江南布衣+ JNBY GROUP

JNBY Design Limited

江 南 布 衣 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3306)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED DECEMBER 31, 2019

FINANCIAL HIGHLIGHTS

- The total revenue of the Group for the six months ended December 31, 2019 ("**first half of fiscal year 2020**") amounted to RMB2,135.5 million, an increase of 5.3% or RMB108.2 million as compared with RMB2,027.3 million for the six months ended December 31, 2018 ("**first half of fiscal year 2019**"). The net profit of the Group for the first half of fiscal year 2020 amounted to RMB429.9 million, an increase of 12.9% or RMB49.0 million as compared with RMB380.9 million for the first half of fiscal year 2019.

- As of December 31, 2019, the total number of our standalone retail stores around the world was 1,993, coupled with our points of sale abroad, our sales network has covered all provinces, autonomous regions and municipalities in Mainland China and across 26 other countries and regions around the world.

- As of December 31, 2019, the Group had over 3.9 million membership accounts (without duplication) (as of June 30, 2019: over 3.6 million), including our more than 3.5 million subscribers (without duplication) on the WeChat platform (as of June 30, 2019: over 3.1 million). The retail sales contributed by the members of the Group accounted for approximately 70% of our total retail sales for the first half of fiscal year 2020.

- The number of active members accounts of the Group for 2019 (active members accounts are membership accounts associated with at least two purchases for a period of any 180 consecutive days within the last 12 months, without duplication) was over 470,000 (2018: over 390,000), and the number of membership accounts with purchases totaling over RMB5,000 for 2019 exceeded 210,000 (2018: over 180,000), thereby contributing retail sales amounting to RMB2.50 billion (2018: RMB2.17 billion), accounting for over 40% of our total retail sales from offline channels.

The board of directors (the "**Board**") of JNBY Design Limited (the "**Company**") is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (the "**Group**") for the six months ended December 31, 2019, together with the comparative figures for the corresponding period of the previous fiscal year, as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the six months ended December 31, 2019

	Note	Unaudited Six months ended December 31, 2019 RMB'000	2018 RMB'000
Revenue	5	**2,135,468**	2,027,349
Cost of sales	6	**(800,797)**	(783,152)
Gross profit		**1,334,671**	1,244,197
Selling and marketing expenses	6	**(642,279)**	(604,741)
Administrative expenses	6	**(144,337)**	(158,865)
Other income and gains, net	7	**51,253**	44,447
Operating profit		**599,308**	525,038
Finance income, net	8	**71**	9,442
Profit before income tax		**599,379**	534,480
Income tax expense	9	**(169,495)**	(153,606)
Profit for the period		**429,884**	380,874
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Currency translation differences		**1,448**	10,701
Total comprehensive income for the period		**431,332**	391,575
Profit attributable to:			
Shareholders of the Company		**429,886**	380,874
Non-controlling interests		**(2)**	—
		429,884	380,874
Total comprehensive income attributable to:			
Shareholders of the Company		**431,334**	391,575
Non-controlling interests		**(2)**	—
		431,332	391,575
Earnings per share (expressed in RMB per share)			
— Basic	10	**0.84**	0.74
— Diluted	10	**0.84**	0.74

CONDENSED CONSOLIDATED BALANCE SHEET

As at December 31, 2019

	Note	**Unaudited December 31, 2019** *RMB'000*	Audited June 30, 2019 *RMB'000*
ASSETS			
Non-current assets			
Property, plant and equipment	*12*	**325,772**	279,298
Right-of-use assets	*13*	**273,025**	—
Land use right		**—**	26,079
Intangible assets	*14*	**12,965**	11,611
Prepayments, deposits and other receivables	*17*	**7,263**	10,223
Deferred income tax assets		**162,771**	128,298
Total non-current assets		**781,796**	455,509
Current assets			
Inventories	*15*	**908,056**	859,739
Trade receivables	*16*	**229,616**	115,431
Prepayments, deposits and other receivables	*17*	**242,263**	287,559
Amounts due from related parties		**3,544**	6,980
Financial assets at fair value through profit or loss ("FVPL")		**110,416**	—
Term deposits with initial term over 3 months		**385,462**	341,324
Restricted cash		**210**	1,945
Cash and cash equivalents		**410,580**	216,465
Total current assets		**2,290,147**	1,829,443
Total assets		**3,071,943**	2,284,952

CONDENSED CONSOLIDATED BALANCE SHEET (CONTINUED)

As at December 31, 2019

	Note	Unaudited December 31, 2019 RMB'000	Audited June 30, 2019 RMB'000
EQUITY			
Equity attributable to shareholders of the Company			
Share capital		**4,622**	4,622
Share premium		**665,520**	657,376
Shares held for restricted share units ("**RSU**") scheme		**(80,254)**	(78,646)
Other reserves		**186,080**	183,130
Retained earnings		**849,315**	644,599
Equity attributable to shareholders of the Company		**1,625,283**	1,411,081
Non-controlling interests		**(7)**	(5)
Total equity		**1,625,276**	1,411,076
LIABILITIES			
Non-current liabilities			
Lease liabilities	*20*	**91,116**	—
Deferred income tax liabilities		**17,267**	13,105
Total non-current liabilities		**108,383**	13,105
Current liabilities			
Trade and bills payables	*18*	**274,761**	201,788
Lease liabilities	*20*	**141,084**	—
Contract liabilities	*19*	**220,960**	289,990
Accruals and other current liabilities	*19*	**500,117**	355,003
Amounts due to related parties		**17,376**	9,097
Borrowings		**90,000**	—
Current income tax liabilities		**93,986**	4,893
Total current liabilities		**1,338,284**	860,771
Total liabilities		**1,446,667**	873,876
Total equity and liabilities		**3,071,943**	2,284,952

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended December 31, 2019

		Unaudited							
		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 *RMB'000*	Non-controlling interests *RMB'000*	Total equity *RMB'000*
Balance at July 1, 2018		4,622	647,739	(30,623)	153,631	512,510	1,287,879	—	1,287,879
Comprehensive income									
Profit for the period		—	—	—	—	380,874	380,874	—	380,874
Other comprehensive income									
Currency translation differences		—	—	—	10,701	—	10,701	—	10,701
Total comprehensive income		—	—	—	10,701	380,874	391,575	—	391,575
Transactions with shareholders									
Non-controlling interest on capital injection to a subsidiary		—	—	—	—	—	—	2	2
Profit appropriations to statutory reserves		—	—	—	9,839	(9,839)	—	—	—
Share-based compensation		—	—	—	9,623	—	9,623	—	9,623
Purchase ordinary shares for RSU scheme		—	—	(44,236)	—	—	(44,236)	—	(44,236)
Vest and transfer of RSUs		—	9,637	25	(9,662)	—	—	—	—
Dividend	*11*	—	—	—	—	(199,070)	(199,070)	—	(199,070)
Total transactions with Shareholders		—	9,637	(44,211)	9,800	(208,909)	(233,683)	2	(233,681)
Balance at December 31, 2018		4,622	657,376	(74,834)	174,132	684,475	1,445,771	2	1,445,773

		Unaudited							
		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** ***RMB'000***	**Non-controlling interests** ***RMB'000***	**Total equity** ***RMB'000***
Balance at July 1, 2019		**4,622**	**657,376**	**(78,646)**	**183,130**	**644,599**	**1,411,081**	**(5)**	**1,411,076**
Change in accounting policy	*4*	**—**	**—**	**—**	**—**	**(5,035)**	**(5,035)**	**—**	**(5,035)**
Adjusted balance as at July 1, 2019		**4,622**	**657,376**	**(78,646)**	**183,130**	**639,564**	**1,406,046**	**(5)**	**1,406,041**
Comprehensive income									
Profit for the period		**—**	**—**	**—**	**—**	**429,886**	**429,886**	**(2)**	**429,884**
Other comprehensive income									
Currency translation differences		**—**	**—**	**—**	**1,448**	**—**	**1,448**	**—**	**1,448**
Total comprehensive income		**—**	**—**	**—**	**1,448**	**429,886**	**431,334**	**(2)**	**431,332**
Transactions with shareholders									
Profit appropriations to statutory reserves		**—**	**—**	**—**	**580**	**(580)**	**—**	**—**	**—**
Liquidation of a subsidiary		**—**	**—**	**—**	**(243)**	**243**	**—**	**—**	**—**
Share-based compensation		**—**	**—**	**—**	**9,841**	**—**	**9,841**	**—**	**9,841**
Purchase ordinary shares for RSU scheme		**—**	**—**	**(3,075)**	**—**	**—**	**(3,075)**	**—**	**(3,075)**
Vest and transfer of RSUs		**—**	**8,144**	**1,467**	**(8,676)**	**—**	**935**	**—**	**935**
Dividend	*11*	**—**	**—**	**—**	**—**	**(219,798)**	**(219,798)**	**—**	**(219,798)**
Total transactions with Shareholders		**—**	**8,144**	**(1,608)**	**1,502**	**(220,135)**	**(212,097)**	**—**	**(212,097)**
Balance at December 31, 2019		**4,622**	**665,520**	**(80,254)**	**186,080**	**849,315**	**1,625,283**	**(7)**	**1,625,276**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended December 31, 2019

	Note	Unaudited Six months ended December 31, 2019 RMB'000	2018 RMB'000
Cash flows from operating activities			
Cash generated from operations		**762,714**	452,250
Income tax paid		**(109,035)**	(79,499)
Net cash generated from operating activities		**653,679**	372,751
Cash flows from investing activities			
Purchase of property, plant and equipment		**(83,552)**	(84,334)
Purchase of intangible assets		**(2,122)**	(3,319)
Proceeds from disposals of property, plant and equipment		**421**	603
Investment income received from financial products issued by commercial banks		**—**	571
Interest received		**8,922**	12,621
Payment of term deposits with initial term over 3 months		**(726,603)**	(817,174)
Payment of financial products issued by commercial banks		**(110,000)**	(40,000)
Proceeds from disposal of term deposits with initial term over 3 months		**687,966**	785,576
Proceeds from disposal of financial products issued by commercial banks		**—**	50,000
Others		**—**	(7,575)
Net cash used in investing activities		**(224,968)**	(103,031)
Cash flows from financing activities			
Proceeds from borrowings		**126,997**	—
Repayments of borrowings		**(40,000)**	—
Dividends paid	*11*	**(219,798)**	(199,070)
Proceeds from capital injection of non-controlling interests		**—**	2
Payment for repurchase of treasury shares		**(3,075)**	(44,236)
Repayments of lease liabilities		**(99,550)**	—
Net cash used in financing activities		**(235,426)**	(243,304)
Net increase in cash and cash equivalents		**193,285**	26,416
Cash and cash equivalents at beginning of the period		**216,465**	333,405
Exchange gains on cash and cash equivalents		**830**	2,523
Cash and cash equivalents at end of the period		**410,580**	362,344

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1. GENERAL INFORMATION

JNBY Design Limited (the "**Company**") was incorporated in the Cayman Islands on November 26, 2012 as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of the Company's registered office is Cricket Square, Hutchins Drive P.O. Box, 2681, Grand Cayman KY1-1111, Cayman Islands. Pursuant to the resolution passed by the board of directors on June 8, 2016, the Company changed its name from Croquis Investment Limited to 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 October 31, 2016 (the "**Listing**").

This condensed consolidated interim financial information is presented in Renminbi ("**RMB**"), unless otherwise stated. This condensed consolidated interim financial information was approved by the board of directors of the Company for issue on February 25, 2020.

This condensed consolidated interim financial information has not been audited.

2. BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended December 31, 2019 has been prepared in accordance with Hong Kong Accounting Standard ("**HKAS**") 34, 'Interim financial reporting'. The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended June 30, 2019 as set out in the annual report dated August 27, 2019, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**").

3. ACCOUNTING POLICIES

The accounting policies applied are consistent with those of the annual financial statements for the year ended June 30, 2019 as described in those annual financial statements except that income tax is accrued using the tax rate that would be applicable to expected total annual earnings and the adoption of new and amended standards as set out below.

(i) The following new standards and amendments to standards and interpretations are effective for annual periods beginning July 1, 2019.

— HKFRS 16 "Leases"
— HK(IFRIC)-Int 23 "Uncertainty over Income Tax Treatments"
— Amendments to HKFRS 9 "Prepayment Features with Negative Compensation"
— Amendments to HKAS 28 "Long-term Interests in Associates and Joint Ventures"
— Annual Improvements to HKFRS Standards 2015–2017 Cycle
— Amendments to HKAS 19 "Plan Amendment, Curtailment or Settlement"

The impact of the adoption of HKFRS 16 "Leases" is disclosed in Note 4 below. Apart from HKFRS 16 as mentioned above, there are no other new standards or amendments to standards that are effective for the first time for this interim period that could be expected to have a material impact on the Group.

(ii) The following new standards and amendments to standards and interpretations have been issued but are not effective for the interim period beginning July 1, 2019 and have not been early adopted by the Group.

	Effective Date
Amendments to HKAS 1 and HKAS 8 "Definition of Material"	January 1, 2020
Amendments to HKFRS 3 "Definition of a Business"	January 1, 2020
Revised Conceptual framework for Financial Reporting	January 1, 2020
HKFRS 17 "Insurance Contracts"	January 1, 2021

All these new standards and amendments are effective in the financial year beginning on or after 1 July 2020. The Group is in the process of making an assessment of the impact of these new standards and amendments and would not expect material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

4. CHANGES IN ACCOUNTING POLICIES

This note explains the impact of the adoption of HKFRS 16, "Leases" on the Group's condensed consolidated interim financial information and also discloses the new accounting policies that have been applied from July 1, 2019.

The Group has adopted HKFRS 16 retrospectively from July 1, 2019, but has not restated comparatives for the prior year, as permitted under the specific transition provisions in the standard. The reclassifications and adjustments arising from the new leasing rules are therefore recognised in the opening condensed consolidated balance sheet on July 1, 2019.

(i) Adjustments recognised on adoption of HKFRS 16

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as "operating leases" under the principles of HKAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of July 1, 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on July 1, 2019 was between 5.23% and 5.39%.

	2019
	RMB'000
Operating lease commitments disclosed as at June 30, 2019	**448,312**
Less: Leases committed but not yet commenced as at July 1, 2019	**(172,454)**
Opening lease commitments of leases commenced as at July 1, 2019	**275,858**
Discounted using the lessee's incremental borrowing rate at the date of initial application	**267,573**
Less: short-term leases not recognised as a liability	**(24,138)**
Lease liability recognised as at July 1, 2019	**243,435**
Of which are:	
Current lease liabilities	**160,679**
Non-current lease liabilities	**82,756**
	243,435

The associated right-of-use assets were measured on a retrospective basis as if the new rules had always been applied, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the consolidated balance sheet as at June 30, 2019.

The recognised right-of-use assets related to the following types of assets:

	December 31, 2019	July 1, 2019
	RMB'000	*RMB'000*
Retail shops and offices	**247,225**	251,218
Land use right	**25,800**	26,079
Total right-of-use assets	**273,025**	277,297

The change in accounting policy affected the following items in the consolidated balance sheet on July 1, 2019:

	June 30, 2019		**July 1, 2019**
	As originally presented	**HKFRS 16**	**Restated**
	RMB'000	*RMB'000*	*RMB'000*
Non-current assets			
Right-of-use assets	—	277,297	277,297
Land use right	26,079	(26,079)	—
Deferred income tax assets	128,298	1,678	129,976
Current assets			
Prepayments, deposits and other assets	287,559	(18,241)	269,318
Non-current liabilities			
Lease liabilities	—	82,756	82,756
Current liabilities			
Accruals and other current liabilities	355,003	(3,745)	351,258
Lease liabilities	—	160,679	160,679
Equity			
Retained earnings	644,599	(5,035)	639,564

Practical expedients applied

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

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

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date, the Group relied on its assessment made applying HKAS 17.

(ii) The Group's leasing activities and how these are accounted for

The Group leases various offices and retail stores. Rental contracts are typically made for fixed periods. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Before adoption of HKFRS 16, leases of premises were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease. Payments made under operating leases were presented as cash flows used in operating activities.

From July 1, 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liabilities and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. Cash payments for the lease liabilities were classified as cash flows used in financing activities. Short-term lease payments, payments for leases of low-value assets and variable lease payments that are not included in the measurement of the lease liabilities were presented within operating activities.

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

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

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

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

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

Right-of-use assets consist of rented premises for stores and offices and land use right.

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

Critical judgements in determining the lease term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

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.

The CODM 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, etc.

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

	Six months ended December 31, 2019			
	Mature brand	**Younger brands**	**Emerging brands**	**Total**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***
Revenue				
Mainland China	**1,207,416**	**864,436**	**49,240**	**2,121,092**
Hong Kong, Taiwan region and other overseas countries and regions	**11,000**	**3,361**	**15**	**14,376**
Revenue from external customers	**1,218,416**	**867,797**	**49,255**	**2,135,468**
Segment gross profit	**766,327**	**547,852**	**20,492**	**1,334,671**
Segment operating profit/(loss)	**461,927**	**273,496**	**(28,281)**	**707,142**
Unallocated selling and marketing expenses and administrative expenses				**(159,087)**
Other income and gains, net				**51,253**
Total operating profit				**599,308**

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

6. EXPENSES BY NATURE

	Six months ended December 31,	
	2019	2018
	RMB'000	*RMB'000*
Cost of inventories sold	**735,186**	717,450
Expenses relating to short-term leases and variable lease payments	**166,760**	—
Workforce contracting expenses	**164,646**	149,911
Employee benefit expenses (including share-based compensation expenses)	**132,540**	124,145
Depreciation and amortisation *(Notes 12, 13 & 14)*	**126,312**	19,748
— Right-of-use assets	**93,173**	—
— Property, plant and equipment	**32,371**	18,625
— Intangible assets	**768**	607
— Land use right	**—**	516
Promotion and marketing expenses	**80,534**	78,832
Provision for inventories *(Note 15)*	**49,062**	49,739
Utilities charges and office expenses	**25,570**	24,559
Transportation and warehouse expenses	**21,271**	33,538
Commission expenses to online platforms	**21,025**	19,252
Taxes and other surcharges	**17,097**	15,963
Consumables and service fee for apparel design	**16,622**	24,844
Entertainment and travelling expenses	**9,716**	13,110
Other professional service expenses	**9,623**	11,197
Auditors' remuneration	**1,200**	1,282
Provision for impairment of trade receivables	**922**	7,755
Operating lease rental	**—**	135,644
Concession fees payable to department stores	**—**	110,824
Others	**9,327**	8,965
Total cost of sales, selling and marketing expenses and administrative expenses	**1,587,413**	1,546,758

7. OTHER INCOME AND GAINS, NET

	Six months ended December 31,	
	2019	2018
	RMB'000	*RMB'000*
Government grants	**50,098**	36,384
Reversal of provision in association with idle land	**—**	6,915
Foreign exchange gains	**295**	91
Investment income	**416**	571
Losses on disposal of property, plant and equipment	**(104)**	(31)
Others	**548**	517
	51,253	44,447

8. FINANCE INCOME AND COSTS

	Six months ended December 31,	
	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	**8,941**	8,958
Net foreign exchange gains on financial assets	**1,460**	484
	10,401	9,442
Finance costs		
Discount charges of bills receivables	**(3,003)**	—
Interest on lease liabilities	**(7,327)**	—
	(10,330)	—
Finance income — net	**71**	9,442

9. INCOME TAX EXPENSE

The Group is not subject to taxation in the Cayman Islands. Hong Kong profits tax has been provided for at a rate of 16.5% (2018: 16.5%) for the period on the estimated assessable profits arising in or derived from Hong Kong. The companies established and operated in the PRC are subject to PRC Enterprise Income Tax ("**EIT**") at a rate of 25% (2018: 25%) whilst certain subsidiaries of the Company established and operated in the PRC are entitled to a preferential income tax rate as qualified Small and Thin-profit Enterprise.

	Six months ended December 31,	
	2019	2018
	RMB'000	*RMB'000*
Current income tax expense		
— Enterprise income tax expense	**186,128**	162,469
Deferred income tax expense	**(16,633)**	(8,863)
	169,495	153,606

Income tax expense is recognised based on management's estimate of weighted average annual income tax rate expected for the full financial year. The estimated effective tax rate used for the Group is 28.3% (six months ended 31 December 2018: 28.7%).

10. EARNINGS PER SHARE

(a) Basic

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

	Six months ended December 31,	
	2019	2018
	RMB'000	*RMB'000*
Profit attributable to shareholders of the Company	**429,886**	380,874
Weighted average number of ordinary shares in issue excluding shares held under the RSU scheme in issue (thousands of shares)	**510,825**	511,691
Basic earnings per share (expressed in RMB per share)	**0.84**	0.74

(b) Diluted

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

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

	Six months ended December 31,	
	2019	2018
	RMB'000	*RMB'000*
Profit attributable to shareholders of the Company	**429,886**	380,874
Weighted average number of ordinary shares in issue excluding shares held under the RSU scheme in issue (thousands of shares)	**510,825**	511,691
Adjustments for share based compensation — RSUs (thousands of shares)	**2,595**	6,350
Weighted average number of ordinary shares for the calculation of diluted EPS (thousands of shares)	**513,420**	518,041
Diluted earnings per share (expressed in RMB per share)	**0.84**	0.74

11. DIVIDENDS

Pursuant to the shareholders' resolution on September 17, 2019, a dividend of RMB219,798,000 relating to the year ended June 30, 2019 was paid during the six months ended December 31, 2019 (six months ended December 31, 2018: RMB199,070,000).

12. 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*
Six months ended December 31, 2019							
Opening net book value as at July 1, 2019	**17,716**	**28,742**	**1,410**	**38,584**	**493**	**192,353**	**279,298**
Additions	**5,808**	**31,022**	**—**	**16,027**	**17,037**	**9,476**	**79,370**
Transfer from Construction-in-progress	**—**	**—**	**—**	**493**	**(493)**	**—**	**—**
Depreciation	**(2,634)**	**(2,018)**	**(154)**	**(23,094)**	**—**	**(4,471)**	**(32,371)**
Disposals	**(448)**	**(51)**	**(26)**	**—**	**—**	**—**	**(525)**
Closing net book value	**20,442**	**57,695**	**1,230**	**32,010**	**17,037**	**197,358**	**325,772**
As at December 31, 2019							
Cost	**42,944**	**62,591**	**5,545**	**135,702**	**17,037**	**203,339**	**467,158**
Accumulated depreciation	**(22,502)**	**(4,896)**	**(4,315)**	**(103,692)**	**—**	**(5,981)**	**(141,386)**
Net book value	**20,442**	**57,695**	**1,230**	**32,010**	**17,037**	**197,358**	**325,772**
Six months ended December 31, 2018							
Opening net book value as at July 1, 2018	9,631	9,918	1,595	28,795	91,579	—	141,518
Additions	3,921	1,296	122	28,878	61,245	—	95,462
Depreciation	(2,168)	(537)	(143)	(15,777)	—	—	(18,625)
Disposals	(156)	—	—	(478)	—	—	(634)
Closing net book value	11,228	10,677	1,574	41,418	152,824	—	217,721
As at December 31, 2018							
Cost	30,233	12,738	5,828	138,187	152,824	—	339,810
Accumulated depreciation	(19,005)	(2,061)	(4,254)	(96,769)	—	—	(122,089)
Net book value	11,228	10,677	1,574	41,418	152,824	—	217,721

13. RIGHT-OF-USE ASSETS

	Rented premises for stores and offices	**Land use right**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
Six months ended December 31, 2019			
Opening net book value as at July 1, 2019 *(Note 4)*	**251,218**	**26,079**	**277,297**
Additions	**107,706**	**—**	**107,706**
Disposals	**(18,805)**	**—**	**(18,805)**
Depreciation and amortisation	**(92,894)**	**(279)**	**(93,173)**
Closing net book value as at December 31, 2019	**247,225**	**25,800**	**273,025**
Six months ended December 31, 2018			
Opening net book value as at July 1, 2018	—	48,322	48,322
Transfer to land for sale	—	(21,448)	(21,448)
Depreciation and amortisation	—	(516)	(516)
Closing net book value as at December 31, 2018	—	26,358	26,358

14. INTANGIBLE ASSETS

	Computer software *RMB'000*	Others *RMB'000*	Total *RMB'000*
Six months ended December 31, 2019			
Opening net book value as at July 1, 2019	**11,539**	**72**	**11,611**
Additions	**2,122**	**—**	**2,122**
Amortisation charge	**(764)**	**(4)**	**(768)**
Closing net book value as at December 31, 2019	**12,897**	**68**	**12,965**
As at December 31, 2019			
Cost	**18,366**	**85**	**18,451**
Accumulated amortisation	**(5,469)**	**(17)**	**(5,486)**
Net book value	**12,897**	**68**	**12,965**
Six months ended December 31, 2018			
Opening net book value as at July 1, 2018	8,725	81	8,806
Additions	3,319	—	3,319
Amortisation charge	(602)	(5)	(607)
Closing net book value as at December 31, 2018	11,442	76	11,518
As at December 31, 2018			
Cost	15,435	85	15,520
Accumulated amortisation	(3,993)	(9)	(4,002)
Net book value	11,442	76	11,518

15. INVENTORIES

	As at December 31, 2019 *RMB'000*	As at June 30, 2019 *RMB'000*
Finished goods	**1,094,780**	912,601
Raw materials	**37,083**	41,467
Commissioned processing materials	**108,874**	201,208
Less: provision	**(332,681)**	(295,537)
	908,056	859,739

Movements of provision for inventories are as follows:

	Six months ended December 31, 2019 *RMB'000*	2018 *RMB'000*
Opening balance as at July 1	**295,537**	233,231
Addition of provision for inventories to net realisable value included in "cost of sales" *(Note 6)*	**49,062**	49,739
Release of provision upon sales of inventories written down in prior years	**(11,918)**	(28,531)
Closing balance as at December 31	**332,681**	254,439

16. TRADE RECEIVABLES

	As at December 31, 2019 *RMB'000*	As at June 30, 2019 *RMB'000*
Trade receivables	**253,976**	141,416
Less: provision for impairment	**(24,360)**	(25,985)
	229,616	115,431

The trade receivables are mainly related to sales through retail stores within department stores and shopping malls, and are generally collectible within 45 to 90 days from the invoice date.

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

	As at December 31, 2019 *RMB'000*	As at June 30, 2019 *RMB'000*
Within 3 months	**221,904**	113,725
3 months to 6 months	**14,250**	7,466
6 months to 1 year	**2,644**	3,673
1 year to 2 years	**11,921**	12,384
more than 2 years	**3,257**	4,168
	253,976	141,416

17. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at December 31, 2019 *RMB'000*	As at June 30, 2019 *RMB'000*
Long-term prepayments		
Long-term prepaid expenses	**7,263**	10,223
Current assets		
Deposits and other receivables	**101,626**	109,596
Right of goods return	**94,172**	45,264
Prepaid expenses	**18,552**	34,932
Prepayment to suppliers	**17,363**	75,214
Value added tax recoverable	**8,865**	20,954
Interest receivables	**1,591**	1,572
Staff advances	**94**	27
	242,263	287,559
	249,526	297,782

18. TRADE AND BILLS PAYABLES

	As at December 31, 2019 *RMB'000*	As at June 30, 2019 *RMB'000*
Trade payables	**274,590**	196,925
Bills payables	**171**	4,863
	274,761	201,788

Ageing analysis of trade payables based on date of goods received as at December 31, 2019 and June 30, 2019 was as follows:

	As at December 31, 2019 *RMB'000*	As at June 30, 2019 *RMB'000*
Within 6 months	**269,481**	192,654
6 months to 1 year	**3,454**	3,236
1 to 2 years	**1,156**	556
2 to 3 years	**499**	479
	274,590	196,925

19. CONTRACT LIABILITIES, ACCRUALS AND OTHER CURRENT LIABILITIES

	As at December 31, 2019 *RMB'000*	As at June 30, 2019 *RMB'000*
Advances from distributors	**201,170**	275,678
Customer loyalty programme	**19,790**	14,312
Contract liabilities	**220,960**	289,990
Provisions for sales returns	**218,750**	104,677
Payroll and welfare payables	**61,295**	86,150
Provisions for sales rebates	**57,597**	42,205
Distribution deposits (a)	**36,463**	37,013
Payables for property, plant and equipment	**35,040**	39,222
Value-added tax and other taxes payables	**33,266**	1,357
Workforce contracting payables	**32,655**	23,311
Rentals	**4,301**	4,478
Others	**20,750**	16,590
	500,117	355,003

(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 should be refunded to the distributors when the distribution relationship with the Group is terminated.

20. LEASE LIABILITIES

	As at December 31, 2019 *RMB'000*	As at June 30, 2019 *RMB'000*
Total lease liabilities	**232,200**	—
Less: current portion	**141,084**	—
Non-current portion	**91,116**	—

The Group leases various retail shops, offices and land use right. The majority of lease liabilities are denominated in RMB.

MANAGEMENT DISCUSSION AND ANALYSIS

Revenue

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

The total revenue for the six months ended December 31, 2019 amounted to RMB2,135.5 million, an increase of 5.3% or RMB108.2 million as compared with RMB2,027.3 million for the six months ended December 31, 2018. The increase in the revenue was mainly attributable to the upgrading of the Group's retail network and the continuous growth of our revenue from online channels.

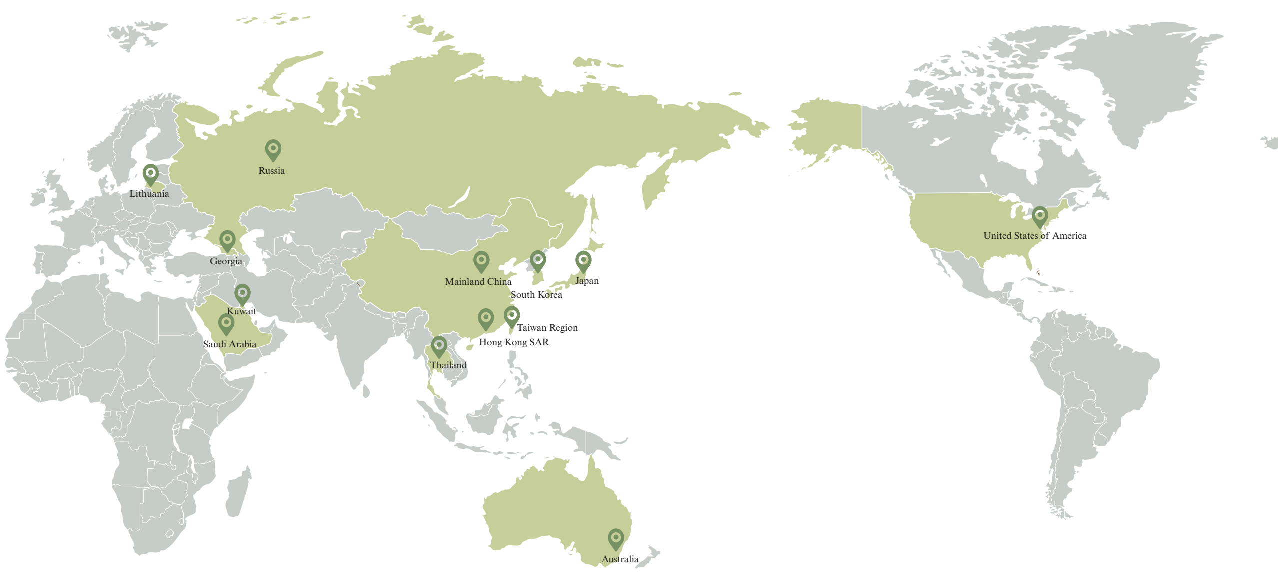
Certain brands recorded unsatisfactory performance due to overall weather conditions, and the total number of our standalone retail stores around the world decreased from 2,018 as of June 30, 2019 to 1,993 as of December 31, 2019.

Including points of sale abroad, our sales network has covered all provinces, autonomous regions and municipalities in Mainland China and across 26 other countries and regions around the world. The tables below set forth the information on the number of our standalone retail stores around the world by different brands and the number and geographic distribution of those standalone retail stores by sales channels, respectively:

Number of our standalone retail stores around the world by different brands		**As of December 31, 2019**	**As of June 30, 2019**
Mature Brand	JNBY	**932**	884
	Subtotal	**932**	884
Younger Brands	CROQUIS (速寫)	**332**	338
	jnby by JNBY	**480**	514
	less	**196**	186
	Subtotal	**1,008**	1,038
Emerging Brands	POMME DE TERRE (蓬馬)	**40**	59
	JNBYHOME	**—**	—
	SAMO	**2**	10
	REVERB	**7**	23
	LASU MIN SOLA	**2**	4
	A PERSONAL NOTE 73	**2**	—
	Subtotal	**53**	96
Total		**1,993**	2,018

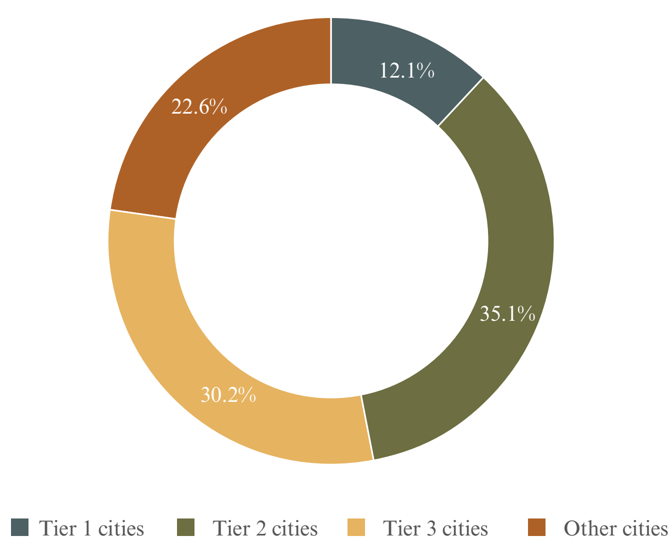
	As of December 31, 2019	As of June 30, 2019
Number and geographic distribution of our standalone retail stores by sales channels		
Mainland China		
Self-operated stores	**568**	574
Distributor-operated stores	**1,380**	1,397
Hong Kong, Taiwan region and other overseas countries and regions		
Self-operated stores	**3**	4
Distributor-operated stores	**42**	43
Total	**1,993**	2,018

The following maps and chart show the retail network distribution of our standalone retail stores in countries and regions all over the world (excluding points of sale), the geographic distribution of our retail stores (including standalone distributor-operated and self-operated stores) across Mainland China, Hong Kong and Taiwan region as well as the distribution of our stores by city tiers across Mainland China as at December 31, 2019 respectively:



Number of stores by city tiers across Mainland China

(As at December 31, 2019)



Same Store Sales Growth of Offline Shops

Same store sales growth rate was 0.5% for the first half of fiscal year 2020, the slowdown was mainly due to the slower growth in the number of our members and the relatively stable inventory sharing allocation scale.

(1) As of December 31, 2019, we had over 3.9 million membership accounts (without duplication) (as of June 30, 2019: over 3.6 million), including more than 3.5 million subscribers (without duplication) on our WeChat platform (as of June 30, 2019: over 3.1 million). For the first half of fiscal year 2020, the retail sales contributed by the members of the Group accounted for approximately 70% of our total retail sales.

(2) The number of active members accounts of the Group (active members accounts are membership accounts associated with at least two purchases for a period of any 180 consecutive days within the last 12 months, without duplication) increased from over 390,000 as of 2018 to over 470,000 for 2019, and the number of WeChat active members accounts (WeChat active members accounts are active members subscribed to our WeChat platform, without duplication) increased from over 370,000 for 2018 to over 450,000 for 2019.

(3) The number of membership accounts with annual purchases totaling over RMB5,000 in 2019 increased from over 180,000 for 2018 to over 210,000 for 2019, thereby contributing retail sales amounting to RMB2.50 billion (2018: RMB2.17 billion), accounting for over 40% of total retail sales from offline channels, among these membership accounts, the number of subscribers on our WeChat platform with annual purchases totaling over RMB5,000 in 2019 increased from over 170,000 for 2018 to over 200,000 for 2019. Driven by our social media omni-channel interactive platform, especially on WeChat, the loyalty of our fans maintained stable growth.

(4) The incremental retail sales generated by the inventory sharing and allocation system was RMB412.0 million in the first half of fiscal year 2020 (the first half of fiscal year 2019: RMB402.2 million).

Revenue by brands

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

	For the six months ended December 31,					
	2019		2018		Increase	
	RMB'000	*(%)*	*RMB'000*	*(%)*	*RMB'000*	*(%)*
Mature Brand:						
JNBY	**1,218,416**	**57.1%**	1,155,890	57.0%	62,526	5.4%
Subtotal	**1,218,416**	**57.1%**	1,155,890	57.0%	62,526	5.4%
Younger Brands:						
CROQUIS (速寫)	**376,329**	**17.6%**	402,050	19.8%	(25,721)	(6.4%)
jnby by JNBY	**329,701**	**15.4%**	285,071	14.1%	44,630	15.7%
less	**161,767**	**7.6%**	150,827	7.4%	10,940	7.3%
Subtotal	**867,797**	**40.6%**	837,948	41.3%	29,849	3.6%
Emerging Brands:						
POMME DE TERRE (蓬馬)	**27,001**	**1.3%**	23,969	1.3%	3,032	12.6%
JNBYHOME	**6,998**	**0.3%**	4,944	0.2%	2,054	41.5%
SAMO	**3,747**	**0.2%**	1,913	0.1%	1,834	95.9%
REVERB	**7,341**	**0.3%**	2,555	0.1%	4,786	187.3%
A PERSONAL NOTE 73	**2,034**	**0.1%**	—	—	2,034	N/A
Others	**2,134**	**0.1%**	130	0.0%	2,004	1541.5%
Subtotal	**49,255**	**2.3%**	33,511	1.7%	15,744	47.0%
Total revenue	**2,135,468**	**100.0%**	2,027,349	100.0%	108,119	5.3%

For the first half of fiscal year 2020, despite challenging terminal retail sales due to overall weather conditions, the revenue of the Group has still shown an increasing trend. Revenue generated from the Group's Mature brand with a history over 20 years, JNBY brand, continued to grow, representing an increase of 5.4% or RMB62.5 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 growth, with a total growth rate reached 3.6%. For Emerging brands portfolio, it consists of various new brands, such as POMME DE TERRE (蓬馬) and JNBYHOME. Revenue from Emerging brands portfolio totaling of RMB49.3 million were recorded, showing an aggregate of 2.3% 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 half-years indicated:

	For the six months ended December 31,					
	2019		2018		Increase	
	RMB'000	*(%)*	*RMB'000*	*(%)*	*RMB'000*	*(%)*
Offline channels						
Self-operated stores[2]	**850,223**	**39.9%**	819,259	40.4%	30,964	3.8%
Distributor-operated stores[1]	**1,010,868**	**47.3%**	985,512	48.6%	25,356	2.6%
Online channels	**271,537**	**12.7%**	220,261	10.9%	51,276	23.3%
Other channels[2]	**2,840**	**0.1%**	2,317	0.1%	523	22.6%
Total revenue	**2,135,468**	**100.0%**	2,027,349	100.0%	108,119	5.3%

Notes:

(1) Includes stores operated by overseas customers.

(2) Includes revenue recorded by Box Project of RMB6.4 million.

In the first half of fiscal year 2020, absolute amounts of revenue generated from sales through our offline and online channels continued to increase as compared with that in the first half of fiscal year 2019. 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 10.9% for the first half of fiscal year 2019 to 12.7% for the first half of fiscal year 2020, represented a growth rate over 20%, 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 half-years indicated:

	For the six months ended December 31,					
	2019		2018		Increase	
	RMB'000	*(%)*	*RMB'000*	*(%)*	*RMB'000*	*(%)*
Mainland China	**2,121,092**	**99.3%**	2,009,728	99.1%	111,364	5.5%
Non-Mainland China[1]	**14,376**	**0.7%**	17,621	0.9%	(3,245)	(18.4%)
Total revenue	**2,135,468**	**100.0%**	2,027,349	100.0%	108,119	5.3%

Note:

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

In the first half of fiscal year 2020, the absolute amounts of revenue generated from sales in Mainland China areas continued to increase as compared with that in the first half of fiscal year 2019.

Gross profit and gross profit margin

The Group's gross profit increased by 7.3% from RMB1,244.2 million for the first half of fiscal year 2019 to RMB1,334.7 million for the first half of fiscal year 2020, which was primarily attributable to slight increase of the Group's overall gross profit margin as well as growth of revenue from online channels.

The Group's overall gross profit margin increased from 61.4% for the first half of fiscal year 2019 to 62.5% for the first half of fiscal year 2020, which was mainly attributed to higher gross profit margin of distribution channels.

	For the six months ended December 31,							
	2019			2018			Increase	
	Gross Profit	**Percentage**	**Gross profit margin**	Gross Profit	Percentage	Gross profit margin	Gross Profit	Percentage
	RMB'000	***(%)***	***(%)***	*RMB'000*	*(%)*	*(%)*	*RMB'000*	*(%)*
Offline channels	**1,171,256**	**87.7%**	**62.9%**	1,108,454	89.1%	61.4%	62,802	5.7%
Self-operated stores	**605,598**	**45.4%**	**71.2%**	593,220	47.7%	72.4%	12,378	2.1%
Distributor-operated stores	**565,658**	**42.3%**	**56.0%**	515,234	41.4%	52.3%	50,424	9.8%
Online channels	**161,126**	**12.1%**	**59.3%**	133,917	10.8%	60.8%	27,209	20.3%
Other channels	**2,289**	**0.2%**	**80.6%**	1,826	0.1%	78.8%	463	25.4%
Total	**1,334,671**	**100.0%**	**62.5%**	1,244,197	100.0%	61.4%	90,474	7.3%

Selling and marketing expenses and administrative expenses

In the first half of fiscal year 2020, selling and marketing expenses were RMB642.3 million (the first half of fiscal year 2019: RMB604.7 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 30.1% of our revenue in the first half of fiscal year 2020 (the first half of fiscal year 2019: 29.8%), the slight increase in the expenses as compared to the first half of fiscal year 2019 mainly attributable to slower same store sales growth rate. The administrative expenses for the first half of fiscal year 2020 were RMB144.3 million (the first half of fiscal year 2019: RMB158.9 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 6.8% of our revenue in the first half of fiscal year 2020 (the first half of fiscal year 2019: 7.8%), representing a decrease in the expenses related to design and research and development as compared with that for the corresponding period of the previous year.

Finance income, net

The Group's net finance income for the first half of fiscal year 2020 was net income of RMB0.1 million (the first half of fiscal year 2019: net income of net financial income of RMB9.4 million). The decrease in net financial income was mainly due to the impact of reclassification as a result of the implementation of HKFRS 16 "Leases".

Profit and net profit margin, net

Due to the above-mentioned factors, net profit for the first half of fiscal year 2020 was RMB429.9 million, representing an increase of 12.9% or RMB49.0 million as compared with RMB380.9 million for the first half of fiscal year 2019. Net profit margin increased from 18.8% for the first half of fiscal year 2019 to 20.1% for the first half of fiscal year 2020.

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 Company's capital expenditure for the first half of fiscal year 2020 was RMB85.7 million (the first half of fiscal year 2019: RMB87.7 million).

Profit before income tax

The Group's profit before income tax increased by 12.1%, from RMB534.5 million for the first half of fiscal year 2019 to RMB599.4 million for the first half of fiscal year 2020. The increase in the profit before income tax was mainly due to the increase in the Group's operating profit.

Financial position

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

As of December 31, 2019, the Group's cash and cash equivalents were RMB410.6 million (June 30, 2019: RMB216.5 million), of which 86.8% was denominated in RMB, 3.0% in US dollars and 10.2% in other currencies. Net cash inflow from operating activities in the first half of fiscal year 2020 was RMB653.7 million, an increase of 75.3% as compared with RMB372.8 million in the first half of fiscal year 2019.

As at 31 December, 2019, our short-term bank loans amounted to RMB90.0 million, representing (i) our short-term loans of RMB40.0 million borrowed from Bank of Hangzhou on November 7, 2019 at a rate of 3.1% per annum, and (ii) our short-term loans of RMB50.0 million borrowed from Bank of Ningbo on December 10, 2019 at a rate of 2.95% per annum. The above short-term borrowings were utilized to supplement the Group's funds and enhance the usage efficiency of our own funds.

Significant Investment Event

Subscription of financial products

On November 6, 2019, 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.

On December 20, 2019, JNBY Finery subscribed for the short-term financial products of Hua Xia Bank with a principal of RMB30,000,000. The subscription mentioned above does not constitute a notifiable transaction of the Company.

On November 25, 2019, JNBY Finery subscribed for the short-term financial products of China Merchants Bank with a principal of RMB40,000,000. The subscription mentioned above does not constitute a notifiable transaction of the Company.

Exposure to fluctuations in exchange rates

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

Human resources

The number of the Group's employees decreased to 1,183 as of December 31, 2019 (June 30, 2019: 1,267). The total staff costs for the first half of fiscal year 2020 (including basic salaries and allowances, social security insurance, discretionary bonuses and share-based compensation expenses) were RMB132.5 million (first half of fiscal year 2019: RMB124.1 million), representing 6.2% of our revenue (first half of fiscal year 2019: 6.1%).

Pledge of assets

As at December 31, 2019, the Group did not have any secured bank borrowings.

Contingent liabilities

As at December 31, 2019, the Group did not have any material contingent liabilities.

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 continues 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 increase our strategic investments in store vision and image development, 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 retail operational innovation, to continue in creating and providing scenarios for value-added services and customer touchpoints to our fans.

USE OF PROCEEDS FROM LISTING

The Company's net proceeds from listing were approximately HK$684.0 million (equivalent to approximately RMB596.6 million), after deduction of underwriting fees and related expenses. As of December 31, 2019, the proceeds amounting to a total of RMB541.4 million have been used. These proceeds shown as following have been used for the purposes as stated in the prospectus (the "**Prospectus**") of the Company dated October 19, 2016.

Item	The planned use of proceeds *(RMB million)*	As at December 31, 2019 The actual used amount *(RMB million)*	For the six months ended December 31, 2019 The actual used amount *(RMB million)*	As at December 31, 2019 Proceeds amount *(RMB million)*
To strengthen our omni-channel interactive platform	167.4	167.4	—	—
To expand our product offering and brand portfolio	179.3	124.1	16.5	55.2
To establish a new logistics center	220.1	220.1	—	—
For general purposes	29.8	29.8	—	—
Total	596.6	541.4	16.5	55.2

As at December 31, 2019, the balance of proceeds of approximately RMB55.2 million would continue to be used for the purposes as stated in the Prospectus. It is also expected to be fully utilised within next 18 months. 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.

INTERIM DIVIDEND

The Board did not declare any interim dividend for the six months ended December 31, 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 "**CG Code**") contained in Appendix 14 to the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") as its own corporate governance code.

The Company has complied with all applicable code provisions under the CG Code during the six months ended December 31, 2019. The Company will continue to review and monitor its corporate governance practices to ensure compliance with the CG Code.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuer (the "**Model Code**") set out in Appendix 10 of the Listing Rules as the code of conduct regarding Directors' securities transactions. 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 the six months ended December 31, 2019.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the six months ended December 31, 2019, save as the trustee of the RSU Scheme purchased a total of 300,000 shares of the Company with approximately HK$3.4 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.

AUDIT COMMITTEE

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

The Audit Committee, together with the senior management and the external auditors of the Company, has reviewed the Group's unaudited condensed interim results for the six months ended December 31, 2019.

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

This interim results announcement has been published on the website of the Stock Exchange (www.hkexnews.hk) and that of the Company (www.jnbygroup.com), and the interim report for the six months ended December 31, 2019 containing all the information required by the Listing Rules will be dispatched to the Shareholders and published on the aforesaid websites of the Stock Exchange and the Company in due course.

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

Hong Kong, February 25, 2020

As at the date of this announcement, the executive Directors are Mr. Wu Jian, Ms. Li Lin and Ms. Wu Huating; the non-executive Director is Mr. Wei Zhe; and the independent non-executive Directors are Mr. Lam Yiu Por, Ms. Han Min and Mr. Hu Huanxin.