We will determine the location of the recycling bins according to the production site of garbage and determine the type of the recycling bins according to the type of garbage. We will place recycling bins in each office for common garbage such as paper and plastic bottles; recycling bins at the entrance of each stairway for special garbage such as metals and batteries; and recycling bins at designated locations of express receiving and dispatching for the express boxes and other garbage.



The Group also actively adopted relevant measures to classify and recycle the special waste with industry characteristics, namely "waste fabrics" and "stock fabrics", reducing waste of resources and increasing resource reuse. For the "waste fabrics", the Group set up fabric recycling bins at the entrance of the production and purchase center and the design department to collect waste fabrics and recycle them in different categories. After classification according to color, the waste fabrics were used by the Group's sustainable fashion brand REVERB and were used in the Sesame Classroom of employees' learning and creation platform. In addition, the JNBYHOME brand actively launched the "Replay Series", which is developed and designed by using the selected stock fabrics of the Group to adhere to and promote the environmental protection concept of sustainable development and recycling of resources. We advocate a truly balanced lifestyle, create timeless designs, and cherish the historical value and practical significance of every spare material. Whether it is a carpet made by needling together the fabrics of the 1990s or a cloth bag made from the surplus fabrics of the best-selling in the past, every Replay product is an active recreation of spare resources, and the review and continuation of the history of the Group.



Using design to regenerate the fabric. The designers used the high-quality stock fabrics accumulated by the JNBY Group over the years to carefully design and recreate, and especially launched the "Replay Series". The finished products are manufactured by hand, and perfectly conform to the brand's environmental protection concept of "Enduring Freshness".

The Group actively responded to the theme of Circular World of the 2019 Strawberry Music Festival jointly launched by Modern Sky and the World Wide Fund for Nature (WWF). WWF is one of the most prestigious and largest independent non-government environmental organizations in the world. WWF and Modern Sky launched a number of environmental protection measures which were directly used in the scene of music festival. Benefits from the participation of the music festival partners and audiences in environmental protection measures were donated to One Planet Foundation for sustainable management and renovation of the forest conducted by WWF and One Planet Foundation in order to plant a Strawberry Forest for the world and return the natural forest landscape with life and vitality to nature. As a supporter of environmental protection, the Group also actively participated in it, contributing its own strength gradually to the environmental change of the world. REVERB and NOWNESS cooperated to make a tent as the exhibition hall by using the collected waste fabrics and stock fabrics of the Group. In the exhibition hall, promotional videos of REVERB X NOWNESS were played in a continuous loop in response to the theme of "Circular World" of the Strawberry Music Festival in order to publicize and practice the environmental protection concept of integrating environmental protection into the details of business operations and changing the way of using the fabrics little by little. We believe that everyone, every group and every organization can change a little for the world's environmental protection, and eventually, the whole world is able to gather into a powerful force.

(Photos of the exhibition hall of REVERB and NOWNESS in Shanghai Strawberry Music Festival)

The following are the key performance indicators of the environment in Fiscal Year 2019. Unless otherwise stated, the key performance indicators cover our office in Hangzhou Headquarters.

Emissions

Critical effectiveness indicators:	FY 2019
Amount of wastewater (tons)	19,364.00
Aggregate amount of greenhouse gases emissions (Category I and Category II) (tons)	1,751.19
Direct greenhouse gases emissions (Category I) (tons)	139.93
Of which: gasoline (tons)	139.93
Indirect energy greenhouse gases emissions (Category II) (tons)	1,611.26
Of which: purchase of electricity (tons)	1,611.26
Aggregate amount of greenhouse gases emissions at the floor per square meter (tons/m^2)	0.09
Aggregate amount of harmless waste (tons)	40.50
Aggregate amount of harmless waste at the floor per square meter (Kilograms/m^2)	2.13

Notes:

(1) Due to the nature of operation, the Group's greenhouse gases emissions are mainly derived from direct greenhouse gases emissions (category I) due to gasoline consumption of Company's automobiles, and indirect energy greenhouse gases emissions (category II) caused by purchase of electricity.

(2) List of greenhouse gases includes carbon dioxide. Greenhouse gases quantification is presented through the basis of the carbon dioxide yield and accounted in pursuant to the Accounting Method and Reporting Guidelines of Greenhouse Gases Emissions of the Public Constructions Operating Enterprises (《公共建築運營企業溫室氣體排放核算方法與報告指南》) issued by the National Development and Reform Commission.

(3) Operation of the Group does not involve discharge of industrial wastewater. The domestic wastewater generated in office premises in daily operation is discharged into the municipal pipeline for integrated treatment.

(4) The waste generated during the Group's daily operations mainly includes harmless wastes such as scrap, office waste, PCB waste and a small amount of hazardous waste such as toner cartridges and ink cartridges. Domestic waste is handed to municipal government for standardised treatment, while a small amount of scrap from PCB proofing are processed by qualified company and all cartridges are recycled by the suppliers. Therefore, the critical effectiveness indicator A1.3 "Aggregate amount and density of all the harmful waste produced" is not applicable.

Use of Resources

Critical effectiveness indicators:	FY 2019
Aggregate amount of energy consumption (megawatt hours)	2,861.03
Of which: amount of electricity consumption (megawatt hours)	2,288.71
amount of gasoline consumption (megawatt hours)	572.32
Amount of water consumption (tons)	24,205.00
Energy consumption at the floor per square meter (megawatt hours/m^2)	0.15
Amount of water consumption at the floor per square meter (tons/m^2)	1.27

Notes:

(1) Energy consumption of the Group includes electricity consumption at offices and the use of diesel for motor vehicles. The aggregate amount of energy consumption is calculated through the basis of amounts of electricity consumption, diesel consumption and in pursuance to the default value of related fossil fuels parameters under Schedule 1 of the Accounting Method and Reporting Guidelines of Greenhouse Gases Emissions of the Public Constructions Operating Enterprises (《公共建築運營企業溫室氣體排放核算方法與報告指南》) issued by the National Development and Reform Commission.

(2) The Group outsources the manufacturing and packaging procedures of our products. Therefore, the critical effectiveness indicator A2.5 "Aggregate amount of packaging materials of finished goods and amount attributable to each production unit" is not applicable.

(7) SOCIAL CARE

The Group bears in mind its corporate social responsibility and mission; it serves the community and reciprocates the society to its best with a positive attitude. Combining with the business characteristics of the Group, various public benefit activities have been conducted. The Group contributed a total of about RMB560,000 in donations in Fiscal Year 2019. In the future, the Group will continue to better fulfill its social responsibility and demonstrate its responsibility and accountability as a company.

- In the name of "JNBY Finery Co., Ltd." (a domestic subsidiary of "JNBY Design Limited"), the E-Commerce Center of JNBY donated RMB100,000 to "One Planet Foundation of Shenzhen City" through "Shanghai United Foundation" to support wildlife conservation work;
- The Group established the "JNBY Scholarship" at UAL (University of the Arts London) to provide the sponsorship of 38,700 pounds in scholarship to outstanding undergraduate students of the College of Art and Design;
- JNBY Finery Co., Ltd. provided the sponsorship of HKD50,000 for the 2019 "Redress Design Competition" and sincerely invited the first prize winner to cooperate in the design of retailed eco-fashion series;
- The Group provided the sponsorship of EUR10,000 to the Pompidou Center.

The brands of the Group are increasingly focusing on the concept of sustainable development and actively promote the cooperation between brands and environmental protection projects as well as brand environmental protection activities. In celebration of the 16th anniversary of less brand, the Group launched a charity event called "Reviewing Classics-Old For New" to assist public welfare with love, inviting members to bring their spare and old clothes of the clothing brands of JNBY Group (including less, REVERB, JNBY, CROQUIS, jnby by JNBY, POMME DE TERRE) to the event stores in exchange for the corresponding vouchers of Old For New. After the event, we sent 216 pieces of clothing to Juxin Charity for a unified donation. And the stores contacted the public welfare organizations to donate the rest of the clothing. In addition, the Group's sustainable fashion brand REVERB launched a 10-day new store event during the opening of the first store in Hangzhou Joy City on August 28, 2018, encouraging customers to put spare clothing or fabrics into the REVERB recycling bins. After the event, REVERB made the clothing and fabrics collected into highly designed environmental recycling devices, which were displayed in the REVERB stores or other exhibition areas to promote the environmental protection concept of "Circular Fashion".

Moreover, REVERB launched the cross-border cooperation with the "Little Sun" project initiated by Olafur Eliasson, a world-renowned visual installation artist. By selling exclusively designed solar lamps, REVERB encourages sustainable development and at the same time inspires public perceptions of the equitable distribution of energy and electricity in response to the UN sustainable development goals. In this cooperation, Tillmann Lauterbach, art director of REVERB, designed a series of bag products and used 3D printed cases to bond lamps to bags that combine environmental protection fabrics with functionality, providing more bag shapes and colors to meet the possibility of carrying a "Little Sun" in daily life to promote and convey the concept of sustainable development, encourage sustainable development, and enhance awareness of energy equity. As part of the cooperation, REVERB will support the business of "Little Sun" in Africa by sponsoring the expansion of Little Sun's distribution network in Burkina Faso, where the lamps of Little Sun will be provided at low prices to no-electricity or electricity-shorted communities, bringing people with pollution-free, low-cost light sources and bringing the power of sunlight to everyone. The distribution plan eventually includes more than 200 small and micro enterprises selling the lamps of Little Sun and mobile charging devices for phones, which will have the following impacts in the future:

- More than 13,000 solar products will be sold;
- More than 65,000 people will be positively affected by the purchase of solar energy products in the fields of education, health, finance and development;
- Extra study time of 4,000,000 hours;
- The cost of EUR770,000 for buying flashlights will be saved;
- About 355,000 batteries will be saved, thus reducing the possibility of environmental pollution caused by discarding batteries;
- Employment and training of 60 new distributors;
- Local tax revenue of EUR17,000 will be generated by the sale of the lamps of Little Sun.

The messenger bag in the series is made of recycled nylon from Japan. The dark navy bag is printed with a milky white triangular pattern of sunbeam. As the perfect artist's travel companion, its liner can be fully opened to show the inner pocket where the pen or brush is placed. There is also a laptop-sized clutch in the series. In addition to the matching color and material that corresponds to the messenger bag, the clutch also provides a version made of the washable gray nylon material with splash-proof function.

In addition to bags, the series also includes T-shirts and hoodies with iconic triangular pattern of sunbeam, with various choices of milky white, light khaki, dark navy and red.

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of JNBY Design Limited

(incorporated in Cayman Islands with limited liability)

Opinion

What we have audited

The consolidated financial statements of JNBY Design Limited (the "**Company**") and its subsidiaries (the "**Group**") set out on pages 72 to 124, which comprise:

- the consolidated balance sheet as at 30 June 2019;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 30 June 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("**HKSAs**") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

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

Independence

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

Key Audit Matters

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

Key audit matter identified in our audit relates to impairment provision of inventories.

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment provision of inventories Refer to note 17 "Inventories" and note 4 "Critical accounting estimates and judgments" to the consolidated financial statements. The Group's gross inventories balance as at 30 June 2019 was RMB1,155 million, against which an impairment provision of RMB295 million was made. Inventories are stated at the lower of cost and net realisable value. Management has developed a model to assess the required amount of impairment provision of inventories as at each period end, which involves significant management judgment based on the Group's marketing and retail pricing strategy, sales forecast of each product collection with reference to the historical pattern, and the price markdown necessary to sell off-season products over the product lifecycle based on the general historical pattern on a season-by-season basis. Management also performs regular check on the physical conditions of inventories and makes provision for those damaged inventories as at each period end. We focused on this area because of the significance of the impairment provision of inventories on the Group's balance sheet and the significant judgement required to be exercised by management in determining the appropriate level of impairment provision of inventories.	Our audit procedures relating to assessment of management's estimate of impairment provision of inventories are as follows: We obtained the inventory impairment provision model from management and discussed with them on the rationale, bases and assumptions used in the model. We discussed with management the general pattern of the Group's product lifecycle, and understood and checked the pricing policy at each stage of the product lifecycle by making reference to historical pricing policy adopted in the past at different stages of the product lifecycle of the inventories. We understood and validated management's process and key controls in determining the key parameters affecting the results of the model, e.g. actual sales volume at each stage of the product lifecycle, total production amount, proper recording of individual products in the right production season and the price markdown necessary to sell any off-season products on a season-by-season basis. We assessed the reasonableness of the key assumptions applied to estimate the impairment provision by: (1) evaluating the general deviation of management's estimate of sales ratio by comparing the sales forecast made by management in prior years against the actual sales amount; (2) inquiring management and other relevant employees other than the Group's finance team on whether there was any unexpected changes in plans for price markdowns or disposals of off-season inventories; and (3) assessing the reasonableness of the future sales projection made by management by comparing the projected sales to the historical trends for the past seasons on a season-by-season basis. We tested the mathematical accuracy of the inventory impairment provision model at the balance sheet date. We observed the physical conditions of the Group's inventories during the year-end inventory count by management to identify any slow moving, damaged, or obsolete inventories, and compared with management inventory count results and followed up on the management assessment and inclusion of provision on such damaged inventories in the total provision. Based on the results of the procedures above, we found that management's judgement in estimating the impairment provision of the inventories as at 30 June 2019 were supportable by available evidences.

Other Information

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

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

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

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

Responsibilities of Directors and Audit Committee for the Consolidated Financial Statements

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

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

The audit committee is responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Leung Po Wah, Pauline.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 27 August 2019

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(All amounts in RMB unless otherwise stated)

	Note	Year ended 30 June 2019 RMB'000	2018 RMB'000
Revenue	5	**3,358,168**	2,864,059
Cost of sales	6	**(1,302,109)**	(1,038,259)
Gross profit		**2,056,059**	1,825,800
Selling and marketing expenses	6	**(1,170,274)**	(1,037,375)
Administrative expenses	6	**(301,578)**	(250,767)
Other income and gains, net	7	**60,766**	18,406
Operating profit		**644,973**	556,064
Finance income	9	**18,322**	14,350
Finance costs	9	**—**	(923)
Finance income, net		**18,322**	13,427
Share of loss of an associate accounted for using the equity method	16	**—**	(372)
Profit before income tax		**663,295**	569,119
Income tax expense	10	**(178,516)**	(158,768)
Profit for the year		**484,779**	410,351
Other comprehensive income			
Items that may be reclassified to profit or loss:			
Currency translation differences		**13,800**	(11,259)
Total comprehensive income for the year		**498,579**	399,092
Profit attributable to:			
— Shareholders of the Company		**484,787**	410,351
— Non-controlling interests		**(8)**	—
Total comprehensive income attributable to:			
— Shareholders of the Company		**498,587**	399,092
— Non-controlling interests		**(8)**	—
Earnings per share (expressed in RMB per share)			
— Basic	11	**0.95**	0.80
— Diluted	11	**0.94**	0.79

The notes on pages 76 to 124 are an integral part of these consolidated financial statements.

CONSOLIDATED BALANCE SHEET

(All amounts in RMB unless otherwise stated)

	Note	As at 30 June 2019 RMB'000	2018 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	13	**279,298**	141,518
Land use rights	14	**26,079**	48,322
Intangible assets	15	**11,611**	8,806
Prepayments, deposits and other assets	19	**10,223**	8,537
Deferred income tax assets	28	**128,298**	110,871
Total non-current assets		**455,509**	318,054
Current assets			
Inventories	17	**859,739**	763,760
Trade receivables	18	**115,431**	94,531
Prepayments, deposits and other assets	19	**287,559**	230,580
Amounts due from related parties	31(b)	**6,980**	7,852
Available-for-sale financial assets	20	**—**	50,000
Term deposits with initial term over 3 months	21	**341,324**	322,646
Restricted cash	22	**1,945**	1,021
Cash and cash equivalents	22	**216,465**	333,405
Total current assets		**1,829,443**	1,803,795
Total assets		**2,284,952**	2,121,849
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities	28	**13,105**	10,541
Current liabilities			
Trade and bills payables	26	**201,788**	204,280
Deferred revenue		**—**	18,295
Contract liabilities	27	**289,990**	—
Accruals and other current liabilities	27	**355,003**	576,015
Amounts due to related parties	31(b)	**9,097**	11,294
Current income tax liabilities		**4,893**	13,545
Total current liabilities		**860,771**	823,429
Total liabilities		**873,876**	833,970
Net assets		**1,411,076**	1,287,879
EQUITY			
Equity attributable to shareholders of the Company			
Share capital	23	**4,622**	4,622
Shares held for restricted share units ("**RSU**") scheme	23	**(78,646)**	(30,623)
Share premium	23	**657,376**	647,739
Other reserves	24	**183,130**	153,631
Retained earnings		**644,599**	512,510
Equity attributable to shareholders of the Company		**1,411,081**	1,287,879
Non-controlling interests		**(5)**	—
Total equity		**1,411,076**	1,287,879

The notes on pages 76 to 124 are an integral part of these consolidated financial statements.

The financial statements on pages 72 to 75 were approved by the board of directors (the "**Board**") on 27 August 2019 and were signed on its behalf.

Wu Jian	Li Lin
Director	Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(All amounts in RMB unless otherwise stated)

		Attributable to shareholders of the Company					
	Note	Share capital RMB'000	Share Premium RMB'000	Shares held for RSU Scheme RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Total equity RMB'000
Balance at 1 July 2017		4,622	639,003	(66)	131,229	482,451	1,257,239
Comprehensive income							
Profit for the year		—	—	—	—	410,351	410,351
Other comprehensive Income:							
Currency translation differences		—	—	—	(11,259)	—	(11,259)
Total comprehensive income		—	—	—	(11,259)	410,351	399,092
Transactions with shareholders							
Profit appropriations to statutory reserves	24(a)	—	—	—	32,008	(32,008)	—
Dividend	12	—	—	—	—	(348,284)	(348,284)
Share-based compensation	25	—	—	—	10,413	—	10,413
Purchase ordinary shares for RSU scheme	23	—	—	(30,581)	—	—	(30,581)
Vest and transfer of RSUs	24	—	8,736	24	(8,760)	—	—
Total transactions with shareholders		—	8,736	(30,557)	33,661	(380,292)	(368,452)
Balance at 30 June 2018		4,622	647,739	(30,623)	153,631	512,510	1,287,879

		Attributable to shareholders of the Company						
	Note	Share capital RMB'000	Share Premium RMB'000	Shares held for RSU Scheme RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Non-controlling Interests RMB'000	Total equity RMB'000
Balance at 1 July 2018		**4,622**	**647,739**	**(30,623)**	**153,631**	**512,510**	**—**	**1,287,879**
Comprehensive income								
Profit for the year		**—**	**—**	**—**	**—**	**484,787**	**(8)**	**484,779**
Other comprehensive Income:								
Currency translation differences		**—**	**—**	**—**	**13,800**	**—**	**—**	**13,800**
Total comprehensive income		**—**	**—**	**—**	**13,800**	**484,787**	**(8)**	**498,579**
Transactions with shareholders								
Non-controlling interest on capital injection of subsidiaries		**—**	**—**	**—**	**—**	**—**	**3**	**3**
Profit appropriations to statutory reserves	24(a)	**—**	**—**	**—**	**10,769**	**(10,769)**	**—**	**—**
Dividend	12	**—**	**—**	**—**	**—**	**(341,929)**	**—**	**(341,929)**
Share-based compensation	25	**—**	**—**	**—**	**14,592**	**—**	**—**	**14,592**
Purchase ordinary shares for RSU scheme	23	**—**	**—**	**(48,048)**	**—**	**—**	**—**	**(48,048)**
Vest and transfer of RSUs	24	**—**	**9,637**	**25**	**(9,662)**	**—**	**—**	**—**
Total transactions with shareholders		**—**	**9,637**	**(48,023)**	**15,699**	**(352,698)**	**3**	**(375,382)**
Balance at 30 June 2019		**4,622**	**657,376**	**(78,646)**	**183,130**	**644,599**	**(5)**	**1,411,076**

The notes on page 76 to 124 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

(All amounts in RMB unless otherwise stated)

		Year ended 30 June	
		2019	2018
	Note	RMB'000	RMB'000
Cash flows from operating activities			
Cash generated from operations	29	**537,643**	557,697
Income tax paid		**(202,031)**	(178,859)
Net cash generated from operating activities		**335,612**	378,838
Cash flows from investing activities			
Purchase of property, plant and equipment		**(159,561)**	(115,939)
Purchase of intangible assets		**(4,128)**	(3,187)
Proceeds from disposals of property, plant and equipment		**604**	1,128
Proceeds from disposal of a land use right	7	**27,858**	—
Investment income received from financial products issued by commercial banks		**1,837**	3,788
Interest received		**21,050**	11,230
Payment of term deposits with initial term of over 3 months		**(1,447,959)**	(320,265)
Proceeds from disposal of term deposits with initial term of over 3 months		**1,443,055**	201,202
Payment of investment in an associate	16	**—**	(7,500)
Payment of financial products issued by commercial banks		**(80,000)**	(240,000)
Proceeds from disposal of financial products issued by commercial banks		**130,000**	320,597
Others		**—**	(21)
Net cash used in investing activities		**(67,244)**	(148,967)
Cash flows from financing activities			
Proceeds from capital injection of non-controlling interests		**3**	—
Dividends paid	12	**(341,929)**	(348,284)
Payment for repurchase of shares	23	**(48,048)**	(30,581)
Net cash used in financing activities		**(389,974)**	(378,865)
Net decrease in cash and cash equivalents		**(121,606)**	(148,994)
Cash and cash equivalents at beginning of the year	22	**333,405**	494,334
Exchange gains/(loss) on cash and cash equivalents		**4,666**	(11,935)
Cash and cash equivalents at end of the year	22	**216,465**	333,405

The notes on page 76 to 124 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2019
(All amounts in RMB unless otherwise stated)

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 (the "**Board**") 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**").

The consolidated financial statements are presented in Renminbi ("**RMB**"), unless otherwise stated.

These consolidated financial statements of the Group have been approved for issue by the Board on 27 August 2019.

The Company's subsidiaries are companies with limited liabilities, details of which are set out in below table. Unless otherwise stated, the proportion of ownership interest held equals voting rights held by the Group.

Name of Company	Place of incorporation and operation/date of incorporation	Particulars of issued/ paid- in capital	Ownership interest held by the Group As at 30 June		Ownership interest held by non-controlling interests As at 30 June		Principal activities
			2019	2018	2019	2018	
Directly owned							
Croquis Holdings Limited	BVI/ 14 December 2012	US$1,000	100%	100%	—	—	Investment holding
Indirectly owned							
Grand Vantage (China) Limited	Hong Kong/ 24 March 2011	HK$140,000,000	100%	100%	—	—	Investment holding and sales of apparel and accessory products
Grand Vantage International Holdings Limited	Hong Kong/ 23 May 2018	HK$10,000	80%	80%	20%	20%	Design of apparel and accessory
AP-DNA Co., Limited	Hong Kong/ 1 Dec 2018	HK$10,000	80%	—	20%	—	Design and sales of apparel and accessory products
Hangzhou Liancheng Huazhuo Industrial Co., Ltd.	The PRC/ 19 October 2012	US$35,000,000	100%	100%	—	—	Production and sales of apparel and accessory products
Hangzhou Huikang Huazhuo Import and Export Trade Co., Ltd.	The PRC/ 23 May 2008	RMB2,000,000	100%	100%	—	—	Overseas sales of apparel and accessory products
JNBY Finery Co., Ltd.	The PRC/ 21 June 2011	US$10,000,000	100%	100%	—	—	Design and sales of apparel and accessory products
Hangzhou Woquan Finery Co., Ltd.	The PRC/ 3 September 2012	RMB2,000,000	100%	100%	—	—	Retail of apparel and accessory products
Guangzhou JNBY Finery Co., Ltd.	The PRC/ 24 July 2012	RMB1,000,000	100%	100%	—	—	Retail of apparel and accessory products
JNBY (Tianjin) Finery Co., Ltd.	The PRC/ 13 August 2012	RMB1,000,000	100%	100%	—	—	Retail of apparel and accessory products
JNBY Finery (Hefei) Co., Ltd.	The PRC/ 4 July 2012	RMB2,000,000	100%	100%	—	—	Retail of apparel and accessory products
Shenyang JNBY Finery Co., Ltd.	The PRC/ 13 August 2012	RMB6,000,000	100%	100%	—	—	Retail of apparel and accessory products

1. General information (continued)

Name of Company	Place of incorporation and operation/date of incorporation	Particulars of issued/ paid- in capital	Ownership interest held by the Group As at 30 June		Ownership interest held by non-controlling interests As at 30 June		Principal activities
			2019	2018	2019	2018	
Changsha JNBY Finery Co., Ltd.	The PRC/ 13 September 2012	RMB1,000,000	100%	100%	—	—	Retail of apparel and accessory products
JNBY Finery (Beijing) Co., Ltd.	The PRC/ 18 October 2012	RMB2,000,000	100%	100%	—	—	Retail of apparel and accessory products
Chongqing Croquis Finery Sales Co., Ltd.	The PRC/ 9 August 2012	RMB1,000,000	100%	100%	—	—	Retail of apparel and accessory products
Wuhan Grand Vantage Croquis Finery Sales Co., Ltd.	The PRC/ 12 September 2012	RMB1,000,000	100%	100%	—	—	Retail of apparel and accessory products
Xi'an JNBY Finery Sales Co., Ltd.	The PRC/ 16 February 2013	RMB1,010,000	100%	100%	—	—	Retail of apparel and accessory products
Zhengzhou JNBY Finery Sales Co., Ltd.	The PRC/ 28 September 2012	RMB1,000,000	100%	100%	—	—	Retail of apparel and accessory products
Ningbo JNBY Finery Sales Co., Ltd.	The PRC/ 12 April 2013	RMB2,000,000	100%	100%	—	—	Retail of apparel and accessory products
JNBY Finery (Wuxi) Sales Co., Ltd.	The PRC/ 27 May 2013	RMB1,000,000	100%	100%	—	—	Retail of apparel and accessory products
Qingdao Huazhuo Finery Sales Co., Ltd.	The PRC/ 7 June 2013	RMB1,500,000	100%	100%	—	—	Retail of apparel and accessory products
Shanghai Huazhuo Finery Sales Co., Ltd.	The PRC/ 1 July 2013	RMB1,000,000	100%	100%	—	—	Retail of apparel and accessory products
Taiyuan JNBY Finery Co., Ltd.	The PRC/ 31 July 2015	RMB500,000	100%	100%	—	—	Retail of apparel and accessory products
Tianjin JNBY Huazhuo Finery Co., Ltd.	The PRC/ 17 Aug 2018	RMB2,000,000	100%	0%	—	—	Retail of apparel and accessory products
Ningbo Croquis Finery CO., LTD	The PRC/ 22 Mar 2019	RMB2,000,000	100%	0%	—	—	Retail of apparel and accessory products

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of the consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of the Group has been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by HKICPA as set out below. The consolidated financial statements has been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss, which have been measured at fair value.

The preparation of financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

Changes in accounting policy and disclosures

(a) New and amended standards adopted by the Group

The following amendments to standards have been adopted by the Group for the first time for the financial year beginning on or after 1 July 2018:

— 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 HKFRS 15 "Clarifications to HKFRS 15 Revenue from Contracts with Customers"

— Amendments to HKAS 40 "Transfers of Investment Property"

— HK(IFRIC)-Int 22 "Foreign Currency Transactions and Advance Consideration"

— Annual Improvements 2014–2016 Cycle, "Amendments to HKFRS 1, HKFRS 12 and HKAS 28"

The impact of the adoption of HKFRS 9 "Financial instruments" and HKFRS 15 "Revenue from contracts with customers" are disclosed in Note 2.2 below. Apart from HKFRS 9 and HKFRS 15 as mentioned below, there are no other new standards or amendments to standards that are effective for the first time for this period that could be expected to have a material impact on the Group. Amendments to HKFRS 4, amendments to HKAS 40 and Annual Improvements 2014–2016 Cycle are not relevant to the preparation of the Group's financial statements.

(b) New standards and interpretations not yet adopted

The following new standards and amendments to standards and interpretations have been published but are not mandatory for annual periods beginning after 1 July 2018 and have not been applied in preparing these consolidated financial statements.

	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
Amendments to HKFRS 3 "Definition of a Business"	1 January 2020
Conceptual Framework for Financial Reporting 2018 "Revised conceptual framework for financial reporting"	1 January 2020
Amendments to HKAS 1 and HKAS 8 "Definition of Material"	1 January 2020
HKFRS 17 "Insurance Contracts"	1 January 2021

2. Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

Changes in accounting policy and disclosures (continued)

(b) New standards and interpretations not yet adopted (continued)

The Group will apply the above new standards and amendments to existing standards when they become effective. The Group anticipates that the application of the above new standards and amendments to existing standards have no material impact on the results and the financial position of the Group, except for HKFRS 16 "Leases" as explained below:

HKFRS 16 "Leases"

Nature of change

It 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 items) 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.

Impact

The Group has set up a project team, which has reviewed all of the Group's leasing arrangements over the last year in light of the new lease accounting rules in HKFRS 16. The standard will affect primarily the accounting for the Group's operating leases.

As at 30 June 2019, the Group has non-cancellable operating lease commitments of RMB448,312,000, see note 30. Of these commitments, approximately RMB11,296,000 relate to short-term leases, which will be recognised on a straight-line basis as expense in profit or loss.

For the remaining lease commitments, the Group expects to recognise right-of-use assets of approximately RMB248,474,000 on 1 July 2019, lease liabilities of RMB255,989,000 (after adjustments for prepayments and accrued lease payments recognised as at 30 June 2018) and deferred tax assets of RMB1,879,000. Overall, net assets will be approximately RMB5,636,000 lower.

Operating cash flows will increase and financing cash flows will decrease as payment of the lease liabilities will be classified as cash flows from financing activities.

Date of adoption by Group

The Group will apply the standard from its mandatory adoption date of 1 July 2019. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. Right-of-use assets will be measured on transition as if the new rules had always been applied.

2.2 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 financial statements.

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. The new accounting policies are set out in notes 2.11 below.

(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.

2. Summary of significant accounting policies (continued)

2.2 Changes in accounting policies (continued)

HKFRS 9 Financial instruments (continued)

(a) Classification and measurement (continued)

On 1 July 2018 (the date of initial application of HKFRS 9), the Group's management 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 issued by commercial banks previously classified as available-for-sale financial assets was reclassified to financial assets at FVPL; and
- loans and receivables previously measured at amortised cost which meet the conditions for classification at amortised cost.

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	—
Reclassification	(50,000)	50,000
Opening balance 1 July 2018 — HKFRS 9	—	50,000

(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.

2. Summary of significant accounting policies (continued)

2.2 Changes in accounting policies (continued)

HKFRS 15 Revenue from Contracts with Customers

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 recognise 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 consolidated balance sheet as at 30 June 2018, but are recognised in the opening 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 less any expected costs to recover those products. 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 impact is immaterial.

(c) Presentation liabilities related to contracts with customers

Advance from distributors were previously presented as accruals and other current liabilities.

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.

	Note	Closing balance as at 30 June 2018 — HKAS 18 RMB'000	Reclassification RMB'000	Recognised return assets RMB'000	Opening balance as at 1 July 2018 — HKFRS 15 RMB'000
Accruals and other current liabilities — Advances from customers (Notes 27)	(c)	(253,467)	253,467	—	—
Accruals and other current liabilities — Provisions for sales returns (Notes 27)	(a)	(56,486)	—	(43,017)	(99,503)
Deferred revenue	(b)	(18,295)	18,295	—	—
Contract liabilities (Notes 5)	(b)(c)	—	(271,762)	—	(271,762)
Prepayments, deposits and other assets — Right of goods return (Notes 5)	(a)	—	—	43,017	43,017
		(328,248)	—	—	(328,248)

2. Summary of significant accounting policies (continued)

2.3 Subsidiaries

2.3.1 Consolidation

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

(a) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in a loss of control are accounted for as equity transactions — that is, as transactions with the shareholders of the subsidiary in their capacity as shareholders. The difference between fair value of any consideration paid and the relevant share acquired of the carrying amount of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(b) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

2.3.2 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

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

2.4 Associates

Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting, after initially being recognised at cost.

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

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

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

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in note 2.10. The Group determines at each reporting date whether there is any objective evidence that associates accounted for using the equity method are impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the investment and its carrying value and recognises the amount in "Other income and gains, net" in the consolidated income statement.

2. Summary of significant accounting policies (continued)

2.5 Segment reporting

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

2.6 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "**functional currency**"). The functional currency of the Company, Croquis Holdings Limited and Grand Vantage (China) Limited is the Hong Kong dollar ("**HK$**"). The subsidiaries incorporated in the PRC considered RMB as their functional currency. As the major operations of the Group are within the PRC, the Group determined to present its consolidated financial statements in RMB (unless otherwise stated).

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of comprehensive income.

Foreign exchange gains and losses that relate to borrowings and other financial asset are presented in the consolidated statement of comprehensive income within 'finance income or costs'. All other foreign exchange gains and losses are presented in the consolidated statement of comprehensive income within 'other income and gains, net'.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as at fair value through other comprehensive income are recognised in other comprehensive income.

(c) Group companies

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

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each consolidated statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

(iii) all resulting currency translation differences are recognised in other comprehensive income.

2. Summary of significant accounting policies (continued)

2.7 Property, plant and equipment

Property, plant and equipment, other than construction in progress, are stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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

Depreciation is calculated using the straight-line method to allocate the cost less impairment loss of each asset to its residual value over its estimated useful life, as follows:

	Estimated useful lives
Leasehold improvements	Shorter of remaining term of the lease and the estimated useful lives of assets
Machinery	10 years
Office equipment and others	3–10 years
Motor vehicles	5 years
Buildings of Logistics center	20 years

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

Construction-in-progress represents plant and machinery under construction or pending installation and is stated at cost less provision for impairment loss, if any. Cost includes the costs of construction and acquisition. When the assets concerned are available for use, the costs are transferred to property, plant and equipment and depreciated in accordance with the policy as stated above.

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

Gains or losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'other income and gains, net' in the consolidated statement of comprehensive income.

2.8 Land use right

Land use right represents upfront prepayments made for the land use right at historical cost and are expensed in the consolidated statement of comprehensive income on a straight-line basis over the periods of the leases or when there is impairment, the impairment is expensed in the consolidated statement of comprehensive income.

2.9 Intangible assets

Computer Software and trademarks

Acquired computer software programmes and trademarks are shown at historical cost less accumulated amortisation and accumulated impairment if any. Acquired computer software programmes are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of 10 years.

2.10 Impairment of non-financial assets

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2. Summary of significant accounting policies (continued)

2.11 Investments and other financial assets

2.11.1 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.

2.11.2 Recognition and derecognition

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

2.11.3 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.

2. Summary of significant accounting policies (continued)

2.11 Investments and other financial assets (continued)

2.11.3 Measurement (continued)

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.

2.11.4 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. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

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. To assess whether there is a significant increase in credit risk, the Group compares the risk of default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition by considering available, reasonable and supportive forwarding-looking information.

2.11.5 Accounting policies applied until 30 June 2018

The Group has applied HKFRS 9 retrospectively, but has elected not to restate comparative information. As a result, the comparative information provided continues to be accounted for in accordance with the Group's previous accounting policy.

(a) Classification

The Group classifies its financial assets in the following categories: loans and receivables and available-for-sale financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise 'trade receivables', 'prepayments, deposits and other receivables', 'amounts due from related parties', 'term deposits with initial term over 3 months' 'restricted cash' and 'cash and cash equivalents' in the balance sheet.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

(b) Reclassification

The Group could choose to reclassify a non-derivative trading financial asset out of the held for trading category if the financial asset was no longer held for the purpose of selling it in the near term. Financial assets other than loans and receivables were permitted to be reclassified out of the held for trading category only in rare circumstances arising from a single event that was unusual and highly unlikely to recur in the near term. In addition, the Group could choose to reclassify financial assets that would meet the definition of loans and receivables out of the held for trading or available-for-sale categories if the Group had the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification.

2. Summary of significant accounting policies (continued)

2.11 Investments and other financial assets (continued)

2.11.5 Accounting policies applied until 30 June 2018 (continued)

(b) Reclassification (continued)

Reclassifications were made at fair value as of the reclassification date. Fair value became the new cost or amortised cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date were subsequently made. Effective interest rates for financial assets reclassified to loans and receivables and held-to-maturity categories were determined at the reclassification date. Further increases in estimates of cash flows adjusted effective interest rates prospectively.

(c) Subsequent measurement

The measurement at initial recognition did not change upon adoption of HKFRS 9, see description above.

Subsequent to the initial, loans and receivables were subsequently carried at amortised cost using the effective interest method. Available-for-sale financial assets are subsequently carried at fair value.

(d) Impairment

Assets carried at amortised cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated statement of comprehensive income. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group could measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated statement of comprehensive income.

Assets classified as available for sale

If there was objective evidence of impairment for available-for-sale financial assets, the cumulative loss — measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss — was removed from equity and recognised in profit or loss.

Impairment losses on equity instruments that were recognised in profit or were not reversed through profit or loss in a subsequent period.

If the fair value of a debt instrument classified as available-for-sale increased in a subsequent period and the increase could be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss was reversed through profit or loss.

2. Summary of significant accounting policies (continued)

2.12 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

2.13 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. The cost of finished goods comprises raw materials and, where applicable, sub-contracting costs that have been incurred in bringing the inventories to their present condition. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.14 Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. See Note 2.11 for description of the Group's impairment policies.

2.15 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

2.16 Share capital

Ordinary shares are classified as equity.

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

Where the Company's shares are acquired from the market by the trustee under the employee share scheme, the total consideration of shares acquired from the market (including any directly attributable incremental costs) is presented as shares held for employee share scheme and deducted from total equity until the shares are cancelled or reissued. Where such shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs, is included in equity attributable to the Company's equity holders.

2.17 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.18 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the consolidated statement of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(a) Current income tax

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

2. Summary of significant accounting policies (continued)

2.18 Current and deferred income tax (continued)

(b) Deferred income tax

Inside basis differences

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

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

(c) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.19 Employee benefits

(a) Short-term obligations

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

(b) Pension obligations

In accordance with the rules and regulations in the PRC, the PRC based employees of the Group participate in various defined contribution retirement benefit plans organised by the relevant municipal and provincial governments in the PRC under which the Group and the employees are required to make monthly contributions to these plans calculated as a percentage of the employees' salaries, subject to certain ceiling. The municipal and provincial governments undertake to assume the retirement benefit obligations of all existing and future retired PRC based employee payable under the plans described above. Other than the monthly contributions, the Group has no further obligation for the payment of retirement and other post-retirement benefits of its employees. The assets of these plans are held separately from those of the Group in an independent fund managed by the PRC government. The Group's contributions to these plans are expensed as incurred.

(c) Housing funds, medical insurances and other social insurances

Employees of the Group in the PRC are entitled to participate in various government-supervised housing funds, medical insurance and other employee social insurance plan. The Group contributes on a monthly basis to these funds based on certain percentages of the salaries of the employees, subject to certain ceiling. The Group has no further payment obligation once the contributions have been paid. The contribution are recognised as employee benefit expense when they are due.

2. Summary of significant accounting policies (continued)

2.20 Share-based payments

(a) Equity-settled share-based payments transactions

The Group received service from an employee as consideration for its equity instruments. The fair value of the employee services received in exchange for the grant of the RSUs is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the RSUs granted:

— including any market performance conditions;

— excluding the impact of any service and non-market performance vesting conditions; and

— including the impact of any non-vesting conditions.

At the end of each reporting period, the Group revises its estimates of the number of RSUs that are expected to vest based on the non-market performance and service conditions. It recognises the impact of the revision to original estimates, if any, in the consolidated statement of comprehensive income, with a corresponding adjustment to equity.

Service conditions are included in assumptions about the number of RSUs that are expected to vest. The total expense is recognised over the vesting period over which all of the specified vesting conditions are to be satisfied.

In addition, in some circumstances employees may provide services in advance of the grant date and therefore the grant date fair value is estimated for the purposes of recognising the expense during the period between service commencement period and grant date.

The proceeds received net of any directly attributable transaction costs are credited to share capital and share premium.

(b) Share-based payments transactions among group entities

The grant by the Company of RSUs over its equity instruments to the employees or other service providers of the subsidiaries and the PRC operating entities are treated as a capital contribution in the separate financial statements of the Company. The fair value of consulting and employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investments in subsidiaries undertakings, with a corresponding credit to equity in the separate financial statements of the Company.

2.21 Provisions and contingent liabilities

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past transactions or events, it is more likely than not that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

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

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that an outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the consolidated financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

2. Summary of significant accounting policies (continued)

2.22 Revenue recognition

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 customers.

In determining the transaction price for the sale of goods, the Group considers the effect of variable considerations, and consideration payable to the customers. No significant financing component is deemed present as the sales are made with a credit term consistent with market practice.

(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. Distributors are generally required to pay deposits when placing purchase orders and are required to settle the full payment prior to delivery of the products.

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. Historical 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. Historical experience is used to estimate and provide for the returns, 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 returns payable to distributors in relation to sales made. An asset for anticipate return (included in prepayments, deposits and other assets) and corresponding adjustment to cost of sales are also recognised for the right to recover products from distributors.

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 customer has accepted the product at the retail outlet. 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 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. 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 expired.

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.

2. Summary of significant accounting policies (continued)

2.22 Revenue recognition (continued)

Accounting policies applied until 30 June 2018

The Group has applied HKFRS 15 retrospectively, but has elected not to restate comparative information. As a result, the comparative information provided continues to be accounted for in accordance with the Group's previous accounting policy.

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of discounts, returns and value added taxes. The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described below. The Group bases its estimates of return on historical results, taking into consideration the type of customers, the type of transactions and the specifics of each arrangement.

(a) Sales of goods — distributors

A significant portion of the Group's products are sold to distributors, which 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.

The Group offers volume rebates to distributors as agreed in the sales contracts. Distributors are also offered with right of return within the limit as agreed in the sales contracts. Revenue is adjusted for estimated rebates and expected returns based on historical pattern.

(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. The reward points are recognised as a separately identifiable component of the initial sale transaction by allocating the fair value of the consideration received between the award points and the other components of the sale such that the reward points are initially recognised as deferred revenue at their fair value. Revenue from the reward points is recognised when the points are redeemed or expired.

2.23 Interest income

Interest income is presented as finance income where it is earned from financial assets that are held for cash management purposes, see note 9 below. Any other interest income is included in other income.

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

2.24 Government grants

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

2. Summary of significant accounting policies (continued)

2.25 Operating leases

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

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

2.26 Dividend distributions

Dividends distributed to the Company's shareholders is recognised as a liability in the Group's and the Company's consolidated financial statements in the year in which the dividend distributions are approved by the Company's shareholders or directors, where appropriate.

2.27 Earnings per share

(a) Basic earnings per share

Basic earnings per share is calculated by dividing: the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares by the weighted average number of ordinary shares outstanding during the financial year, excluding treasury shares.

(b) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account: the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

3. Financial risk management

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk and fair value interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group currently does not use any derivative financial instruments to hedge certain risk exposures.

(a) Market risk

(i) Foreign exchange risk

The Group operates mainly in the PRC with most of its transactions dominated in RMB. The Group is exposed to foreign currency risks with respect to foreign currency denominated financial assets as at 30 June 2019. The Group does not hedge against any fluctuation in foreign currency. Details of the Group's trade receivables, term deposits with initial term over 3 months, and cash and cash equivalents as at 30 June 2019, which are denominated in currencies other than RMB, are disclosed in Notes 18, 21 and 22 respectively.

As at 30 June 2019, if RMB had strengthened/weakened by 5% against US$ with all other variables held constant, the pre-tax profit for the year ended 30 June 2019 would have been RMB266,000 (30 June 2018: RMB269,000) lower/higher, mainly as a result of foreign exchange losses/gains on translation of US$ dominated trade receivables.

(ii) Cash flow and fair value interest rate risk

The Group's interest rate risk mainly arises from the financial products issued by commercial banks held by the Group and classified as financial assets at fair value through profit or loss (2018 — available-for-sale financial assets), and the term deposits with initial term over 3 months held by the Group.

The sensitivity analysis is determined based on the exposure to interest risk of term deposits with initial term over 3 months at the end of each reporting period. If the interest rate of the respective instruments held by the Group had been 300 basis points higher/lower, the profit before income tax would increase/decrease by RMB1,061,000 for the year ended 30 June 2019 (2018: RMB968,000).

3. Financial risk management (continued)

3.1 Financial risk factors (continued)

(b) Credit risk

Credit risk is managed on a group basis. Credit risk arises from restricted cash, cash and cash equivalents, and term deposits with initial term over 3 months with banks, as well as credit exposures to customers, including trade and bills receivables and other receivables.

As at 30 June 2019 and 2018, most of the Group's restricted cash, cash and cash equivalents, and term deposits with initial term over 3 months were deposited in the major financial institutions in the PRC with good credit rating. The Group categorises its major counterparties into the following groups:

Group 1 — Top 4 banks in the PRC (China Construction Bank, Bank of China, Agricultural Bank of China, and Industrial and Commercial Bank of China), China Construction Bank (Asia), Citi Bank in Hong Kong and Mega International Commercial Bank;

Group 2 — Other major listed banks and regional banks in the PRC; and

Group 3 — Other banks and financial institutions.

Category	As at 30 June 2019 RMB'000	As at 30 June 2018 RMB'000
Group 1	**157,348**	132,129
Group 2	**402,236**	574,922
Group 3	**—**	—
	559,584	707,051

The Group expects that there is no significant credit risk associated with restricted cash, cash and cash equivalents, financial assets at fair value through profit or loss (2018 — available-for-sale financial assets), and term deposits with initial term over 3 months with banks since they are all deposited at state-owned banks and other highly reputable financial institutions. Management does not expect that there will be any significant losses from non-performance of these counterparties.

Other receivables mainly include rental deposits paid to owners of department stores and shopping malls. Management does not expect that there will be any significant losses from non-performance of these counterparties.

For trade receivables, the Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses the lifetime expected loss allowance for all trade receivables

The expected loss rates are based on the payment profiles of sales over a period of 12 months before 30 June 2018 or 1 July 2017 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

The differences between closing loss allowances for trade receivables as at 30 June 2018 calculated under HKAS 39 and the opening loss allowances for trade receivables as at 1 July 2018 calculated under HKFRS 9 was not material. No adjustment has been made to the opening loss allowances for trade receivables as at 1 July 2018.

3. Financial risk management (continued)

3.1 Financial risk factors (continued)

(c) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure it maintains sufficient cash and cash equivalents. Due to the dynamic nature of the underlying business, 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. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	Within 1 year RMB'000	More than 1 year RMB'000
As at 30 June 2019		
Trade payables	**195,890**	**1,035**
Amounts due to related parties	**9,097**	**—**
Accruals and other current liabilities	**267,496**	**—**
	472,483	**1,035**
As at 30 June 2018		
Trade payables	200,575	1,153
Amounts due to related parties	11,294	—
Accruals and other current liabilities	200,537	—
	412,406	1,153

3.2 Capital management

The Group's primary objective when managing capital is to safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group monitors capital (including share capital, share premium and other reserves on an as-if converted basis) by regularly reviewing the capital structure. As a part of this review, the Board consider the cost of capital and the risks associated with the issued share capital. The Group may adjust the amount of dividends paid to shareholders, return capital to shareholders and issue new shares.

In the opinion of the Directors, the Group's capital risk is low.

3.3 Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined 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).

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

3. Financial risk management (continued)

3.3 Fair value estimation (continued)

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

	Key input	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Available-for-sale financial assets					
— financial products issued by commercial banks	Bank quoted expected return	—	—	50,000	50,000

As at 30 June 2019, the Group had no assets or liabilities that are measured as fair value. As at 30 June 2018, the Group had no liabilities that are measured at fair value.

(a) Financial instruments in level 1

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the group is the current bid price. These instruments are included in level 1. Instruments included in level 1 comprise primarily DAX, FTSE 100 and Dow Jones equity investments classified as trading securities or financial assets at fair value through profit or loss.

(b) Financial instruments in level 2

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

3. Financial risk management (continued)

3.3 Fair value estimation (continued)

(c) Financial instruments in level 3

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

The following table presents the changes in level 3 instruments for the years presented.

	Available-for-sale financial assets RMB'000
Year ended 30 June 2018	
Opening balance	130,597
Additions	240,000
Fair value gains	3,788
Disposals of available-for-sale financial assets	(324,385)
Closing balance	50,000

	Financial assets at FVPL RMB'000
Year ended 30 June 2019	
Opening balance	**50,000**
Additions	**80,000**
Fair value gains	**1,837**
Disposals of financial assets at FVPL	**(131,837)**
Closing balance	**—**

4. Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Net realisable value of inventories

Net realisable value of inventory is the estimated selling price in the ordinary course of business, less estimated costs of completion and applicable variable selling and marketing expenses.

The Group assesses the net realizable value of the inventories as well as the required amount of impairment of inventory provision at each balance sheet date, which involves significant judgment on determination of the estimated residual value of the inventory based on the Group's marketing and retail pricing strategy, sales forecast of each product collection, and the price markdown necessary to sell off-season products at certain stage of the product lifecycle based on the general historical pattern on a season-by-season basis. The Group performs regular check on the physical conditions of inventories and assesses possible write-down for any damaged inventories at each balance sheet date.

These key estimates are based on the current market condition and the historical experience of selling products of similar nature, which are reassessed at each balance sheet date as they could change significantly as a result of changes in customer taste and competitor actions in response to severe industry cycle.

4. Critical accounting estimates and judgements (continued)

(b) Income taxes and deferred income tax

The Group is subject to income taxes in a number of jurisdictions. Significant judgement is required in determining the provision for income taxes in various jurisdictions. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

Deferred tax assets relating to certain temporary differences and tax losses are recognised when management considers to be probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. When the expectation is different from the original estimate, such differences will impact the recognition of deferred income tax assets and taxation charges in the period in which such estimate is changed.

(c) Right of return

The Group offers right of return to distributors and end customers. The Group management estimates the amount of returns associated with sales in a specific period, which are deducted from the total revenue arising from such sales. Historical experience is used to estimate and provide for the returns, 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. Management believes that the Group has processed sufficient historical experience and patterns to estimate sales returns based on different customer profiles, e.g. distributors, offline retail customers, online retail customers, etc. Such estimates are performed on a periodic basis taking into account the competitive landscape, world fashion trend, and changes in customer taste.

(d) Membership-based customer loyalty program

The Group offers a membership-based customer loyalty program, under which customers who joined the membership are able to accumulate reward points through purchases of goods and could redeem these reward points for vouchers entitling discount on a subsequent purchase. The Group accrues for contract liability as members accumulate points based on the estimated standalone selling price of the points expected to be redeemed. When members redeem awards, the accrued contract liability is reduced correspondingly.

(e) Fair value of share-based compensation expenses

As mentioned in Note 2.20, the Group awarded RSUs under the scheme to eligible senior management and employees, and used the fair value of underlying ordinary shares to determine the total fair value of the RSUs awarded.

The fair values of RSUs granted are measured on the respective grant dates based on the fair value of the underlying shares. In addition, the Group is required to estimate the expected percentage of grantees that will remain in employment with the Group. The Group only recognises an expense for those RSUs expected to vest over the vesting period during which the grantees become unconditionally entitled to these share-based awards. Changes in these estimates and assumptions could have a material effect on the determination of the fair value of the RSUs and the amount of such share-based awards expected to become vested, which may in turn significantly impact the determination of the share-based compensation expenses.

The fair value of the RSUs at the time of grant is to be expensed over the vesting period of these share-based awards based on an accelerated graded attribution approach. Under the accelerated graded attribution approach, each vesting installment of a graded vesting award is treated as a separate share-based award, which means that each vesting installment will be separately measured and attributed to expense, resulting in accelerated recognition of share-based compensation expenses.

Based on the fair value of the share-based awards, the expected turnover rate of grantees and the probability that the performance conditions for vesting would be met, the corresponding share-based compensation expenses recognised by the Group in respect of their services rendered for the year ended 30 June 2019 was RMB14,592,000 (2018: RMB10,413,000).

5. 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 product perspective.

In the current year, the CODM separately consider the operating segments as follows: mature brand representing JNBY, younger brands portfolio representing CROQUIS (速寫), jnby by JNBY, and less, and emerging brands representing POMME DE TERRE (蓬馬), JNBYHOME, SAMO, REVERB, LASU MIN SOLA and A PERSONAL NOTE 73.

Previously, the operating segments included 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 (including JNBYHOME). As a result, segment data for year ended 30 June 2018 presented for comparative purposes has been restated to reflect the new reportable segments.

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

	Year ended 30 June 2019			
	Mature brand RMB'000	Younger brands RMB'000	Emerging brands RMB'000	Total RMB'000
Revenue				
Mainland China	**1,857,972**	**1,396,585**	**71,264**	**3,325,821**
Hong Kong, Taiwan region and other overseas countries and regions	**21,148**	**11,040**	**159**	**32,347**
Revenue from external customers	**1,879,120**	**1,407,625**	**71,423**	**3,358,168**
Segment gross profit	**1,164,043**	**862,861**	**29,155**	**2,056,059**
Segment operating profit/(loss)	**628,641**	**378,955**	**(62,489)**	**945,107**
Unallocated selling and marketing expenses and administrative expenses				**(360,900)**
Other income and gains, net				**60,766**
Total operating profit				**644,973**

	Year ended 30 June 2018			
	Mature brand RMB'000	Younger brands RMB'000	Emerging brands RMB'000	Total RMB'000
Revenue				
Mainland China	1,604,095	1,186,906	45,241	2,836,242
Hong Kong, Taiwan region and other overseas countries and regions	17,732	10,054	31	27,817
Revenue from external customers	1,621,827	1,196,960	45,272	2,864,059
Segment gross profit	1,031,191	771,310	23,299	1,825,800
Segment operating profit/(loss)	541,680	318,543	(32,244)	827,979
Unallocated selling and marketing expenses and administrative expenses				(290,321)
Other income and gains, net				18,406
Total operating profit				556,064

5. Segment information (continued)

Assets and liabilities related to contracts with customers

(i) Right of return assets and refund liabilities

	30 June 2019 RMB'000	1 July 2018 RMB'000
Right of return assets (Note 2.2 and Note 19)	**45,264**	43,017
Refund liabilities		
Rights of return (Note 2.2 and Note 27)	**104,677**	99,503
Sales rebates (Note 27)	**42,205**	42,278
	146,882	141,781

(ii) Liabilities related to contracts with customers

The Group has recognised the following liabilities relating to contracts with customers:

	30 June 2019 RMB'000	1 July 2018 RMB'000
Advances from distributors (Note 2.2 and Note 27)	**275,678**	253,467
Customer loyalty programme (Note 2.2 and Note 27)	**14,312**	18,295
Total current contract liabilities	**289,990**	271,762

(iii) Revenue recognised in relation to contract liabilities

The following table shows how much of the revenue recognised in the current reporting period relates to carried-forward contract liabilities.

	Year ended 30 June	
	2019 RMB'000	2018 RMB'000
Revenue recognized that was included in the contract liabilities balance at the beginning of the year	**271,762**	221,668

(iv) Unsatisfied performance obligations

The following table shows the unsatisfied performance obligations as at 30 June 2019 and 1 July 2018.

	30 June 2019 RMB'000	1 July 2018 RMB'000
Advances from distributors	**275,678**	253,467
Customer loyalty programme	**14,312**	18,295
	289,990	271,762

The impact of the adoption of HKFRS 15 Revenue from contracts with customers are disclosed in Note 2.2.

6. Expenses by nature

	Year ended 30 June	
	2019	2018
	RMB'000	RMB'000
Cost of inventories sold	**1,161,567**	934,411
Workforce contracting expenses	**297,575**	259,493
Operating lease	**279,703**	242,574
Employee benefit expenses (including share-based compensation expenses) (Note 8)	**239,035**	201,142
Concession fees paid and payable to department stores and shopping malls	**200,501**	189,842
Promotion and marketing expense	**147,640**	137,167
Provision for inventories (Note 17)	**118,748**	79,076
Transportation and warehouse expense	**58,754**	52,407
Apparel design fee	**48,446**	41,050
Depreciation and amortisation (Notes 13, 14 &15)	**48,187**	37,966
Utilities charges and office expenses	**45,419**	37,703
Commission expenses to online platforms	**33,021**	23,193
Entertainment and travelling expenses	**22,992**	19,861
Stamp duty, property tax and other surcharges	**22,874**	24,859
Other professional service expenses	**20,988**	16,706
Provision for trade receivables (Note 18)	**7,685**	10,665
Auditors' remuneration	**2,700**	2,506
Others	**18,126**	15,780
Total cost of sales, selling and marketing expenses and administrative expenses	**2,773,961**	2,326,401

7. Other income and gains, net

	Year ended 30 June	
	2019	2018
	RMB'000	RMB'000
Government grants (i)	**44,072**	19,792
Reversal of provision in association with idle land (ii)	**6,915**	—
Gain on disposal of idle land (ii)	**6,410**	—
Fair value gains (iii)	**1,837**	3,788
Foreign exchange gains/(losses)	**24**	(199)
Losses on disposal of property, plant and equipment	**(96)**	(76)
Provision for impairment of investment in an associate (Note 16)	**—**	(7,128)
Others	**1,604**	2,229
	60,766	18,406

(i) Government grants during the years presented are primarily financial subsidies received from local governments in the PRC. There are no unfulfilled conditions or contingencies relating to such income.

(ii) 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 logistics 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 facilities in Xiaoshan District as much as it could 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 previously made for the idle land fee and forfeiture of certain construction deposits during the fiscal year 2016 in this regard.

7. Other income and gains, net (continued)

(ii) (continued)

In October 2018, the Group reached an agreement with the government authority that the idle land was to be returned to the relevant local authority while a total consideration of RMB27,858,000 was received by the Group in January 2019, which was able to cover the original purchase cost of the land use right. The Group recorded a gain of RMB6,410,000 on the disposal of such idle land. As a result, the directors were of the view that the previous provision with respect to the idle land would no longer be required and, therefore, was reversed.

(iii) Fair value gains represents primarily fair value gains from the Group's investment in financial products issued by commercial banks.

8. Employee benefit expenses

	Year ended 30 June	
	2019	2018
	RMB'000	RMB'000
Salaries, bonus and other welfares	**204,702**	175,130
Social security contribution (a)	**13,439**	10,930
Housing fund	**6,302**	4,669
Share-based compensation (Note 25)	**14,592**	10,413
	239,035	201,142

(a) Employees of the PRC Subsidiaries are required to participate in a defined contribution retirement scheme administered and operated by the local municipal government. The Group contributes funds which are calculated on fixed percentage of the employees' salary (subject to a floor and cap) as set by local municipal government to each scheme locally to fund the retirement benefits of the employees.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year included zero (2018: one) director whose emoluments are reflected in the analysis presented in Note 33. The emoluments paid and payable to the remaining five individuals (2018: four) were as follows:

	Year ended 30 June	
	2019	2018
	RMB'000	RMB'000
Basic salaries and allowances	**3,768**	2,321
Discretionary bonuses	**7,724**	9,710
Social security contribution	**381**	328
Share-based compensation	**8,269**	2,759
	20,142	15,118

The emoluments of the remaining highest paid individuals fell within the following bands:

	Year ended 30 June	
	2019	2018
Emolument band:		
HK$2,500,001 to HK$3,000,000	**—**	1
HK$3,000,001 to HK$3,500,000	**2**	1
HK$4,500,001 to HK$5,000,000	**1**	—
HK$5,000,001 to HK$5,500,000	**1**	—
HK$5,500,001 to HK$6,000,000	**—**	1
HK$6,000,001 to HK$6,500,000	**1**	1
	5	4

9. Finance income/(costs), net

	Year ended 30 June	
	2019	2018
	RMB'000	RMB'000
Finance income		
Interest income on cash and cash equivalents, restricted cash and term deposits with initial term over 3 months	**17,072**	14,350
Net foreign exchange gains on financing activities	**1,250**	—
	18,322	14,350
Finance costs		
Net foreign exchange loss on financial assets	**—**	(923)
Finance income, net	**18,322**	13,427

10. Tax expense

(a) Income tax expense

The income tax expense of the Group for the years ended 30 June 2019 and 2018 are analysed as follows:

	Year ended 30 June	
	2019	2018
	RMB'000	RMB'000
Current income tax expense		
— Enterprise income tax expense	**178,379**	164,773
Deferred income tax charge/(benefit) (Note 28)	**137**	(6,005)
	178,516	158,768

(i) Cayman Islands income tax

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Company Law of Cayman Islands and, accordingly, is exempted from payment of Cayman Islands income tax.

(ii) Hong Kong profits tax

Enterprises incorporated in Hong Kong are subject to profits tax rates of 16.5% for the years presented. No Hong Kong tax was provided for as there was no estimated assessable profit that was subject to Hong Kong profits tax during the years ended 30 June 2019 and 2018.

(iii) PRC enterprise income tax

Enterprises incorporated in the PRC are generally subject to income tax rates of 25% throughout the years presented except for enterprises with approval for preferential rate.

The income tax provision of the Group in respect of its operations in the PRC has been calculated at the applicable tax rate on the estimated assessable profits based on existing legislations, interpretations and practices.

Since the deferred income tax assets and liabilities shall be measured at the tax rates that are expected to apply to the year when the assets is realised or the liability is settled, the change in the applicable tax rate will affect the determination of the carrying values of deferred tax assets and liabilities of the Group's subsidiaries located in the PRC.

(iv) Tax effect of reduced tax rate

During the year ended 30 June 2019 and 2018, no tax reductions and exemptions were granted to the subsidiaries of the Company in the PRC.

(v) PRC withholding income tax

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on the dividends declared to foreign investors from the foreign investment enterprises established in the PRC. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between the PRC and the jurisdiction of the foreign investors.

As approved by the State Administration of Taxation (the "**SAT**"), JNBY Finery Co., Ltd. and Hangzhou Liancheng Huazhuo Industrial Co., Ltd. meet conditions and requirements stated in the Circular on the Non-residence Enterprise's Tax Treaty Under Double Taxation Agreement (Guoshui No. 124, [2009]) issued by the SAT. Therefore, the enacted withholding tax rate on the dividends from JNBY Finery Co., Ltd. and Hangzhou Liancheng Huazhuo Industrial Co., Ltd. is 5%.

10. Tax expense (continued)

(b) Numerical reconciliation of income tax expense to prima facie tax payable

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the effective tax rate applicable to profits of the companies comprising the Group as follows:

	Year ended 30 June	
	2019	2018
	RMB'000	RMB'000
Profit before income tax	**663,295**	569,119
Tax calculated at domestic tax rate applicable to profits in PRC (25%)	**165,824**	142,280
Effect of difference between Hong Kong income tax rate and domestic tax rate	**215**	238
PRC withholding income tax on the retained earnings intended to be distributed (Note 28)	**17,564**	16,592
Tax losses for which no deferred income tax asset was recognised	**1,563**	1,962
Tax differences related to the RSUs	**(7,398)**	(2,944)
Expenses not deductible for tax purpose	**748**	640
Income tax expense	**178,516**	158,768
Effective tax rate	**26.91%**	27.90%

(c) Tax losses

	Year ended 30 June	
	2019	2018
	RMB'000	RMB'000
Unused tax losses in PRC for which no deferred tax asset has been recognized	**578**	92
Potential tax benefit calculated at tax rate of 25%	**145**	23
Unused tax losses in Hong Kong for which no deferred tax asset has been recognized	**8,594**	11,752
Potential tax benefit calculated at tax rate of 16.5%	**1,418**	1,939
Tax losses for which no deferred income tax asset was recognised	**1,563**	1,962

The unused tax losses were incurred by subsidiaries that are not likely to generate taxable income in the foreseeable future for which no deferred tax asset has been recognised.

The tax losses in PRC can be carried forward and will expire in 5 years, and losses in Hong Kong can be carried forward indefinitely.

As at 30 June 2019, the Group did not recognise deferred income tax asset of RMB7,010,000 (2018: RMB5,447,000) in respect of accumulated tax losses amounting to RMB41,586,000 (2018: RMB32,414,000).

(d) Value-added tax ("VAT")

According to the Caishui [2019] No.39 announcement issued by the Ministry of Finance, the Statement Administration of the Taxation and General Administration of Customs, the VAT for general tax payer for the manufacturing industry and other industries would be reduced from 16% to 13% effective from 1 April 2019.

The Group's revenues are subject to output VAT generally calculated at 16% (prior to 1 April 2019), 13% (post 1 April 2019) or 3% of the selling prices pursuant to different circumstances. Input credit relating to input VAT paid on purchases can be used to offset the output VAT.

11. 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 the years presented.

	Year ended 30 June 2019 RMB'000	Year ended 30 June 2018 RMB'000
Profit attributable to shareholders of the Company	**484,787**	410,351
Weighted average number of ordinary shares in issue excluding shares held under the RSU scheme in issue (thousands of shares)	**510,917**	512,767
Basic earnings per share (expressed in RMB per share)	**0.95**	0.80

(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 RSUs are assumed to have been fully vested and released from restrictions with no significant impact on earnings.

	Year ended 30 June 2019 RMB'000	Year ended 30 June 2018 RMB'000
Profit attributable to shareholders of the Company	**484,787**	410,351
Weighted average number of ordinary shares in issue excluding shares held under the RSU scheme in issue (thousands of shares)	**510,917**	512,767
Adjustments for share based compensation — RSUs (thousands of shares)	**5,103**	8,925
Weighted average number of ordinary shares for the calculation of diluted EPS (thousands of shares)	**516,020**	521,692
Diluted earnings per share (expressed in RMB per share)	**0.94**	0.79

12. Dividends

	Year ended 30 June 2019 RMB'000	Year ended 30 June 2018 RMB'000
Dividends paid by the Company	**341,929**	348,284

A dividend of RMB199,070,000 that related to the year ended 30 June 2018 and an interim dividend of RMB142,859,000 that related to the six months ended December 31, 2018 were paid during the year ended 30 June 2019 (A dividend of RMB245,853,000 that related to the year ended 30 June 2017 and an interim dividend of RMB102,431,000 that related to the six months ended December 31, 2017 were paid during the year ended 30 June 2018).

A dividend in respect of the year ended 30 June 2019 of RMB0.43 per share, totaling approximately RMB219,390,000, has been proposed by the Board and is to be approved by the annual general meeting on 18 October 2019. These financial statements do not reflect this dividend payable.

13. 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	Buildings of Logistics center RMB'000	Total RMB'000
Year ended 30 June 2018							
Opening net book value	7,962	6,748	1,321	27,093	15,453	—	58,577
Additions	5,417	4,050	970	33,492	76,126	—	120,055
Depreciation	(3,660)	(875)	(678)	(30,697)	—	—	(35,910)
Disposals	(88)	(5)	(18)	(1,093)	—	—	(1,204)
Closing net book value	9,631	9,918	1,595	28,795	91,579	—	141,518
As at 30 June 2018							
Cost	26,823	11,442	5,706	132,179	91,579	—	267,729
Accumulated depreciation	(17,192)	(1,524)	(4,111)	(103,384)	—	—	(126,211)
Net book value	9,631	9,918	1,595	28,795	91,579	—	141,518
Year ended 30 June 2019							
Opening net book value	**9,631**	**9,918**	**1,595**	**28,795**	**91,579**	**—**	**141,518**
Additions	**13,043**	**20,214**	**122**	**48,393**	**102,777**	**—**	**184,549**
Transfer from Construction-in-progress	**—**	**—**	**—**	**—**	**(193,863)**	**193,863**	**—**
Depreciation	**(4,637)**	**(1,389)**	**(297)**	**(38,236)**	**—**	**(1,510)**	**(46,069)**
Disposals	**(321)**	**(1)**	**(10)**	**(368)**	**—**	**—**	**(700)**
Closing net book value	**17,716**	**28,742**	**1,410**	**38,584**	**493**	**192,353**	**279,298**
As at 30 June 2019							
Cost	**38,358**	**31,653**	**5,728**	**137,784**	**493**	**193,863**	**407,879**
Accumulated depreciation	**(20,642)**	**(2,911)**	**(4,318)**	**(99,200)**	**—**	**(1,510)**	**(128,581)**
Net book value	**17,716**	**28,742**	**1,410**	**38,584**	**493**	**192,353**	**279,298**

Depreciation expenses have been charged to the consolidated statement of comprehensive income as follows:

	Year ended 30 June 2019 RMB'000	2018 RMB'000
Selling and marketing expenses	**39,547**	31,768
Administrative expenses	**6,522**	4,142
	46,069	35,910

14. Land use rights

	Year ended 30 June 2019 RMB'000	2018 RMB'000
Opening net book value	**48,322**	49,354
Disposal of idle land (Note 7)	**(21,448)**	—
Amortisation charges	**(795)**	(1,032)
Closing net book value	**26,079**	48,322

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

Amortisation of the land use rights has been charged to the consolidated statement of comprehensive income as follows:

	Year ended 30 June 2019 RMB'000	2018 RMB'000
Administrative expenses	**656**	1,032
Selling and marketing expenses expenses	**139**	—
	795	1,032

15. Intangible assets

	Computer software RMB'000	Others RMB'000	Total RMB'000
Year ended 30 June 2018			
Opening net book value	6,643	—	6,643
Additions	3,102	85	3,187
Amortisation charge	(1,020)	(4)	(1,024)
Closing net book value	8,725	81	8,806
As at 30 June 2018			
Cost	12,116	85	12,201
Accumulated amortisation	(3,391)	(4)	(3,395)
Net book value	8,725	81	8,806
Year ended 30 June 2019			
Opening net book value	**8,725**	**81**	**8,806**
Additions	**4,128**	**—**	**4,128**
Amortisation charge	**(1,314)**	**(9)**	**(1,323)**
Closing net book value	**11,539**	**72**	**11,611**
As at 30 June 2019			
Cost	**16,244**	**85**	**16,329**
Accumulated amortisation	**(4,705)**	**(13)**	**(4,718)**
Net book value	**11,539**	**72**	**11,611**

Amortisation expenses have been charged to the consolidated statement of comprehensive income as follows:

	Year ended 30 June 2019 RMB'000	2018 RMB'000
Administrative expenses	**695**	993
Selling and marketing expense	**628**	31
	1,323	1,024

16. Investment in an associate

	Year ended June 30	
	2019	2018
	RMB'000	RMB'000
At beginning of the year	**—**	—
Additions	**—**	7,500
Share of loss of an associate	**—**	(372)
Impairment provision	**—**	(7,128)
At end of the year	**—**	—

In September 2017, the Group acquired, at a cash consideration of RMB7,500,000, 8.11% of the equity interests of Hangzhou Yunyijian Network Technology Co., Ltd. ("**Yunyijian**") (杭州雲衣間網絡技術有限公司), a company incorporated in the PRC engaged principally in operating an online e-commerce platform for sales of garments by fashion designers. The Group determined that it had significant influence over Yunyijian due to the board seat held by the Group. Consequently, the investment was accounted for using equity method of accounting.

During the year ended 30 June 2018, the Group determined to make an impairment provision of RMB7,128,000 against the then carrying amount of the investment in Yunyijian based on the assessment of the operating performance and, financial and cash flows position and business outlook of Yunyijian.

17. Inventories

	As at June 30	
	2019	2018
	RMB'000	RMB'000
Finished goods	**912,601**	740,546
Raw materials	**41,467**	42,006
Commissioned processing materials	**201,208**	214,439
	1,155,276	996,991
Less: provision	**(295,537)**	(233,231)
	859,739	763,760

Movements of provision for inventories are analysed as follows:

	Year ended 30 June	
	2019	2018
	RMB'000	RMB'000
Beginning of the year	**233,231**	174,048
Addition of provision for inventories to net realisable value included in "cost of sales" (Note 6)	**118,748**	79,076
Release of provision upon sales of inventories written down in prior years	**(56,442)**	(19,893)
End of the year	**295,537**	233,231

18. Trade receivables

	As at 30 June	
	2019	2018
	RMB'000	RMB'000
Trade receivables	**141,416**	113,124
Less: provision for impairment	**(25,985)**	(18,593)
	115,431	94,531

The trade receivables are mainly due from the department stores or the shopping malls where the Group operates its own retail outlets. General credit term offered to such department stores or shopping malls is 45 to 90 days from the date of the invoice issued by the Group.

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

	As at 30 June	
	2019	2018
	RMB'000	RMB'000
Within 3 months	**113,725**	88,008
3 months to 6 months	**7,466**	12,105
6 months to 1 year	**3,673**	7,963
1 year to 2 years	**12,384**	673
more than 2 years	**4,168**	4,375
	141,416	113,124

Movement of the provision for impairment of trade receivables was as follows:

	Year ended 30 June	
	2019	2018
	RMB'000	RMB'000
Beginning of the year	**18,593**	9,389
Provision for trade receivables (Note 6)	**7,685**	10,665
Write-off of provision for impairment	**(293)**	(1,461)
End of the year	**25,985**	18,593

The maximum exposure to credit risk as at the balance sheet date is the carrying value of the net trade receivables balances.

The carrying amounts of the Group's trade receivables were denominated in the following currencies:

	As at 30 June	
	2019	2018
	RMB'000	RMB'000
RMB	**111,793**	91,853
US$	**3,581**	2,590
Others	**57**	88
	115,431	94,531

The carrying amounts of the Group's trade receivables approximated their fair values as at each of the balance sheet dates.

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance for all trade receivables. No adjustment has been made to the opening loss allowances for trade receivables as at 1 July 2018 (Note 2.2).

18. Trade receivables (continued)

The Group overall considers the credit risk characteristics and the days past due of each type of trade receivables to measure the expected credit loss. The expected loss rate is based on the payment profiles of sales over 12 months and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. On that basis, the loss allowance as at 30 June 2019 was determined as follows.

	As at 30 June 2019		
	Gross carrying amount RMB'000	Loss allowance RMB'000	Expected loss rate
Within 3 months	**113,725**	**5,758**	**5.06%**
3 months to 6 months	**7,466**	**1,279**	**17.13%**
6 months to 1 year	**3,673**	**2,396**	**65.22%**
1 year to 2 years	**12,384**	**12,384**	**100.00%**
more than 2 years	**4,168**	**4,168**	**100.00%**
	141,416	**25,985**	

19. Prepayments, deposits and other assets

	As at 30 June	
	2019 RMB'000	2018 RMB'000
Long-term prepayments		
Long-term prepaid expenses	**10,223**	8,537
Current assets		
Deposits and other receivables	**109,596**	90,820
Prepayment to suppliers	**75,214**	77,040
Right of goods return (Note 2.2)	**45,264**	—
Prepaid expenses	**34,932**	26,900
Value added tax recoverable	**20,954**	30,214
Interest receivables	**1,572**	5,550
Staff advances	**27**	56
	287,559	230,580
	297,782	239,117

As at 30 June 2019 and 2018, the fair value of deposits and other assets approximated their carrying amounts.

The maximum exposure to credit risk at each of the reporting date is the carrying value of each class of deposits and other receivables as mentioned above.

20. Financial assets at FVPL and Available-for-sale financial assets

	As at 30 June	
	2019 RMB'000	2018 RMB'000
Available-for-sale financial assets	**—**	50,000

Investment in financial products issued by commercial banks previously classified as available-for-sale financial assets was reclassified to financial assets at FVPL under HKFRS 9 (Note 2.2). The fair value of the financial products issued by commercial banks approximated its carrying amount.

21. Term deposits with initial term over 3 months

	As at 30 June			
	2019		2018	
	USD'000	RMB'000	USD'000	RMB'000
US$ term deposits	**49,851**	**341,324**	49,000	322,646

The effective interest rate for the term deposits of the Group with initial term over 3 months for the year ended 30 June 2019 was 2.82% (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 at year end.

22. Cash and bank balances

	As at 30 June	
	2019	2018
	RMB'000	RMB'000
Cash at bank and on hand	**216,465**	333,405
Restricted cash (a)	**1,945**	1,021

(a) Restricted cash represents guarantee deposits pledged to bank for issuance of bills payables.

Cash and bank balances were denominated in the following currencies:

	As at 30 June	
	2019	2018
	RMB'000	RMB'000
RMB	**170,724**	174,332
HK$	**38,435**	30,347
US$	**8,903**	129,649
Others	**348**	98
	218,410	334,426

23. 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 (b) 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**
Purchase of ordinary shares for RSU Scheme (a)	**—**	**—**	**—**	**—**	**(48,048)**	**(48,048)**
Vest and transfer of RSUs	**—**	**—**	**—**	**9,637**	**25**	**9,662**
As at 30 June 2019	**1,000,000,000**	**518,750,000**	**4,622**	**657,376**	**(78,646)**	**583,352**

	Number of shares authorised	Number of shares issued	Share capital RMB'000	Share premium RMB'000	Shares held for RSU Scheme (b) RMB'000	Subtotal RMB'000
As at 1 July 2017	1,000,000,000	518,750,000	4,622	639,003	(66)	643,559
Purchase of ordinary shares for RSU Scheme (a)	—	—	—	—	(30,581)	(30,581)
Vest and transfer of RSUs	—	—	—	8,736	24	8,760
As at 30 June 2018	1,000,000,000	518,750,000	4,622	647,739	(30,623)	621,738

(a) During the year ended 30 June 2019, the Company purchased 4,209,000 (2018: 2,215,000) shares on The Stock Exchange of Hong Kong Limited at a total consideration of HK$54,820,000 (approximately RMB48,048,000) (2018: HK$36,272,000 (approximately RMB30,581,000)) including directly attributable incremental transaction costs, which was credited to shares held for RSU Scheme.

(b) The ordinary shares held for RSU scheme were regarded as treasury shares and had been deducted 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.

24. 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)	**10,769**	**—**	**—**	**—**	**10,769**
Share based compensation (Note 25)	**—**	**14,592**	**—**	**—**	**14,592**
Currency translation differences	**—**	**—**	**13,800**	**—**	**13,800**
Vest and transfer of RSUs	**—**	**(9,662)**	**—**	**—**	**(9,662)**
As at 30 June 2019	**154,678**	**24,562**	**5,489**	**(1,599)**	**183,130**
As at 1 July 2017	111,901	17,979	2,948	(1,599)	131,229
Appropriation to statutory reserves (a)	32,008	—	—	—	32,008
Share based compensation (Note 25)	—	10,413	—	—	10,413
Currency translation differences	—	—	(11,259)	—	(11,259)
Vest and transfer of RSUs	—	(8,760)	—	—	(8,760)
As at 30 June 2018	143,909	19,632	(8,311)	(1,599)	153,631

(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 year ended 30 June 2019, approximately RMB10,769,000 (2018: RMB32,008,000) was appropriated from retained earnings to the statutory surplus reserve fund.

(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.

25. Share-based payments

The Company adopted the RSU scheme, under which the Board may grant RSUs to any qualifying participants, subject to the terms and conditions stipulated therein. RSUs vest gradually after the selected participants complete their service period of three to five years from the grant date. The selected participants are required to pay the exercise price if any upon satisfaction of terms and conditions set out in the relevant grant letter when they decide to exercise the RSUs. The participants are only entitled for the shares to be transferred to their account upon paying the exercise price, if any.

The Group has appointed The Core Trust Company Limited as the trustee to assist with the administration and vesting of RSUs granted pursuant to the RSU scheme. As the relevant activities of the trustee are decided by the Group, and the Group benefits from the trustee's activities, the trustee is consolidated in the Group's financial statements as a structured entity.

Movements in the number of outstanding RSUs are as follows:

	Year ended 30 June 2019		Year ended 30 June 2018	
	Weighted average exercise price per RSU	Number of RSUs	Weighted average exercise price per RSU	Number of RSUs
Opening balance	**HK$6.66**	**20,962,442**	—	8,265,281
Granted during the year (a)	**HK$15.15**	**10,180,000**	HK$8.68	16,270,000
Forfeited (b)	**HK$8.54**	**(4,535,960)**	HK$3.29	(528,144)
Vested (c)	**—**	**(3,164,595)**	—	(3,044,695)
Ending balance	**HK$10.88**	**23,441,887**	HK$6.66	20,962,442
Exercised (d)	**—**	**1,278,000**	—	1,872,500
Vested and exercisable at balance sheet date	**—**	**6,428,760**	—	4,542,615

(a) On 28 August 2018, 180,000 RSUs were granted to four employees with HK$8.7 or zero exercise price, of which 20%, 20%, 20%, 20% and 20% shall be vested in two months after 30 June 2019, 2020, 2021, 2022 and 2023, respectively. On 8 May 2019, 10,000,000 RSUs were granted to an executive director with HK$15.34 exercise price, of which 20%, 20%, 20%, 20% and 20% shall be vested in two months after 30 June 2020, 2021, 2022, 2023 and 2024, respectively.

(b) During the year ended 30 June 2019, 4,535,960 RSUs (2018: 528,144 RSUs) were forfeited as a result of termination of employment of certain relevant employees.

(c) During the year ended 30 June 2019, 3,164,595 RSUs (2018: 3,044,695 RSUs) were vested.

(d) The weighted average closing price of the shares immediately before the dates on which the RSUs were exercised during the year ended 30 June 2019 was HK$14.14 (2018: HK$12.12).

(e) The Group is required to estimate the annual forfeiture rate in order to determine the amount of share-based compensation expenses charged to the consolidated statement of comprehensive income. As at 30 June 2019, the expected forfeiture rate was estimated at 3% (30 June 2018: 3%).

(f) The weighted average remaining contractual life of RSUs outstanding as at 30 June 2019 was 5.04 years (30 June 2018: 5.75 years).

25. Share-based payments (continued)

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 of the grant date.

Based on the closing price of shares immediately before the date of the grant date, the Company has used Binominal pricing model to determine the fair value of the RSUs granted during the year ended 30 June 2019. The weighted average fair value of those RSUs granted during the year ended 30 June 2019 at the measurement date was RMB2.07. Key assumptions are set as below:

Risk free interest rate	1.54%–2.09%
Volatility	34.88%–37.63%
Dividend yield	5.7%

Management estimated the risk-free interest rate based on the yield of Hong Kong government bond with a maturity life equal to the life of shares. Volatility was estimated at the grant date based on the average of historical volatilities of the comparable companies with length commensurable to the time to maturity of the RSUs. Dividend yield is based on management estimation at the grant date.

26. Trade and bills payables

	As at 30 June	
	2019	2018
	RMB'000	RMB'000
Trade payables (a)	**196,925**	201,728
Bills payables (b)	**4,863**	2,552
	201,788	204,280

(a) Ageing analysis of trade payables based on invoices was as follows:

	As at 30 June	
	2019	2018
	RMB'000	RMB'000
Within 6 months	**192,654**	192,762
6 months to 1 year	**3,236**	7,813
1 to 2 years	**556**	614
2 to 3 years	**479**	539
	196,925	201,728

(b) Bills payables represented bank acceptance notes issued by the Group with maturity within three months.

The Group's trade and bills payables are denominated in RMB.

27. Contract liabilities, accruals and other current liabilities

	As at 30 June	
	2019	2018
	RMB'000	RMB'000
Advances from distributors	**275,678**	—
Customer loyalty programme	**14,312**	—
Contract liabilities (Note 5)	**289,990**	—
Provisions for sales returns (Note 5)	**104,677**	56,486
Payroll and welfare payables	**86,150**	80,346
Provisions for sales rebates (Note 5)	**42,205**	42,278
Distribution deposits (a)	**37,013**	39,785
Payables for property, plant and equipment	**30,716**	10,558
Workforce contracting payables	**23,311**	20,913
Payables for leasehold improvements	**8,506**	3,676
Rentals	**4,478**	2,204
Accrued marketing and promotions expenses	**4,047**	6,815
Value-added and other taxes payables	**1,357**	1,110
Advances from distributors	**—**	294,022
Others	**12,543**	17,822
	355,003	576,015

(a) 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 their distribution relationship with the Group was terminated.

28. Deferred income tax

The analysis of deferred income tax assets is as follows:

	Year ended 30 June	
	2019	2018
	RMB'000	RMB'000
Deferred income tax assets:		
— to be recovered after more than 12 months	**74,685**	58,730
— to be recovered within 12 months	**53,613**	52,141
	128,298	110,871
Deferred income tax liabilities:		
— to be recovered within 12 months	**13,105**	10,541
	115,193	100,330

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

	Year ended 30 June	
	2019	2018
	RMB'000	RMB'000
Beginning of the year	**110,871**	88,274
Credited in the consolidated statement of comprehensive income (Note 10)	**17,427**	22,597
End of the year	**128,298**	110,871

28. Deferred income tax (continued)

	Provision for inventories RMB'000	Customer loyalty programme RMB'000	Accrued expenses and provisions RMB'000	Tax losses carried forward RMB'000	Impairment for receivables RMB'000	Unrealized profit from inter-company transactions RMB'000	Provision for investments RMB'000	Total RMB'000
As at 30 June 2017	43,511	6,596	35,013	1,167	1,987	—	—	88,274
Credited/(charged) to the consolidated statement of comprehensive income	14,796	(2,023)	5,026	(743)	2,979	780	1,782	22,597
As at 30 June 2018	58,307	4,573	40,039	424	4,966	780	1,782	110,871
Credited/(charged) to the consolidated statement of comprehensive income	**15,576**	**(996)**	**1,147**	**379**	**1,318**	**3**	**—**	**17,427**
As at 30 June 2019	**73,883**	**3,577**	**41,186**	**803**	**6,284**	**783**	**1,782**	**128,298**

Deferred income tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefit through the future taxable profit is probable. As at each of the balance sheet dates, the Group recognised deferred income tax assets in respect of losses that can be carried forward against future taxable income within five years.

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

	Year ended 30 June 2019 RMB'000	2018 RMB'000
Beginning of the year	**10,541**	13,449
Debited in the consolidated statement of comprehensive income (Note 10)	**17,564**	16,592
Transferred to current tax liabilities	**(15,000)**	(19,500)
End of the year	**13,105**	10,541

As at 30 June 2019, the provisions of RMB13,105,000 (30 June 2018: RMB10,541,000) represented provision for withholding income tax were made for the planned profit distribution of the PRC subsidiaries.

29. Cash generated from operations

	Year ended 30 June 2019 RMB'000	2018 RMB'000
Profit before income tax	**663,295**	569,119
Adjustments for:		
— Depreciation of property, plant and equipment (Note 13)	**46,069**	35,910
— Amortisation of land use rights (Note 14)	**795**	1,032
— Amortisation of intangible assets (Note 15)	**1,323**	1,024
— Provision for impairment of receivables (Note 18)	**7,685**	10,665
— Provision for loss of investment (Note 16)	**—**	7,128
— Provision for inventories (Note 17)	**118,748**	79,076
— Losses on disposal of property, plant and equipment (Note 7)	**96**	76
— Share based compensation (Note 25)	**14,592**	10,413
— Gains on disposal of idle land (Note 7)	**(6,410)**	—
— Reversal of provision in association with idle land (Note 7)	**(6,915)**	—
— Interest income (Note 9)	**(17,072)**	(14,350)
— Net foreign exchange (loss)/gain from financing activities (Note 9)	**(1,250)**	923
— Investment income (Note 7)	**(1,837)**	(3,788)
— Share of loss of an associate accounted for using the equity method (Note 16)	**—**	372
Operating profits before working capital changes	**819,119**	697,600
Changes in working capital:		
— Inventories	**(214,727)**	(273,286)
— Trade receivables	**(28,585)**	(21,789)
— Prepayments, deposits and other assets	**(60,390)**	(3,852)
— Trade and bills payables	**(3,724)**	55,296
— Contract liabilities and other current liabilities	**25,950**	103,728
Cash flow generated from operations	**537,643**	557,697

30. Commitments

(a) Capital commitments

As at 30 June 2019, the capital expenditure contracted but not provided for amounted to RMB35,484,000 (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 30 June 2019 RMB'000	2018 RMB'000
No later than 1 year	**208,957**	156,912
Later than 1 year and no later than 5 years	**230,517**	134,763
Later than 5 years	**8,838**	—
	448,312	291,675

31. Significant 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 years presented.

Name	Relationship with the Group
Li Lin	One of the controlling shareholders
Wu Jian	One of the controlling shareholders
Li Ming	Former 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.

		Year ended 30 June	
		2019	2018
		RMB'000	RMB'000
(i)	Processing fee		
	Hangzhou Shangwei Apparel Co., Ltd.	**24,078**	24,760
	Hangzhou New Shangwei Finery Co., Ltd.	**707**	7,575
		24,785	32,335
(ii)	Workforce contracting		
	Hangzhou JNBY Finery Co., Ltd.	**33,964**	26,264
(iii)	Operating lease expenses charged by related parties		
	Hangzhou Huikang Industrial Co., Ltd.	**11,284**	10,445
	Hangzhou JNBY Finery Co., Ltd.	**1,808**	1,722
	Wu Jian	**1,476**	1,075
	Li Ming	**214**	162
		14,782	13,404
(iv)	Logistics and warehousing expenses charged by a related party		
	Hangzhou Huikang Industrial Co., Ltd.	**21,487**	26,081
(v)	Purchase of equipment		
	Hangzhou Huikang Industrial Co., Ltd.	**5,658**	—

31. Significant related party transactions (continued)

(b) Balances with related parties

	As at 30 June	
	2019	2018
	RMB'000	RMB'000
Due from related parties		
Prepaid operating lease expenses:		
— Hangzhou Huikang Industrial Co., Ltd.	**5,059**	6,559
— Hangzhou JNBY Finery Co., Ltd.	**972**	926
— Wu Jian	**949**	367
	6,980	7,852
Due to related parties		
Trade payables:		
— Hangzhou Shangwei Apparel Co., Ltd.	**3,710**	4,128
— Hangzhou JNBY Finery Co., Ltd.	**97**	—
— Hangzhou New Shangwei Finery Co., Ltd.	**—**	911
	3,807	5,039
Other payables:		
— Hangzhou JNBY Finery Co., Ltd.	**4,994**	3,784
— Li Ming	**296**	—
— Hangzhou Huikang Industrial Co., Ltd.	**—**	2,471
	5,290	6,255
	9,097	11,294

(c) Key management compensation

Key management includes directors (Wu Jian, Li Lin and Wu Huating) whose emoluments are reflected in the analysis shown in Note 33 (a). The emoluments paid and payable to the remaining key management during the year are as follows:

	Year ended 30 June	
	2019	2018
	RMB'000	RMB'000
Basic salaries and allowances	**4,657**	5,967
Discretionary bonuses	**5,007**	7,327
Other benefits including pension	**466**	607
Share-based compensation	**8,776**	5,549
	18,906	19,450

32. Balance sheet and reserve movement of the Company

	Note	As at 30 June 2019 RMB'000	2018 RMB'000
ASSETS			
Non-current assets			
Investment in a subsidiary		**188,432**	173,840
Amounts due from subsidiaries		**215,550**	188,023
Total non-current assets		**403,982**	361,863
Current assets			
Cash and cash equivalents		**36,127**	99,398
Term deposits with initial terms over 3 months		**341,324**	322,646
Prepayments, deposits and other assets		**3,399**	6,125
Dividend receivables		**—**	1,326
Total current assets		**380,850**	429,495
Total assets		**784,832**	791,358
LIABILITIES			
Accruals and other current liabilities		**20**	16
Total liabilities		**20**	16
Net assets		**784,812**	791,342
EQUITY			
Share capital		**4,622**	4,622
Shares held for RSU scheme		**(78,646)**	(30,623)
Share premium	(a)	**657,376**	647,739
Other reserves	(a)	**165,401**	139,678
Retained earnings	(a)	**36,059**	29,926
Total equity		**784,812**	791,342

The balance sheet of the Company was approved by the Board on 27 August 2019 and was signed on its behalf:

Wu Jian	Li Lin
Director	Director

32. Balance sheet and reserve movement of the Company (continued)

(a) Share premium, other reserves and retained earnings movement of the Company

	Share premium RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Subtotal RMB'000
As at 1 July 2018	**647,739**	**139,678**	**29,926**	**817,343**
Profit for the year	**—**	**—**	**348,062**	**348,062**
Dividends paid	**—**	**—**	**(341,929)**	**(341,929)**
Share-based compensation	**—**	**14,592**	**—**	**14,592**
Currency translation difference	**—**	**20,793**	**—**	**20,793**
Vest and transfer of RSUs	**9,637**	**(9,662)**	**—**	**(25)**
As at 30 June 2019	**657,376**	**165,401**	**36,059**	**858,836**
As at 1 July 2017	639,003	149,420	11,067	799,490
Profit for the year	—	—	367,143	367,143
Dividends paid	—	—	(348,284)	(348,284)
Share-based compensation	—	10,413	—	10,413
Currency translation difference	—	(11,395)	—	(11,395)
Vest and transfer of RSUs	8,736	(8,760)	—	(24)
As at 30 June 2018	647,739	139,678	29,926	817,343

33. Benefits and interests of directors

(a) Directors' and chief executive's emoluments

The remuneration of every director and the chief executive is set out below:

For the year ended 30 June 2019

Name	Salaries and allowances RMB'000	Discretionary bonuses RMB'000	Social security insurance RMB'000	Share-based compensation RMB'000	Total RMB'000
Executive Directors					
Mr. Wu Jian (i)	**2,068**	**—**	**16**	**—**	**2,084**
Ms. Li Lin (i)	**2,429**	**—**	**16**	**—**	**2,445**
Ms. Wu Huating (ii)	**375**	**243**	**33**	**1,325**	**1,976**
Mr. Li Ming (v)	**361**	**289**	**79**	**—**	**729**
Non-executive Directors					
Mr. Wei Zhe (iii)	**—**	**—**	**—**	**—**	**—**
Mr. Zhang Beili (v)	**250**	**—**	**—**	**—**	**250**
Independent Non-executive Directors					
Mr. Hu Huanxin (iv)	**250**	**—**	**—**	**—**	**250**
Mr. Lam Yiu Por (iv)	**300**	**—**	**—**	**—**	**300**
Ms. Han Min (iv)	**250**	**—**	**—**	**—**	**250**

For the year ended 30 June 2018

Name	Salaries and allowances RMB'000	Discretionary bonuses RMB'000	Social security insurance RMB'000	Share-based compensation RMB'000	Total RMB'000
Executive Directors					
Mr. Wu Jian (i)	2,368	—	41	—	2,409
Ms. Li Lin (i)	2,327	—	15	—	2,342
Mr. Li Ming (v)	361	289	79	—	729
Non-executive Directors					
Mr. Wei Zhe (iii)	—	—	—	—	—
Mr. Zhang Beili (v)	250	—	—	—	250
Independent Non-executive Directors					
Mr. Hu Huanxin (iv)	250	—	—	—	250
Mr. Lam Yiu Por (iv)	300	—	—	—	300
Ms. Han Min (iv)	250	—	—	—	250

33. Benefits and interests of directors (continued)

(a) Directors' and chief executive's emoluments (continued)

(i) Mr Wu Jian and Ms Li Lin were appointed as directors on 26 November 2012. Mr. Wu Jian has resigned as Chief Executive Officer on 7 March 2019 and continued to serve as the chairman of the Board and executive director of the Company.

(ii) Ms. Wu Huating was appointed as Chief Executive Officer on 7 March 2019 and appointed as an executive director on 8 May 2019.

(iii) Appointed on 24 June 2013.

(iv) Appointed on 13 October 2016.

(v) Mr. Li Ming resigned as an executive director of the Company with effect from 8 May 2019.

Mr. Zhang Beili resigned as a non-executive director of the Company with effect from 20 February 2019.

(b) Directors' retirement benefits and termination benefits

None of the retirement benefits was paid to or receivable by directors during the year (2018: Nil).

None of the termination benefits was paid by or receivable from the company, the subsidiary undertaking nor the controlling shareholders to the directors during the year (2018: Nil).

(c) Consideration provided to third parties for making available directors' services

During the year ended 30 June 2019, the Company does not pay consideration to any third parties for making available directors' services (2018: Nil).

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

As at 30 June 2019, there are no loans, quasi-loans and other dealing arrangements in favour of directors, controlled bodies corporate by and controlled entities with such directors (2018: Nil).

(e) Directors' material interests in transactions, arrangements or contracts

Save as disclosed in Note 31, no significant transactions, arrangements and contracts in relation to the Company's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year (2018: Nil).