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江南布衣⁺

JNBY Design Limited

江南布衣有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3306)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED DECEMBER 31, 2017

HIGHLIGHTS OF INTERIM RESULTS

- The total revenue of the Group for the six months ended December 31, 2017 (“**first half of fiscal year 2018**”) amounted to RMB1,654.0 million, an increase of 26.2% or RMB343.6 million as compared with RMB1,310.4 million for the six months ended December 31, 2016 (“**first half of fiscal year 2017**”).
- The net profit of the Group for the first half of fiscal year 2018 amounted to RMB311.9 million, an increase of 36.8% or RMB84.0 million as compared with RMB227.9 million for the first half of fiscal year 2017. If deducting the relevant listing expenses of RMB15.7 million, one non-recurring item in the first half of fiscal year 2017, the net profit for the first half of fiscal year 2018 increased by 28.0% or RMB68.3 million as compared with the adjusted net profit of RMB243.6 million for the first half of fiscal year 2017.
- The total number of our standalone retail stores around the world increased from 1,591 as of June 30, 2017 to 1,768 as of December 31, 2017, coupled with our 80 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 same store sales growth rate of retail stores of the Group reached 10.3% for the first half of fiscal year 2018.
- As of December 31, 2017, the Group had over 2.4 million offline-channel membership accounts (as of June 30, 2017: over 2.0 million), including our more than 1.9 million subscribers on the WeChat platform (as of June 30, 2017: over 1.5 million). The retail sales contributed by our members accounted for 67.4% of our total retail sales for the first half of fiscal year 2018 (for the first half of fiscal year 2017: 63.6%).
- The number of Active Members accounts of the Group for 2017 (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 290,000 (2016: over 230,000), and the number of membership accounts with annual purchases totalling over RMB5,000 for 2017 exceeded 140,000 (2016: over 113,000), thereby contributing retail sales amounting to RMB1.67 billion (2016: RMB1.33 billion).
- The board of directors declared the payment of an interim dividend of RMB0.2 per ordinary share (equivalent to HK\$0.25 per ordinary share) for the six months ended December 31, 2017.

The board of directors (the “**Board**”) of JNBY Design Limited (the “**Company**”) is pleased to announce the unaudited condensed consolidated interim results of our Company and its subsidiaries (the “**Group**”) for the six months ended December 31, 2017, together with the comparative figures for the corresponding period of the previous fiscal year, as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 31 December 2017

	<i>Note</i>	Unaudited Six months ended 31 December 2017 RMB'000	2016 RMB'000
Revenue	6	1,653,998	1,310,405
Cost of sales	7	(618,646)	(466,930)
Gross profit		1,035,352	843,475
Selling and marketing expenses	7	(520,356)	(445,056)
Administrative expenses	7	(110,688)	(96,604)
Other income and gains, net	8	22,621	19,856
Operating profit		426,929	321,671
Finance income	9	6,270	3,229
Finance costs	9	–	(1,016)
Finance income, net		6,270	2,213
Share of loss of investment accounted for using the equity method	17	(185)	–
Profit before income tax		433,014	323,884
Income tax expense	10	(121,124)	(95,952)
Profit for the period		311,890	227,932
Other comprehensive income <i>Items that may be reclassified subsequently to profit or loss:</i>			
Currency translation differences		(15,386)	13,077
Total comprehensive income for the period		296,504	241,009
Profit attributable to:			
Shareholders of the Company		311,890	227,932
Total comprehensive income attributable to:			
Shareholders of the Company		296,504	241,009
Earnings per share (expressed in RMB per share)			
– Basic	11	0.61	0.54
– Diluted	11	0.60	0.52

CONDENSED CONSOLIDATED BALANCE SHEET

As at 31 December 2017

	<i>Note</i>	Unaudited 31 December 2017 RMB'000	Audited 30 June 2017 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	13	104,593	58,577
Land use rights	14	48,838	49,354
Intangible assets	15	7,674	6,643
Prepayments, deposits and other receivables	20	9,353	5,967
Investment in an associate	17	7,315	–
Deferred income tax assets	16	111,852	88,274
Total non-current assets		289,625	208,815
Current assets			
Inventories	18	631,600	569,550
Trade receivables	19	187,062	83,406
Prepayments, deposits and other receivables	20	153,061	223,824
Amounts due from related parties	30(b)	9,491	10,205
Available-for-sale financial assets	21	140,000	130,597
Term deposits with initial term over 3 months	22	195,872	203,251
Restricted cash	23	–	1,000
Cash and cash equivalents	23	566,618	494,334
Total current assets		1,883,704	1,716,167
Total assets		2,173,329	1,924,982
EQUITY			
Equity attributable to shareholders of the Company			
Share capital	24	4,622	4,622
Shares held for restricted share units (“RSU”) Scheme	24	(42)	(66)
Share premium	24	647,739	639,003
Other reserves	25	129,069	131,229
Retained earnings		529,141	482,451
Total equity		1,310,529	1,257,239

CONDENSED CONSOLIDATED BALANCE SHEET (CONTINUED)*As at 31 December 2017*

	<i>Note</i>	Unaudited 31 December 2017 RMB'000	Audited 30 June 2017 RMB'000
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities	<i>16</i>	<u>18,498</u>	<u>13,449</u>
Current liabilities			
Trade and bills payables	<i>27</i>	196,465	151,067
Deferred revenue		21,246	26,386
Accruals and other current liabilities	<i>28</i>	525,711	460,578
Amounts due to related parties	<i>30(b)</i>	8,320	8,131
Current income tax liabilities		<u>92,560</u>	<u>8,132</u>
Total current liabilities		<u>844,302</u>	<u>654,294</u>
Total liabilities		<u>862,800</u>	<u>667,743</u>
Total equity and liabilities		<u>2,173,329</u>	<u>1,924,982</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 December 2017

		Unaudited					
		Attributable to shareholders of the Company					
		Shares held					
Note	Share capital RMB'000	Share Premium RMB'000	for RSU Scheme RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Total RMB'000	
	Balance at 1 July 2017	<u>4,622</u>	<u>639,003</u>	<u>(66)</u>	<u>131,229</u>	<u>482,451</u>	<u>1,257,239</u>
	Comprehensive income						
	Profit for the period	-	-	-	-	311,890	311,890
	Other comprehensive Income						
	Currency translation differences	25	-	-	(15,386)	-	(15,386)
	Total comprehensive income	<u>-</u>	<u>-</u>	<u>-</u>	<u>(15,386)</u>	<u>311,890</u>	<u>296,504</u>
	Transactions with shareholders						
	Profit appropriations to statutory reserves	25	-	-	19,347	(19,347)	-
	Share-based compensation	26	-	-	2,639	-	2,639
	Vest and transfer of RSUs		8,736	24	(8,760)	-	-
	Dividend	12	-	-	-	(245,853)	(245,853)
	Total transactions with shareholders	<u>-</u>	<u>8,736</u>	<u>24</u>	<u>13,226</u>	<u>(265,200)</u>	<u>(243,214)</u>
	Balance at 31 December 2017	<u><u>4,622</u></u>	<u><u>647,739</u></u>	<u><u>(42)</u></u>	<u><u>129,069</u></u>	<u><u>529,141</u></u>	<u><u>1,310,529</u></u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the six months ended 31 December 2017

		Unaudited Attributable to shareholders of the Company					
		Shares held					
<i>Note</i>	Share capital <i>RMB'000</i>	Share Premium <i>RMB'000</i>	for RSU Scheme <i>RMB'000</i>	Other reserves <i>RMB'000</i>	Retained earnings <i>RMB'000</i>	Total <i>RMB'000</i>	
Balance at 1 July 2016	16	–	–	96,984	190,942	287,942	
Comprehensive income							
Profit for the period	–	–	–	–	227,932	227,932	
Other comprehensive Income							
Currency translation differences	25	–	–	13,077	–	13,077	
Total comprehensive income	–	–	–	13,077	227,932	241,009	
Transactions with shareholders							
Profit appropriations to statutory reserves	25	–	–	23,565	(23,565)	–	
Share-based compensation	26	–	–	2,816	–	2,816	
Issuance of ordinary shares	24	4,606	628,514	(95)	–	633,025	
Total transactions with shareholders	4,606	628,514	(95)	26,381	(23,565)	635,841	
Balance at 31 December 2016	<u>4,622</u>	<u>628,514</u>	<u>(95)</u>	<u>136,442</u>	<u>395,309</u>	<u>1,164,792</u>	

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 31 December 2017

		Unaudited	
		Six months ended	
		31 December	
	<i>Note</i>	2017	2016
		<i>RMB'000</i>	<i>RMB'000</i>
Cash flows from operating activities			
Cash generated from operations		443,998	320,805
Income tax paid		(55,225)	(56,410)
		<u>388,773</u>	<u>264,395</u>
Cash flows from investing activities			
Purchase of property, plant and equipment		(51,025)	(23,174)
Purchase of intangible assets		(1,517)	(1,227)
Proceeds from disposals of property, plant and equipment		302	775
Cash designated for restriction		(20,602)	(27,362)
Cash released from restriction		21,602	35,033
Income received from structured investment products		1,570	29
Interest received		3,838	3,229
Payment of term deposits with initial term of over 3 months		–	(471,716)
Payment of investment in an associate		(7,500)	–
Payment of available-for-sale financial assets		(190,000)	–
Proceeds from disposal of available-for-sale financial assets		180,597	–
		<u>(62,735)</u>	<u>(484,413)</u>
Net cash used in investing activities			
Cash flows from financing activities			
Dividends paid	12	(245,853)	(230,000)
Proceeds from issuance of ordinary shares		–	647,614
Proceeds from bank borrowings		–	100,000
Repayments of bank borrowings		–	(100,000)
Interest paid		–	(1,016)
		<u>(245,853)</u>	<u>416,598</u>
Net cash (used in)/generated from financing activities			
Net increase in cash and cash equivalents			
Cash and cash equivalents at beginning of the period	23	494,334	167,523
Exchange (losses)/gains on cash and cash equivalents		(7,901)	146
		<u>566,618</u>	<u>364,249</u>
Cash and cash equivalents at end of the period	23	<u><u>566,618</u></u>	<u><u>364,249</u></u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1. GENERAL INFORMATION

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

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

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

This condensed consolidated interim financial information is presented in Renminbi (“**RMB**”), unless otherwise stated. This condensed consolidated interim financial information was approved by the board of directors of the Company for issue on 26 February 2018.

This condensed consolidated interim financial information has not been audited.

2. BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 31 December 2017 has been prepared in accordance with Hong Kong Accounting Standard (“**HKAS**”) 34, ‘Interim financial reporting’. The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 30 June 2017 as set out in the annual report dated 30 August 2017, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”).

3. ACCOUNTING POLICIES

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 30 June 2017, as described in those annual financial statements.

- (a) Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.
- (b) Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor’s share of the profit or loss of the investee after the date of acquisition.

Amendments to HKFRSs effective for the financial year ending 30 June 2018 do not have a material impact on the Group.

A number of new standards and amendments to standards and interpretations have been issued but not yet effective for the financial year beginning 1 July 2017, and have not been applied in preparing this condensed consolidated interim financial information.

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 those as described in the annual financial statements for the year ended 30 June 2017.

4. ESTIMATES

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

In preparing this condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation were the same as those that applied to the consolidated financial statements for the year ended 30 June 2017.

5. FINANCIAL RISK MANAGEMENT

5.1 Financial risk factors

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

The condensed consolidated interim financial information do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 30 June 2017.

There have been no changes in the risk management policies since 30 June 2017.

5.2 Liquidity risk

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

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

	Within 1 year RMB'000	More than 1 year RMB'000
As at 31 December 2017		
Trade and bills payables	194,913	1,552
Amounts due to related parties	8,320	–
Accruals and other current liabilities	255,303	–
	<u>458,536</u>	<u>1,552</u>
As at 30 June 2017		
Trade and bills payables	147,915	1,152
Amounts due to related parties	8,131	–
Accruals and other current liabilities	163,013	–
	<u>319,059</u>	<u>1,152</u>

5.3 Fair value estimation

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

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

The following table presents the Group's assets that are measured at fair value as at 31 December 2017.

	Level 1 <i>RMB'000</i>	Level 2 <i>RMB'000</i>	Level 3 <i>RMB'000</i>	Total <i>RMB'000</i>
Available-for-sale financial assets	–	–	140,000	140,000

The following table presents the Group's assets that are measured at fair value as at 30 June 2017.

	Level 1 <i>RMB'000</i>	Level 2 <i>RMB'000</i>	Level 3 <i>RMB'000</i>	Total <i>RMB'000</i>
Available-for-sale financial assets	–	–	130,597	130,597

As at 31 December and 30 June 2017, the Group had no liabilities that are measured at fair value.

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

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

During six months ended 31 December 2016, the Group did not have any financial instruments that are measured at level 3 fair value.

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

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

6. SEGMENT INFORMATION

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

The Group is principally engaged in designing, marketing and selling apparel, accessory products and household goods.

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

	Six months ended 31 December 2017				
	Women RMB'000	Men RMB'000	Children and teenagers RMB'000	All other segments RMB'000	Total RMB'000
Revenue					
Mainland China	1,083,277	324,380	230,940	3,433	1,642,030
Hong Kong, Taiwan region and other overseas countries and regions	7,616	1,155	3,194	3	11,968
Revenue from external customers	1,090,893	325,535	234,134	3,436	1,653,998
Segment gross profit	690,703	215,126	127,479	2,044	1,035,352
Segment operating profit/(loss)	379,812	118,477	39,730	(4,556)	533,463
Unallocated expense					(129,155)
Other income and gains, net					22,621
Total operating profit					426,929
	Six months ended 31 December 2016				
	Women RMB'000	Men RMB'000	Children and teenagers RMB'000	All other segments RMB'000	Total RMB'000
Revenue					
Mainland China	864,292	271,347	166,594	414	1,302,647
Hong Kong, Taiwan region and other overseas countries and regions	6,506	1,103	149	–	7,758
Revenue from external customers	870,798	272,450	166,743	414	1,310,405
Segment gross profit/(loss)	555,461	187,499	100,556	(41)	843,475
Segment operating profit/(loss)	290,340	102,134	37,833	(2,692)	427,615
Unallocated expense					(125,800)
Other income and gains, net					19,856
Total operating profit					321,671

7. EXPENSES BY NATURE

	Six months ended	
	31 December	
	2017	2016
	<i>RMB'000</i>	<i>RMB'000</i>
Raw materials consumed and consumable used	651,905	616,811
Changes in inventories of finished goods, work in progress and commissioned processing materials (<i>Note 18</i>)	(102,031)	(183,619)
Workforce contracting expenses	129,277	113,642
Operating lease rental	120,071	93,151
Concession fees paid and payable to department stores and shopping malls	104,898	97,108
Employee benefit expenses (including share-based compensation expenses)	92,645	77,908
Promotion and marketing expense	63,153	52,346
Provision for inventories (<i>Note 18</i>)	52,968	21,353
Transportation and warehouse expense	28,481	24,387
Depreciation and amortisation (<i>Note 13, 14 & 15</i>)	19,508	15,339
Utilities charges and office expenses	17,358	14,868
Consumables and service fee for apparel design	17,277	5,236
Stamp duty, property tax and other surcharges	15,804	12,289
Commission expenses to online platforms	12,265	8,148
Entertainment and travelling expenses	10,768	7,580
Other professional service expenses	8,305	6,615
Auditors' remuneration	1,140	3,091
(Reversal)/provision for impairment of trade receivable	(813)	1,318
Listing expense	–	15,696
Others	6,711	5,323
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Total cost of sales, selling and marketing expenses and administrative expenses	1,249,690	1,008,590
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8. OTHER INCOME AND GAINS, NET

	Six months ended	
	31 December	
	2017	2016
	<i>RMB'000</i>	<i>RMB'000</i>
Government grants	19,455	19,786
Investment income	1,570	29
Foreign exchange gains/(losses)	96	(777)
Losses on disposal of property, plant and equipment	(54)	(17)
Others	1,554	835
	<hr/>	<hr/>
	22,621	19,856
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9. FINANCE INCOME, NET

	Six months ended 31 December	
	2017	2016
	<i>RMB'000</i>	<i>RMB'000</i>
Finance income		
Interest income on cash and cash equivalents, restricted cash and term deposits with initial term over 3 months	5,740	3,229
Net foreign exchange gains on financing activities	530	–
	6,270	3,229
Finance costs		
Interest expenses on bank borrowings	–	(1,016)
Finance income, net	6,270	2,213

10. INCOME TAX EXPENSE

The Group is not subject to taxation in the Cayman Island. Hong Kong profits tax has been provided for at a rate of 16.5% (2016: 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% (2016: 25%) whilst certain subsidiaries of the Company established and operated in the PRC is entitled to the preferential income tax rate as qualified Small and Thin-profit Enterprise.

	Six months ended 31 December	
	2017	2016
	<i>RMB'000</i>	<i>RMB'000</i>
Current income tax expense		
– Enterprise income tax expense	132,153	105,926
Deferred income tax expense (<i>Note 16</i>)	(11,029)	(9,974)
	121,124	95,952

Income tax expense is recognised based on management’s estimate of weighted average annual income tax rate expected for the full financial year. The estimated average annual tax rate used for companies established and operated in the PRC and Hong Kong for the six months ended 31 December 2017 is 24.8% and 16.5%, respectively (six months ended 31 December 2016: 25.0% and 16.5%).

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 each interim period.

	Six months ended 31 December	
	2017	2016
	RMB'000	RMB'000
Profit attributable to shareholders of the Company	311,890	227,932
Weighted average number of ordinary shares in issue* excluding shares held under the RSU scheme in issue (thousands of shares)	509,708	425,739
Basic earnings per share (expressed in RMB per share)	<u>0.61</u>	<u>0.54</u>

(b) Diluted

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

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

	Six months ended 31 December	
	2017	2016
	RMB'000	RMB'000
Profit attributable to shareholders of the Company	311,890	227,932
Weighted average number of ordinary shares in issue* excluding shares held under the RSU scheme in issue (thousands of shares)	509,708	425,739
Adjustments for share based compensation – RSUs (thousands of shares)	5,841	8,562
Weighted average number of ordinary shares for the calculation of diluted EPS (thousands of shares)	515,549	434,301
Diluted earnings per share (expressed in RMB per share)	<u>0.60</u>	<u>0.52</u>

* The weighted average number of ordinary shares for the purposes of basic earnings per share for the six months ended 31 December 2016 has been retrospectively adjusted for the effects of the capitalisation of the ordinary shares which took place on 31 October 2016.

12. DIVIDENDS

A dividend of RMB245,853,000 that relates to the year ended 30 June 2017 was paid during the six months ended 31 December 2017 (six months ended 31 December 2016: RMB230,000,000).

Pursuant to a resolution of the board of directors on 26 February 2018, an interim dividend of RMB0.20 per ordinary share totalling approximately RMB102,690,000 was approved. These financial statements do not reflect this dividend payable.

13. PROPERTY, PLANT AND EQUIPMENT

	Office equipment and others <i>RMB'000</i>	Machinery <i>RMB'000</i>	Motor vehicles <i>RMB'000</i>	Leasehold improvements <i>RMB'000</i>	Construction- in-progress <i>RMB'000</i>	Total <i>RMB'000</i>
Six months ended 31 December 2017						
Opening net book value as at 1 July 2017	7,962	6,748	1,321	27,093	15,453	58,577
Additions	3,199	3,650	959	22,949	34,121	64,878
Depreciation	(1,683)	(372)	(349)	(16,102)	-	(18,506)
Disposals	(72)	(5)	(18)	(261)	-	(356)
Closing net book value	<u>9,406</u>	<u>10,021</u>	<u>1,913</u>	<u>33,679</u>	<u>49,574</u>	<u>104,593</u>
As at 31 December 2017						
Cost	24,727	11,042	5,695	133,129	49,574	224,167
Accumulated depreciation	(15,321)	(1,021)	(3,782)	(99,450)	-	(119,574)
Net book value	<u>9,406</u>	<u>10,021</u>	<u>1,913</u>	<u>33,679</u>	<u>49,574</u>	<u>104,593</u>
Six months ended 31 December 2016						
Opening net book value as at 1 July 2016	6,181	1,898	1,963	21,653	1,954	33,649
Additions	2,330	317	103	22,038	1,370	26,158
Depreciation	(1,253)	(109)	(416)	(12,709)	-	(14,487)
Disposals	(21)	-	-	(771)	-	(792)
Closing net book value	<u>7,237</u>	<u>2,106</u>	<u>1,650</u>	<u>30,211</u>	<u>3,324</u>	<u>44,528</u>
As at 31 December 2016						
Cost	19,940	2,626	4,816	108,089	3,324	138,795
Accumulated depreciation	(12,703)	(520)	(3,166)	(77,878)	-	(94,267)
Net book value	<u>7,237</u>	<u>2,106</u>	<u>1,650</u>	<u>30,211</u>	<u>3,324</u>	<u>44,528</u>

14. LAND USE RIGHTS

	Six months ended 31 December	
	2017	2016
	<i>RMB'000</i>	<i>RMB'000</i>
Net book value as at 1 July	49,354	50,386
Amortisation charges	(516)	(516)
Net book value as at 31 December	<u>48,838</u>	<u>49,870</u>

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

15. INTANGIBLE ASSETS

	Computer software RMB'000
Six months ended 31 December 2017	
Opening net book value as at 1 July 2017	6,643
Additions	1,517
Amortisation charge	(486)
	<u>7,674</u>
Closing net book value as at 31 December 2017	<u><u>7,674</u></u>
As at 31 December 2017	
Cost	10,531
Accumulated amortisation	(2,857)
	<u>7,674</u>
Net book value	<u><u>7,674</u></u>
Six months ended 31 December 2016	
Opening net book value as at 1 July 2016	5,003
Additions	1,227
Amortisation charge	(336)
	<u>5,894</u>
Closing net book value as at 31 December 2016	<u><u>5,894</u></u>
As at 31 December 2016	
Cost	7,864
Accumulated amortisation	(1,970)
	<u>5,894</u>
Net book value	<u><u>5,894</u></u>

16. DEFERRED INCOME TAX

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

	As at 31 December 2017 RMB'000	As at 30 June 2017 RMB'000
Deferred income tax assets:		
– to be recovered after more than 12 months	53,234	44,678
– to be recovered within 12 months	58,618	43,596
	<u>111,852</u>	<u>88,274</u>
Deferred income tax liabilities:		
– to be recovered within 12 months	18,498	13,449
Deferred income tax assets – net	<u><u>93,354</u></u>	<u><u>74,825</u></u>

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

	Six months ended	
	31 December	
	2017	2016
	RMB'000	RMB'000
Opening balance as at 1 July	88,274	61,505
Credited in the consolidated statements of comprehensive income	23,578	19,032
Closing balance as at 31 December	111,852	80,537

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

	Six months ended	
	31 December	
	2017	2016
	RMB'000	RMB'000
Opening balance as at 1 July	13,449	8,500
Debited in the consolidated statements of comprehensive income	12,549	9,058
Transferred to tax payables	(7,500)	(8,500)
Closing balance as at 31 December	18,498	9,058

17. INVESTMENT IN AN ASSOCIATE

Name of Entity	Place of business/ country of incorporation	% of ownership interest	Measurement method	Nature of the associate
Hangzhou Yunyijian Network Technology Co., Ltd.	Hangzhou, PRC	8.11	Equity	(a)

- (a) In September 2017, the Group acquired a 8.11% equity interests in 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 and principally engages in operating an online e-commerce fashion design garments platform for customers.

The cash consideration was RMB7,500,000.

Management assessed the level of the Group’s influence on Yunyijian, and determined that it has significant influence even though the shareholding is below 20% because of the board seat held by the Group. Consequently, the investment has been accounted for as an associate and accounted for using equity method of accounting.

The movement of the investment in an associate is as follows:

	Six months ended 31 December 2017 RMB'000
As at 1 July 2017	–
Addition	7,500
Share of loss of investment accounted for using the equity method	(185)
As at 31 December 2017	7,315

18. INVENTORIES

	As at 31 December 2017 RMB'000	As at 30 June 2017 RMB'000
Finished goods	691,508	547,839
Raw materials	37,407	39,068
Commissioned processing materials	115,053	156,691
Less: provision	(212,368)	(174,048)
	631,600	569,550

For the six months ended 31 December 2017, the cost of inventories recognised as “cost of sales” amounted to approximately RMB602,842,000 (six months ended 31 December 2016: RMB454,545,000).

Movements of provision for inventories are as follows:

	Six months ended 31 December 2017 RMB'000	2016 RMB'000
Opening balance as at 1 July	174,048	107,761
Addition of provision for inventories to net realised value included in “cost of sales” (<i>Note 7</i>)	52,968	21,353
Reversal of provision upon disposal of inventories	(14,648)	(9,765)
Closing balance as at 31 December	212,368	119,349

19. TRADE RECEIVABLES

	As at 31 December 2017 RMB'000	As at 30 June 2017 RMB'000
Trade receivables	194,178	92,795
Less: provision for impairment	(7,116)	(9,389)
	187,062	83,406

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

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

	As at 31 December 2017 <i>RMB'000</i>	As at 30 June 2017 <i>RMB'000</i>
Within 3 months	183,727	81,898
3 months to 6 months	4,429	2,601
6 months to 1 year	530	1,538
1 year to 2 years	1,447	2,148
more than 2 years	4,045	4,610
	<u>194,178</u>	<u>92,795</u>

20. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at 31 December 2017 <i>RMB'000</i>	As at 30 June 2017 <i>RMB'000</i>
Long-term prepayments		
Long-term prepaid expenses	<u>9,353</u>	<u>5,967</u>
Current assets		
Deposits and other receivables	96,937	84,416
Prepaid expenses	29,265	20,507
Prepayment to suppliers	18,533	85,588
Interest receivables	4,332	2,430
Value added tax recoverable	3,858	30,656
Staff advances	136	227
	<u>153,061</u>	<u>223,824</u>
	<u>162,414</u>	<u>229,791</u>

21. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	As at 31 December 2017 <i>RMB'000</i>	As at 30 June 2017 <i>RMB'000</i>
Investment in structured deposits	<u>140,000</u>	<u>130,597</u>

The available-for-sale financial assets represented RMB-denominated principal protected structured deposits with interest rates ranging from 1.55% to 4.20% per annum for the six months ended 31 December 2017 (year ended 30 June 2017: 3.75% to 3.85%) and maturity period within 1 year. These structured deposits are offered by a listed commercial bank in the PRC. The fair value of these available-for-sale financial assets approximated its carrying amount.

22. TERM DEPOSITS WITH INITIAL TERM OVER 3 MONTHS

	As at 31 December 2017 RMB'000	As at 30 June 2017 RMB'000
US\$ term deposits	<u>195,872</u>	<u>203,251</u>

The effective interest rate for the term deposits of the Group with initial term over 3 months for the six months ended 31 December 2017 was 2.00% per annum (year ended 30 June 2017: 2.00%).

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

23. CASH AND BANK BALANCE

	As at 31 December 2017 RMB'000	As at 30 June 2017 RMB'000
Current		
Cash and cash equivalents	566,618	494,334
Restricted cash	–	1,000
	<u>566,618</u>	<u>495,334</u>

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

	Number of shares authorised	Number of shares issued	Share capital RMB'000	Share premium RMB'000	Shares held for RSU Scheme (a) RMB'000	Subtotal RMB'000
As at 1 July 2017	1,000,000,000	518,750,000	4,622	639,003	(66)	643,559
Vest and transfer of RSU	–	–	–	8,736	24	8,760
As at 31 December 2017	<u>1,000,000,000</u>	<u>518,750,000</u>	<u>4,622</u>	<u>647,739</u>	<u>(42)</u>	<u>652,319</u>
	Number of shares authorised	Number of shares issued	Share capital RMB'000	Share premium RMB'000	Shares held for RSU Scheme (a) RMB'000	Subtotal RMB'000
As at 1 July 2016	1,000,000,000	1,950,000	16	–	–	16
Capitalisation of share premium	–	398,050,000	3,567	(3,472)	(95)	–
Issuance of ordinary shares upon IPO	–	118,750,000	1,039	663,627	–	664,666
Share issuance cost	–	–	–	(31,641)	–	(31,641)
As at 31 December 2016	<u>1,000,000,000</u>	<u>518,750,000</u>	<u>4,622</u>	<u>628,514</u>	<u>(95)</u>	<u>633,041</u>

- (a) As at 31 December 2017, an aggregate of 5,220,586 shares of the Company have been granted to the senior management and selected employees under RSU scheme (Note 26). 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.

25. OTHER RESERVES

	Statutory reserves RMB'000	Share-based compensation reserve RMB'000	Currency translation differences RMB'000	Merger reserve (b) RMB'000	Total RMB'000
As at 1 July 2017	111,901	17,979	2,948	(1,599)	131,229
Appropriation to statutory reserves (a)	19,347	-	-	-	19,347
Share based compensation (Note 26)	-	2,639	-	-	2,639
Currency translation differences	-	-	(15,386)	-	(15,386)
Vest and transfer of RSUs	-	(8,760)	-	-	(8,760)
As at 31 December 2017	131,248	11,858	(12,438)	(1,599)	129,069
As at 1 July 2016	71,838	22,537	4,208	(1,599)	96,984
Appropriation to statutory reserves (a)	23,565	-	-	-	23,565
Share based compensation (Note 26)	-	2,816	-	-	2,816
Currency translation differences	-	-	13,077	-	13,077
As at 31 December 2016	95,403	25,353	17,285	(1,599)	136,442

- (a) In accordance with the respective articles of association and board resolutions, certain subsidiaries of the Group incorporated in the PRC appropriate certain percentage of the annual statutory net profits, after offsetting any prior year losses as determined under the PRC accounting standards, to the statutory surplus reserve fund before distributing any dividends. The statutory surplus reserve fund can be used to offset prior year losses, if any, and may be converted into paid-in capital. For the six months ended 31 December 2017 and 2016, approximately RMB19,347,000 and RMB23,565,000 were appropriated from retained earnings to the statutory surplus reserve fund, respectively.
- (b) During the reorganisation to form the current Group prior to the IPO, the Group acquired the equity interests of certain Group entities from the controlling shareholders. The difference between the considerations paid and their original investments have been recognised as merger reserve.

26. SHARE-BASED PAYMENTS

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

Movements in the number of outstanding RSUs are as follows:

	Number of RSUs
As at 1 July 2017	8,265,281
Granted (a)	30,000
Forfeited (b)	(30,000)
Vested (c)	(3,044,695)
As at 31 December 2017	5,220,586
	Number of RSUs
As at 1 July 2016	11,776,040
Granted	80,000
Forfeited (b)	(420,000)
As at 31 December 2016	11,436,040

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

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

Upon the consummation of the IPO, the fair value of the underlying ordinary shares was calculated based on the closing price of shares immediately before the date on which the RSUs were granted.

- (a) On 31 August 2017, 30,000 RSUs were granted to one employee, of which 25%, 25%, 25% and 25% shall be vested within two months after 30 June 2018, 2019, 2020 and 2021, respectively.
- (b) During the six months ended 31 December 2017, 30,000 RSUs (six months ended 31 December 2016: 420,000 RSUs) were forfeited as a result of the termination of employment of the relevant employees.
- (c) During the six months ended 31 December 2017, 3,044,695 RSUs (six months ended 31 December 2016: nil) were vested.
- (d) The Group estimates the expected forfeiture rate at the end of vesting periods of the RSU scheme in order to determine the amount of share-based compensation expenses charged to the consolidated statement of comprehensive income. As at 31 December 2017, the expected forfeiture rate was estimated at 3% (31 December 2016: 3%).

27. TRADE AND BILLS PAYABLES

	As at 31 December 2017 <i>RMB'000</i>	As at 30 June 2017 <i>RMB'000</i>
Trade payables	196,465	149,067
Bills payables	—	2,000
	<u>196,465</u>	<u>151,067</u>

Ageing analysis of trade payables based on date of goods received as at 31 December 2017 and 30 June 2017 was as follows:

	As at 31 December 2017 <i>RMB'000</i>	As at 30 June 2017 <i>RMB'000</i>
Within 6 months	193,526	145,338
6 months to 1 year	1,387	2,577
1 to 2 years	1,419	1,070
2 to 3 years	133	82
	<u>196,465</u>	<u>149,067</u>

28. ACCRUALS AND OTHER CURRENT LIABILITIES

	As at 31 December 2017 RMB'000	As at 30 June 2017 RMB'000
Advances from distributors	132,706	118,523
Provisions for sales returns	96,577	47,114
Non-refundable deposits from distributors (a)	77,877	109,956
Payroll and welfare payables	52,604	66,505
Provisions for sales rebates	43,970	35,716
Distribution deposits (b)	36,170	27,032
Workforce contracting payables	27,547	18,218
Payables for construction-in-progress	13,863	5,091
Payables for leasehold improvements	10,108	5,027
Value-added tax and other taxes payables	7,221	2,581
Rentals	3,363	1,743
Marketing and promotions	3,665	5,137
Others	20,040	17,935
	<u>525,711</u>	<u>460,578</u>

(a) Non-refundable deposits from distributors refer to cash deposits received from third-party distributors for placing orders on seasonal products at the Group's trade fair. Such deposits, which is non-interest bearing, would be used to offset the payments for orders placed by the distributors but is non-refundable if the orders are subsequently cancelled by the distributors.

(b) Distribution deposits represent non-interest bearing deposits received from third-party distributors as a condition of engaging in business with the Group for distributing the Group's products in specific geographical areas. Such distribution deposits would be refunded to the distributors when the distribution relationship with the Group was terminated.

29. COMMITMENTS

(a) Capital commitments

As at 31 December 2017, the Group had commitment for capital expenditures contracted but not provided for amounting to RMB78,702,000 (30 June 2017: RMB110,012,000).

(b) Operating lease commitments

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

	As at 31 December 2017 RMB'000	As at 30 June 2017 RMB'000
No later than 1 year	148,967	124,853
Later than 1 year and no later than 5 years	178,445	94,553
Later than 5 years	—	—
	<u>327,412</u>	<u>219,406</u>

30. RELATED-PARTY TRANSACTIONS

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

Name	Relationship with the Group
Wu Jian	One of the controlling shareholders
Li Ming	Close family member of the controlling shareholders
Hangzhou Huikang Industrial Co., Ltd.	Controlled by the controlling shareholders
Hangzhou Shangwei Apparat 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 during the periods, which are all continued transactions:

	Six months ended 31 December	
	2017 RMB'000	2016 RMB'000
(i) Processing fee		
Hangzhou Shangwei Apparat Co., Ltd.	13,534	14,538
Hangzhou New Shangwei Finery Co., Ltd.	4,108	3,965
	17,642	18,503
(ii) Workforce contracting		
Hangzhou JNBY Finery Co., Ltd.	12,638	11,171
	12,638	11,171
(iii) Operating lease expenses charged by related parties		
Hangzhou Huikang Industrial Co., Ltd.	5,104	5,102
Hangzhou JNBY Finery Co., Ltd.	840	840
Wu Jian	513	360
Li Ming	64	–
	6,521	6,302
(iv) Logistics and warehousing expenses charged by a related party		
Hangzhou Huikang Industrial Co., Ltd.	14,240	11,038
	14,240	11,038

(b) Balances with related parties

	As at 31 December 2017 RMB'000	As at 30 June 2017 RMB'000
Due from related parties		
Prepaid operating lease expenses:		
– Hangzhou Huikang Industrial Co., Ltd.	9,491	8,993
– Hangzhou JNBY Finery Co., Ltd.	–	882
– Wu Jian	–	330
	<u>9,491</u>	<u>10,205</u>
Due to related parties		
Trade payables:		
– Hangzhou Shangwei Apparal Co., Ltd.	4,377	4,319
– Hangzhou New Shangwei Finery Co., Ltd.	870	1,108
	<u>5,247</u>	<u>5,427</u>
Other payables:		
– Hangzhou JNBY Finery Co., Ltd.	3,009	2,704
– Li Ming	64	–
	<u>3,073</u>	<u>2,704</u>
	<u>8,320</u>	<u>8,131</u>

31. EVENTS AFTER THE BALANCE SHEET DATE

On February 3, 2018, the Board has resolved to amend the maximum number of RSUs that may be granted under the RSU Scheme (the “Shares”) from 12,000,000 to 40,000,000 shares. 15,000,000 shares were granted to 24 RSU grantees under the revised scheme, who are required to pay HK\$ 8.70 per underlying Share for the exercise of the RSUs upon satisfaction of terms and conditions set out in the relevant grant letters.

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.

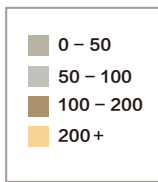
The total revenue for the six months ended December 31, 2017 amounted to RMB1,654.0 million, an increase of 26.2% or RMB343.6 million as compared with RMB1,310.4 million for the six months ended December 31, 2016. The increase in the revenue was mainly attributable to the expansion of the Group's retail network and the same store sales growth of its retail stores.

The total number of our standalone retail stores around the world increased from 1,591 as of June 30, 2017 to 1,768 as of December 31, 2017, coupled with our 80 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:

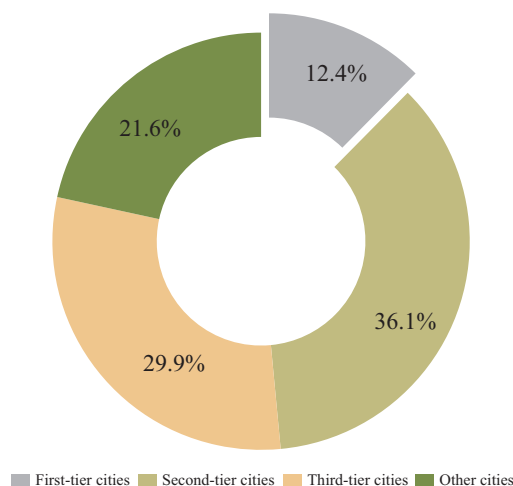
	As of December 31, 2017	As of June 30, 2017
Number of our standalone retail stores around the world by different brands		
JNBY	815	766
CROQUIS (速寫)	308	278
jnby by JNBY	444	376
less	136	115
Pomme de terre (蓬馬)	63	53
JNBYHOME	2	3
	<hr/>	<hr/>
Total	1,768	1,591

	As of December 31, 2017	As of June 30, 2017
Number and geographic distribution of our standalone retail stores by sales channels		
Mainland China		
Self-operated stores	551	504
Distributor-operated stores	1,177	1,049
Hong Kong, Taiwan region and other overseas countries and regions		
Self-operated stores	6	3
Distributor-operated stores	34	35
	<hr/>	<hr/>
Total	1,768	1,591

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, 2017, respectively:



The number of our stores by city tiers across Mainland China



Same Store Sales Growth

Driven by the “Fans Economy” strategy, same store sales growth rate of our retail stores reached 10.3% for the first half of fiscal year 2018, which was mainly due to (i) the incremental retail sales of RMB367.8 million generated by the inventory sharing and allocation system in the first half of fiscal year 2018, representing 14.1% of our total retail sales for the first half of fiscal year 2018 (the first half of fiscal year 2017: incremental retail sales of RMB228.4 million, representing 11.0% of our total retail sales for the first half of fiscal year 2017); and (ii) an increase of member purchases driven by our social media omni-channel interactive platforms, mainly WeChat. Retail sales contributed by our members accounted for 67.4% of our total retail sales for the first half of fiscal year 2018 (the first half of fiscal year 2017: 63.6%). As of December 31, 2017, we had over 2.4 million offline-channel membership accounts (as of June 30, 2017: over 2.0 million), including our more than 1.9 million subscribers on the WeChat platform (as of June 30, 2017: over 1,500,000). The number of active member accounts for 2017 (active member 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 290,000 (2016: over 230,000), and the number of membership accounts with annual purchases totalling over RMB5,000 for 2017 reached 140,000 (2016: over 113,000), thereby contributing retail sales amounting to RMB1.67 billion (2016: RMB1.33 billion).

Revenue by product segments and 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 six months ended December 31,					
	2017		2016		Increase	
	RMB'000	(%)	RMB'000	(%)	RMB'000	(%)
JNBY	970,125	58.6%	787,629	60.1%	182,496	23.2%
CROQUIS (速寫)	325,535	19.7%	272,450	20.8%	53,085	19.5%
jnby by JNBY	214,334	13.0%	160,174	12.2%	54,160	33.8%
less	120,768	7.3%	83,169	6.3%	37,599	45.2%
Pomme de terre (蓬馬)	19,800	1.2%	6,569	0.5%	13,231	201.4%
JNBYHOME ⁽¹⁾	3,436	0.2%	414	0.1%	3,022	730.0%
Total revenue	1,653,998	100.0%	1,310,405	100.0%	343,593	26.2%

Notes:

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

Benefiting from the consumption upgrading trend, revenue generated from the sales of our products under JNBY continued to grow at an accelerated pace, representing an increase of 23.2% or RMB182.5 million in the first half of fiscal year 2018. The revenue generated from sales of products of our CROQUIS (速寫), jnby by JNBY, and less brands, which were successfully launched from 2005 to 2011, all increased significantly. The products of Pomme de terre (蓬馬), a designer brand aiming at teenage consumers, and JNBYHOME, a designer brand of household products, which were both launched in 2016, recorded a revenue of RMB19.8 million and RMB3.4 million in the first half of fiscal year 2018, respectively.

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 six months ended December 31,					
	2017		2016		Increase	
	RMB'000	(%)	RMB'000	(%)	RMB'000	(%)
Offline channels						
Self-operated stores	766,605	46.3%	620,052	47.3%	146,553	23.6%
Distributor-operated stores ⁽¹⁾	747,157	45.2%	593,698	45.3%	153,459	25.8%
Online channels	140,236	8.5%	96,655	7.4%	43,581	45.1%
Total revenue	1,653,998	100.0%	1,310,405	100.0%	343,593	26.2%

Notes:

(1) Consists of stores operated by overseas customers.

In the first half of fiscal year 2018, absolute amounts of revenue generated from sales through our offline and online channels continued to increase as compared with that for the first half of fiscal year 2017. Since the sales of in-season products through our online channels increased, the revenues generated from the sales of products through our online channels, as a percentage of our total revenue, increased to 8.5% for the first half of fiscal year 2018.

Gross profit and gross profit margin

The Group's gross profit increased by 22.7% from RMB843.5 million for the first half of fiscal year 2017 to RMB1,035.4 million for the first half of fiscal year 2018, which was primarily attributable to the expansion of the Group's retail network and the increase in same store sales growth of our retail stores.

The Group's overall gross profit margin decreased from 64.4% for the first half of fiscal year 2017 to 62.6% for the first half of fiscal year 2018, which was primarily due to (i) the accelerated growth in the revenue generated from the sales of products of the Group's major brand JNBY which, however, has relatively lower gross profit margins; and (ii) the decrease in the gross profit margins of offline distribution channels and their relatively lower gross profit margins.

The following table sets out a breakdown of our gross profits and gross profit margins by sales channels.

	For the six months ended December 31,					
	2017		2016		Increase	
	RMB'000	(%)	RMB'000	(%)	RMB'000	(%)
Offline channels	950,742	62.8%	794,583	65.5%	156,159	19.7%
Self-operated stores	559,254	73.0%	460,268	74.2%	98,986	21.5%
Distributor-operated stores	391,488	52.4%	334,315	56.3%	57,173	17.1%
Online channels	84,610	60.3%	48,892	50.6%	35,718	73.1%
Total	1,035,352	62.6%	843,475	64.4%	191,877	22.7%

As a result of the successful operation of our social media omni-channel interactive platforms, mainly WeChat, as of December 31, 2017, the number of subscribers on our WeChat platform exceeded 1.9 million (June 30, 2017: over 1.5 million), the number of fans of our Weibo account exceeded 800,000 (June 30, 2017: over 200,000) and the number of followers of our Tmall store exceeded 2.3 million (June 30, 2017: over 1.8 million), respectively.

The sales of in-season products through our online channels continued to increase (the first half of fiscal year 2018: 26.1%), improving the overall profit margin of our online channels.

Selling and marketing expenses and administrative expenses

In the first half of fiscal year 2018, selling and marketing expenses were RMB520.4 million (the first half of fiscal year 2017: RMB445.1 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 31.5% of our revenue in the first half of fiscal year 2018 (the first half of fiscal year 2017: 34.0%), the decrease in the percentage as compared with that for the corresponding period of the previous year was mainly attributable to the improvement in the operating efficiency of our self-operated stores.

The administrative expenses for the first half of fiscal year 2018 were RMB110.7 million (the first half of fiscal year 2017: RMB96.6 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. There was an increase in the expenses related to design and R&D personnel as compared with that for the corresponding period of the previous year.

Significant investments – subscription of wealth management products

On August 9, 2017 and January 30, 2018, JNBY Finery Co., Ltd. (“**JNBY Finery**”), a subsidiary of the Company, subscribed for the short-term wealth management products of Hangzhou United Bank with a principal of RMB50,000,000 and RMB30,000,000, respectively. Each of the August 2017 subscription and the January 2018 subscription mentioned above individually or collectively does not constitute a notifiable transaction of the Company.

On October 27, 2017 and December 7, 2017, JNBY Finery subscribed for the short-term wealth management products of Agricultural Bank of China with a principal of RMB50,000,000 and RMB30,000,000, respectively. Each of the October 2017 subscription and the December 2017 subscription mentioned above individually or collectively does not constitute a notifiable transaction of the Company.

On December 6, 2017, JNBY Finery subscribed for the wealth management products of China Merchant Bank with a principal of RMB60,000,000. The above subscription does not constitute a notifiable transaction of the Company.

Other income and gains, net

Other income and gains for the first half of fiscal year 2018 amounted to RMB22.6 million (the first half of fiscal year 2017: RMB19.9 million). Other income and gains include government grants, foreign exchange gains or losses, investment income and losses on disposal of property, plant and equipment and others.

Finance income, net

The Group recorded net finance income of RMB6.3 million for the first half of fiscal year 2018 (the first half of fiscal year 2017: net financial income of RMB2.2 million). The increase in net financial income was mainly attributable to the decrease in the interest expenses on the borrowings and more interest income earned as compared with that for the corresponding period of the previous year.

Profit and net profit margin after adjustments

Due to the above-mentioned factors, net profit for the first half of fiscal year 2018 amounted to RMB311.9 million, an increase of 36.8% or RMB84.0 million as compared with RMB227.9 million for the first half of fiscal year 2017. Net profit margin increased from 17.4% for the first half of fiscal year 2017 to 18.9% for the first half of fiscal year 2018. If deducting the relevant listing expenses of RMB15.7 million, one non-recurring item in the first half of fiscal year 2017, the net profit for the first half of fiscal year 2018 increased by 28.0% or RMB68.3 million as compared with the adjusted net profit of RMB243.6 million for the first half of fiscal year 2017. The adjusted net profit margin increased from 18.6% for the first half of fiscal year 2017 to 18.9% for the first half of fiscal year 2018.

Capital expenditure

The Group's capital expenditure mainly consisted of payments for construction of our logistic base, property, plant and equipment, intangible assets and decoration of our self-operated stores. The capital expenditure paid by the Company in the first half of fiscal year 2018 was RMB52.5 million (the first half of fiscal year 2017: RMB24.4 million).

Profit before income tax

The Group's profit before income tax increased by 33.7% from RMB323.9 million for the first half of fiscal year 2017 to RMB433.0 million for the first half of fiscal year 2018. The increase in the profit before income tax was mainly attributable to the increase in the Group's operating profit.

Financial position

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

As of December 31, 2017, the Group's cash and cash equivalents were RMB566.6 million (June 30, 2017: RMB494.3 million), of which 65.5% was denominated in RMB, 30.5% in US dollars and 4.0% in other currencies. Net cash inflow from operating activities in the first half of fiscal year 2018 was RMB388.8 million, an increase of 47.0% as compared with RMB264.4 million in the first half of fiscal year 2017.

Exposure to fluctuations in exchange rates

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

Human resources

In order to cope with the Group's development plan, the number of the Group's employees increased to 930 as of December 31, 2017 (June 30, 2017: 886). The total staff costs during the period (including basic salaries and allowances, social security insurance, discretionary bonuses, share-based compensation expenses) were RMB92.6 million (first half of fiscal year 2017: RMB77.9 million), representing 5.6% of our revenue (first half of fiscal year 2017: 5.9%).

Pledge of assets

As of December 31, 2017, the Group did not have any secured bank borrowings.

Contingent liabilities

As of December 31, 2017, 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 commissions and related expenses. As of December 31, 2017, the proceeds amounting to a total of RMB204.8 million have been used. These proceeds have been used for the purposes as stated in the prospectus of the Company dated October 19, 2016 as follows:

Item	Amount <i>(RMB million)</i>
To strengthen our omni-channel interactive platform	99.4
To expand our product offering and brand portfolio	41.8
To establish a new logistics center	33.8
For general purposes	29.8
Total	204.8

OUTLOOK

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

- expand and diversify our product and brand portfolio by further enhancing our design capabilities and brand awareness;
- further enhance our retail network and optimize our social media omni-channel interactive platform by adopting internet thoughts and technology; and
- improve customer experience for our fans to improve same store sales growth.

INTERIM DIVIDEND

The Board declared the payment of an interim dividend of RMB0.2 per ordinary share (equivalent to HK\$0.25 per ordinary share) for the six months ended December 31, 2017. The above interim dividend is expected to be paid on May 10, 2018 to the shareholders of the Company (the “**Shareholders**”) whose names appear on the Company’s register of members on May 4, 2018.

CLOSURE OF REGISTER OF MEMBERS

In order to determine the identity of members who are eligible for receiving the interim dividend, the register of members of the Company will be closed on May 4, 2018, no share transfer will be registered. In order to be eligible for receiving the interim dividend, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company’s branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong, for registration not later than 4:30 p.m. on May 3, 2018.

CORPORATE GOVERNANCE PRACTICES

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of Shareholders and to enhance corporate value and accountability system. The Company has applied the principles and code provisions as set out in the Corporate Governance Code and Corporate Governance Report (the “**CG Code**”) contained in Appendix 14 to the Rules Governing the Listing of Securities (the “**Listing Rules**”) on the Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

The Company has complied with all applicable code provisions under the CG Code for the six months ended December 31, 2017, except for code provision A.2.1, which requires that the roles of chairman and chief executive officer should be separated and should not be performed by the same person. The Company will continue to review and monitor its corporate governance practices to ensure compliance with the CG Code.

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

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuer (the “**Model Code**”) set out in Appendix 10 of the Listing Rules as the code of conduct regarding Directors’ securities transactions. Having made specific enquiry to the Directors, all the Directors have confirmed that they have complied with the required standard set out in the Model Code for the six months ended December 31, 2017.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the six months ended December 31, 2017, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

AUDIT COMMITTEE

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

The Audit Committee, together with the senior management and the external auditors of the Company, has reviewed the Group's unaudited condensed interim results for the six months ended December 31, 2017.

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 fiscal year 2017/2018 containing all the information required by the Listing Rules will be dispatched to the Shareholders and published on the aforesaid websites of the Stock Exchange and the Company in due course.

By Order of the Board of
JNBY Design Limited
Wu Jian
Chairman

Hong Kong, February 26, 2018

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