

江南布衣<sup>+</sup>

JNBY DESIGN LIMITED (Stock Code: 03306)

2017/18 INTERIM REPORT

JNBY





The image features a dark, grainy background with a prominent, curved, textured object that resembles a piece of fabric or a small, intricate structure. The object is dark and has a complex, woven or knitted appearance. The text "+ CONTENTS" is overlaid on the left side of the image in a white, sans-serif font.

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## COMPANY INTRODUCTION

### INFORMATION ON JNBY

We are a leading designer brand fashion house based in China. According to the information provided by CIC<sup>(Note)</sup>, in 2017, we ranked first in the Chinese designer brand fashion industry in terms of total retail sales. We design, promote and sell contemporary apparel, footwear and accessories for women, men, children and teenagers as well as household products. Our brand portfolio currently comprises six brands — (i) JNBY, (ii) CROQUIS, (iii) jnby by JNBY, (iv) less, (v) Pomme de terre and (vi) JNBYHOME, each targeting at a distinct customer segment and having a uniquely defined design identity based on our Group's universal brand philosophy — “Just Naturally Be Yourself”.

Our products target at middle-and upper-income customers who seek to express their individuality through fashionable products. Our broad range of product offering and brand portfolio create a lifestyle ecosystem that enables us to address our customers' needs at different stages of their lives, which in turn allows us to build a large and loyal customer base. We started our business in 1994 by selling women's apparel. According to a survey conducted by CIC<sup>(Note)</sup>, our flagship brand JNBY is considered the most unique and recognizable women's apparel designer brand in China, ranks first in terms of brand awareness and enjoys the highest brand loyalty in terms of the number of customers with repeated purchases among top 10 women's apparel designer brands in China. We further expanded our brand portfolio between 2005 and 2011 to include CROQUIS (速寫), jnby by JNBY and less. In 2016, we launched Pomme de terre (蓬馬) for teenagers and JNBYHOME, with designer household products and furniture products, to enhance our brand portfolio and enable us to serve consumers of most age groups.

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

Note: China Insights Consultancy Limited, the industry consultant

## CORPORATE INFORMATION

### BOARD OF DIRECTORS

#### EXECUTIVE DIRECTORS

Mr. Wu Jian (Chairman)  
Ms. Li Lin  
Mr. Li Ming

#### NON-EXECUTIVE DIRECTORS

Mr. Wei Zhe  
Mr. Zhang Beili

#### INDEPENDENT NON-EXECUTIVE DIRECTORS

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

### BOARD COMMITTEES

#### AUDIT COMMITTEE

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

#### REMUNERATION COMMITTEE

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

#### NOMINATION COMMITTEE

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

### COMPANY SECRETARY

Ms. Ng Sau Mei (ACIS, ACS)

### AUTHORIZED REPRESENTATIVES

Mr. Wu Jian  
Ms. Ng Sau Mei

### REGISTERED OFFICE

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

### HEADQUARTERS

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

### PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

### AUDITOR

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

### COMPLIANCE ADVISER

First Shanghai Capital Limited  
19/F, Wing On House  
71 Des Voeux Road Central  
Hong Kong

### THE CAYMAN ISLANDS PRINCIPAL REGISTRAR AND TRANSFER OFFICE

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

### HONG KONG SHARE REGISTRAR

Tricor Investor Services Limited  
Level 22, Hopewell Centre  
183 Queen's Road East  
Hong Kong

### PRINCIPAL BANKS

Bank of Hangzhou,  
Guanxiangkou Branch  
Huaxia Bank, Heping Branch

### COMPANY'S WEBSITE

<http://www.jnbygroup.com/>

### STOCK CODE

3306

### LISTING DATE

October 31, 2016

## FINANCIAL SUMMARY

For the six months ended December 31,			
	2017 RMB'000	2016 RMB'000	Increase %
<b>Financial summary</b>			
Revenue	1,653,998	1,310,405	26.2%
Gross profit	1,035,352	843,475	22.7%
Operating profit	426,929	321,671	32.7%
Net profit	311,890	227,932	36.8%
Adjusted net profit <sup>(1)</sup>	311,890	243,628	28.0%
Net cash flows generated from operating activities	388,773	264,395	47.0%
Basic earnings per share (RMB)	0.61	0.54	
Diluted earnings per share (RMB)	0.60	0.52	
<b>Financial Ratios</b>			
Gross profit margin	62.6%	64.4%	
Operating profit ratio	25.8%	24.5%	
Net profit margin	18.9%	17.4%	
Adjusted net profit margin	18.9%	18.6%	

	As of December 31, 2017	As of December 31, 2016
<b>Liquidity Ratios</b>		
Trade receivables turnover days	14.7	15.9
Trade and bills payables turnover days	50.6	57.7
Inventory turnover days	174.8	197.9
<b>Capital Ratios</b>		
Debt to assets ratio <sup>(2)</sup>	39.7%	38.4%

Note 1: we newly increased listing expense, adjusted net profit

Note 2: Debt to assets ratio = Total liabilities/Total assets

## 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
<b>Total</b>	<b>1,768</b>	<b>1,591</b>

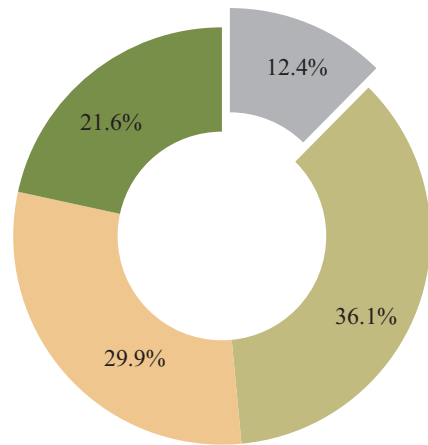
	As of December 31, 2017	As of June 30, 2017
Number and geographic distribution of our standalone retail stores by sales channels		
<b>Mainland China</b>		
Self-operated stores	551	504
Distributor-operated stores	1,177	1,049
<b>Hong Kong, Taiwan region and other overseas countries and regions</b>		
Self-operated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



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



■ First-tier cities ■ Second-tier cities ■ Third-tier cities ■ Other cities

## 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 <sup>(1)</sup>	3,436	0.2%	414	0.1%	3,022	730.0%
<b>Total revenue</b>	<b>1,653,998</b>	<b>100.0%</b>	<b>1,310,405</b>	<b>100.0%</b>	<b>343,593</b>	<b>26.2%</b>

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	(%)
<b>Offline channels</b>						
Self-operated stores	766,605	46.3%	620,052	47.3%	146,553	23.6%
Distributor-operated stores <sup>(1)</sup>	747,157	45.2%	593,698	45.3%	153,459	25.8%
<b>Online channels</b>	<b>140,236</b>	<b>8.5%</b>	<b>96,655</b>	<b>7.4%</b>	<b>43,581</b>	<b>45.1%</b>
<b>Total revenue</b>	<b>1,653,998</b>	<b>100.0%</b>	<b>1,310,405</b>	<b>100.0%</b>	<b>343,593</b>	<b>26.2%</b>

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	(%)
<b>Offline channels</b>	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%
<b>Online channels</b>	84,610	60.3%	48,892	50.6%	35,718	73.1%
<b>Total</b>	<b>1,035,352</b>	<b>62.6%</b>	<b>843,475</b>	<b>64.4%</b>	<b>191,877</b>	<b>22.7%</b>

As a result of the successful operation of our social media omnichannel 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 (RMB million)
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
<b>Total</b>	<b>204.8</b>

## 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.

## 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, none of the Company or 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.

## CHANGES OF INFORMATION IN RELATION TO THE DIRECTORS

There was no change to any information required to be disclosed in relation to any Director pursuant to Rule 13.51B(1) of the Listing Rules from the date of 2016/17 Annual Report and up to the date of this Interim Report.

## DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at December 31, 2017, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO") which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have taken under such provisions of the SFO), or which were recorded in the register required to be kept pursuant to section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules were as follows:

Name of Directors	Nature of Interests	Number of Shares	Approximate Percentage of Shareholding in the Company (%)	Long position/Short position/Lending Pool
Mr. Wu Jian <sup>(1)</sup>	Founder of a discretionary trust; Beneficiary of a trust; Spouse interest	318,881,000	61.47	Long position
Ms. Li Lin <sup>(2)</sup>	Founder of a discretionary trust; Beneficiary of a trust	318,881,000	61.47	Long position
Mr. Wei Zhe <sup>(3)</sup>	Interest in a controlled corporation	15,871,000	3.06	Long position

### Notes:

- (1) Ahead Global Holdings Limited, a company indirectly wholly owned by the Wu Family Trust, directly holds the entire issued share capital of Ninth Capital Limited which in turn holds 152,100,000 shares of the Company. The Wu Family Trust is a discretionary trust established by Mr. Wu Jian (as the settlor), and its discretionary beneficiaries include Mr. Wu Jian, Ms. Li Lin, their children and the W&L Trust. The W&L Trust is a discretionary trust established by Mr. Wu Jian and Ms. Li Lin (both as the settlors), and its discretionary beneficiaries are Mr. Wu Jian, Ms. Li Lin and their children. Ms. Li Lin is beneficially interested in the entire issued share capital of Ninth Investment Limited which in turn holds 154,781,000 shares of the Company. Pursuant to the Li Personal Trust, the Li Personal Trust Nominee holds 12,000,000 shares as the nominee of The Core Trust Company Limited. The Li Personal Trust Nominee is wholly owned by The Core Trust Company Limited in his capacity as the nominee of the Li Personal Trust, and Ms. Li Lin is the settlor of the Li Personal Trust. Accordingly, Mr. Wu Jian was deemed to be interested in the 152,100,000 shares, 154,781,000 shares and 12,000,000 shares held by Ninth Capital Limited, Ninth Investment Limited and the Li Personal Trust Nominee, respectively. Pursuant to the SFO, Mr. Wu Jian, as the spouse of Ms. Li Lin, was deemed to be interested in the same number of shares in which Ms. Li Lin is interested.
- (2) Puheng Limited, a company indirectly wholly owned by the Li Family Trust, directly holds the entire issued share capital of Ninth Investment Limited which in turn holds 154,781,000 shares of the Company. The Li Family Trust is a discretionary trust established by Ms. Li Lin (as the settlor), and its discretionary beneficiaries include Ms. Li Lin, Mr. Wu Jian, their children and the W&L Trust. The W&L Trust is a discretionary trust established by Mr. Wu Jian and Ms. Li Lin (both as the settlors), and its discretionary beneficiaries are Mr. Wu Jian, Ms. Li Lin and their children. Pursuant to the Li Personal Trust, the Li Personal Trust Nominee holds 12,000,000 shares as the nominee of The Core Trust Company Limited. The Li Personal Trust Nominee is wholly owned by The Core Trust Company Limited in his capacity as the nominee of the Li Personal Trust, and Ms. Li Lin is the settlor of the Li Personal Trust. Mr. Wu Jian is beneficially interested in the entire issued share capital of Ninth Capital Limited which in turn holds 152,100,000 shares of the Company. Accordingly, Ms. Li Lin was deemed to be interested in the 154,781,000 shares, 12,000,000 shares and 152,100,000 shares held by Ninth Investment Limited, the Li Personal Trust Nominee and Ninth Capital Limited, respectively. Pursuant to the SFO, Ms. Li Lin, as the spouse of Mr. Wu Jian, was deemed to be interested in the same number of shares in which Mr. Wu Jian is interested.
- (3) Vision Knight Capital General Partners Ltd., a company owned as to 61.60% by Mr. Wei Zhe, holds 98.33% of the issued share capital of Bright Sunshine Group Limited through its wholly controlled corporation Vision Knight Capital (China) Fund I, L.P., and Bright Sunshine Group Limited holds 15,871,000 shares of the Company. Accordingly, Mr. Wei Zhe was deemed to be interested in the 15,871,000 shares held by Bright Sunshine Group Limited.

Save as disclosed above, as at December 31, 2017, none of the Directors and chief executives of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have taken under such provisions of the SFO); or which were required to be recorded in the register maintained by the Company pursuant to Section 352 of the SFO; or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.



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

As at December 31, 2017, as far as the Directors are concerned, the following persons (other than the Directors and chief executives of the Company) had interests or short positions in the shares or underlying shares of the Company which were required to be disclosed to the Company pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, and which were required to be entered in the register maintained pursuant to Section 336 of the SFO:

Name of Shareholder	Nature of Interests	Number of Shares	Percentage of Shareholding in the Company (%)	Long position/Short position/Lending Pool
Credit Suisse Trust Limited <sup>(1), (2)</sup>	Trustee	306,881,000	59.16	Long position
Ahead Global Holdings Limited <sup>(1)</sup>	Interest in a controlled corporation	152,100,000	29.32	Long position
Li Family Limited <sup>(2)</sup>	Interest in a controlled corporation	154,781,000	29.84	Long position
Ninth Capital Limited <sup>(1)</sup>	Beneficial owner	152,100,000	29.32	Long position
Ninth Investment Limited <sup>(2)</sup>	Beneficial owner	154,781,000	29.84	Long position
Puheng Limited <sup>(2)</sup>	Interest in a controlled corporation	154,781,000	29.84	Long position
Seletar Limited <sup>(1), (2)</sup>	Nominee for another person	306,881,000	59.16	Long position
Serangoon Limited <sup>(1), (2)</sup>	Nominee for another person	306,881,000	59.16	Long position
Wu Family Limited <sup>(1)</sup>	Interest in a controlled corporation	152,100,000	29.32	Long position
VNCR Holdings Limited	Beneficial owner	34,129,000	6.58	Long position

### Notes:

- (1) As at the date of this Interim Report, to the best knowledge of the Directors, Ninth Capital Limited holds 152,100,000 shares of the Company, representing approximately 29.32% of the issued shares of the Company. Credit Suisse Trust Limited, as the trustee of the Wu Family Trust, holds the entire issued share capital of Wu Family Limited through its nominee companies Seletar Limited and Serangoon Limited. Wu Family Limited holds the entire issued share capital of Ahead Global Holdings Limited which in turn holds the entire issued share capital of Ninth Capital Limited. Ninth Capital Limited holds 152,100,000 shares of the Company. The Wu Family Trust is a discretionary trust established by Mr. Wu Jian (as the settlor), and its discretionary beneficiaries are Mr. Wu Jian, Ms. Li Lin, their children and the W&L Trust. The W&L Trust is a discretionary trust established by Mr. Wu Jian and Ms. Li Lin (both as settlors), and its discretionary beneficiaries are Mr. Wu Jian, Ms. Li Lin and their children. Accordingly, each of Mr. Wu Jian, Credit Suisse Trust Limited, Seletar Limited, Serangoon Limited, Wu Family Limited and Ahead Global Holdings Limited is deemed to be interested in the 152,100,000 shares of the Company held by Ninth Capital Limited.
- (2) As at the date of this Interim Report, to the best knowledge of the Directors, Ninth Investment Limited holds 154,781,000 shares of the Company, representing approximately 29.84% of the issued shares of the Company. Credit Suisse Trust Limited, as the trustee of the Li Family Trust, holds the entire issued share capital of Li Family Limited through its nominee companies Seletar Limited and Serangoon Limited. Li Family Limited holds the entire issued share capital of Puheng Limited, which in turn holds the entire issued share capital of Ninth Investment Limited. Ninth Investment Limited holds 154,781,000 shares of the Company. The Li Family Trust is a discretionary trust established by Ms. Li Lin (as the settlor), and its discretionary beneficiaries are Ms. Li Lin, Mr. Wu Jian, their children and the W&L Trust. The W&L Trust is a discretionary trust established by Mr. Wu Jian and Ms. Li Lin (both as settlors), and its discretionary beneficiaries are Mr. Wu Jian, Ms. Li Lin and their children. Accordingly, each of Ms. Li Lin, Credit Suisse Trust Limited, Seletar Limited, Serangoon Limited, Li Family Limited and Puheng Limited is deemed to be interested in the 154,781,000 shares of the Company held by Ninth Investment Limited.

Save as disclosed above, as at December 31, 2017, the Directors are not aware of any other persons (other than the Directors and chief executives of the Company) who had any interests or short positions in the shares or underlying shares of the Company which were required to be disclosed to the Company pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO; or which were required to be entered in the register maintained pursuant to Section 336 of the SFO.

## DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as otherwise disclosed in this Interim Report, at no time for the six months ended December 31, 2017 was the Company or its subsidiaries a party to any arrangement that would enable the Directors to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the Directors or any of their spouses or children under the age of 18 were granted any right to subscribe for the equity or debt securities of the Company or any other body corporate or had exercised any such right.

## RESTRICTED SHARE UNIT SCHEME

We have adopted the RSU Scheme in order to incentivize senior management, designers and key employees for their contribution to our Group and to attract and retain suitable personnel to enhance the development of our Group. The total number of RSU Scheme does not exceed 12,000,000 shares and is valid for a period of ten years from June 30, 2014, with the remaining period of about 6 years and 3 months. The RSU Scheme was approved and adopted by the Board on May 16, 2014, a summary of principal terms of which is set out in "Statutory and General Information – D. Share Incentive Scheme – 1. RSU Scheme" in Appendix IV of the Company's prospectus dated October 19, 2016.

## OUTSTANDING RSUs

Prior to the Company's shares listed on the Main Board of the Stock Exchange, RSUs in respect of an aggregate of 11,776,040 shares of the Company, representing approximately 2.27% of the total issued shares of the Company as at December 31, 2017, had been granted to 89 RSU participants pursuant to the RSU Scheme. We have appointed The Core Trust Company Limited as the trustee to assist with the administration and vesting of RSUs granted pursuant to the RSU Scheme.

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

During the six months ended December 31, 2017, 30,000 RSUs have been granted, 30,000 RSUs have been forfeited and no RSU has been cancelled. As at December 31, 2017, there were a total of 10,701,201 RSUs outstanding.

The following is a summary table showing details of the RSUs granted under the RSU Scheme as at December 31, 2017. As of December 31, 2017, a total of 875,000 RSUs, representing 875,000 Shares, were granted to the connected persons of the Company who are not directors of the Company.

Shares Represented by RSU s	Date of Grant	As at	For the six months ended December 31, 2017				As at
		July 1, 2017 Outstanding	Granted	Exercised	Cancelled	Forfeited	December 31, 2017 Outstanding
9,764,560	June 30, 2014	9,558,795	–	631,500	–	10,000	8,917,295
450,000	July 23, 2014	50,000	–	50,000	–	–	–
711,480	November 20, 2014	426,906	–	213,000	–	–	213,906
10,000	March 9, 2015	10,000	–	–	–	–	10,000
280,000	September 10, 2015	280,000	–	30,000	–	–	250,000
50,000	November 23, 2015	50,000	–	–	–	–	50,000
500,000	December 7, 2015	500,000	–	–	–	–	500,000
80,000	December 15, 2016	80,000	–	10,000	–	–	70,000
680,000	February 25, 2017	680,000	–	–	–	20,000	660,000
30,000	August 29, 2017	–	30,000	–	–	–	30,000
<b>Total</b>		<b>11,635,701</b>	<b>30,000</b>	<b>934,500</b>	<b>–</b>	<b>30,000</b>	<b>10,701,201</b>

Note: The closing price of the shares immediately before the date on which the RSUs were granted on August 29, 2017 was HK\$6.49.

The weighted average closing price of the shares immediately before the dates on which the RSUs were exercised during the six months ended December 31, 2017 was approximately HK\$8.76.

## FINANCIAL SECTION



## REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

**To the Board of Directors of JNBY Design Limited**  
(incorporated in Cayman Island with limited liability)

### INTRODUCTION

We have reviewed the interim financial information set out on pages 16 to 30, which comprises the interim condensed consolidated balance sheet of JNBY Design Limited (the “Company”) and its subsidiaries (together, the “Group”) as at 31 December 2017 and the related interim condensed consolidated statements of comprehensive income, changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

### SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”.

**PricewaterhouseCoopers**  
Certified Public Accountants

Hong Kong, February 26, 2018

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

For the six months ended December 31, 2017

	Note	Unaudited Six months ended December 31,	
		2017 RMB'000	2016 RMB'000
Revenue	6	1,653,998	1,310,405
Cost of sales	7	(618,646)	(466,930)
<b>Gross profit</b>		<b>1,035,352</b>	<b>843,475</b>
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
<b>Operating profit</b>		<b>426,929</b>	<b>321,671</b>
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)	–
<b>Profit before income tax</b>		<b>433,014</b>	<b>323,884</b>
Income tax expense	10	(121,124)	(95,952)
<b>Profit for the period</b>		<b>311,890</b>	<b>227,932</b>
<b>Other comprehensive income</b>			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Currency translation differences		(15,386)	13,077
<b>Total comprehensive income for the period</b>		<b>296,504</b>	<b>241,009</b>
<b>Profit attributable to:</b>			
Shareholders of the Company		311,890	227,932
<b>Total comprehensive income attributable to:</b>			
Shareholders of the Company		296,504	241,009
<b>Earnings per share (expressed in RMB per share)</b>			
– Basic	11	0.61	0.54
– Diluted	11	0.60	0.52

The notes on pages 20 to 30 form an integral part of this condensed consolidated interim financial information.

**CONDENSED CONSOLIDATED BALANCE SHEET**

As at December 31, 2017

	Note	Unaudited December 31, 2017 RMB'000	Audited June 30, 2017 RMB'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
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
<b>Total non-current assets</b>		<b>289,625</b>	<b>208,815</b>
<b>Current assets</b>			
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
<b>Total current assets</b>		<b>1,883,704</b>	<b>1,716,167</b>
<b>Total assets</b>		<b>2,173,329</b>	<b>1,924,982</b>
<b>EQUITY</b>			
<b>Equity attributable to shareholders of the Company</b>			
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
<b>Total equity</b>		<b>1,310,529</b>	<b>1,257,239</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Deferred income tax liabilities	16	18,498	13,449
<b>Current liabilities</b>			
Trade and bills payables	27	196,465	151,067
Deferred revenue		21,246	26,386
Accruals and other current liabilities	28	525,711	460,578
Amounts due to related parties	30(b)	8,320	8,131
Current income tax liabilities		92,560	8,132
<b>Total current liabilities</b>		<b>844,302</b>	<b>654,294</b>
<b>Total liabilities</b>		<b>862,800</b>	<b>667,743</b>
<b>Total equity and liabilities</b>		<b>2,173,329</b>	<b>1,924,982</b>

Wu Jian  
DirectorLi Lin  
Director

The notes on pages 20 to 30 form an integral part of this condensed consolidated interim financial information.



**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

For the six months ended December 31, 2017

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

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

The notes on pages 20 to 30 form an integral part of this condensed consolidated interim financial information.

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended December 31, 2017

	Note	Unaudited Six months ended December 31,	
		2017 RMB'000	2016 RMB'000
<b>Cash flows from operating activities</b>			
Cash generated from operations		443,998	320,805
Income tax paid		(55,225)	(56,410)
<b>Net cash generated from operating activities</b>		<b>388,773</b>	<b>264,395</b>
<b>Cash flows from investing activities</b>			
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	–
<b>Net cash used in investing activities</b>		<b>(62,735)</b>	<b>(484,413)</b>
<b>Cash flows from financing activities</b>			
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)
<b>Net cash (used in)/generated from financing activities</b>		<b>(245,853)</b>	<b>416,598</b>
<b>Net increase in cash and cash equivalents</b>		<b>80,185</b>	<b>196,580</b>
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
<b>Cash and cash equivalents at end of the period</b>	<b>23</b>	<b>566,618</b>	<b>364,249</b>

The notes on pages 20 to 30 form an integral part of this condensed consolidated interim financial information.

## 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 26, 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 December 31, 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 June 30, 2017 as set out in the annual report dated August 30, 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 June 30, 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 June 30, 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 July 1, 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 June 30, 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 June 30, 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 June 30, 2017.

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

## 5. FINANCIAL RISK MANAGEMENT (CONTINUED)

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

### 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 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
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 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
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 RMB'000
Opening balance	130,597
Additions	190,000
Disposals of available-for-sale financial assets	(182,167)
Investment interest income recognised in consolidated statement of comprehensive income under 'other 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 December 31, 2017				
	Women RMB'000	Men RMB'000	Children and teenagers		Total RMB'000
			RMB'000	All other segments 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 December 31, 2016				
	Women RMB'000	Men RMB'000	Children and teenagers		Total RMB'000
			RMB'000	All other segments 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 December 31,	
	2017 RMB'000	2016 RMB'000
Raw materials consumed and consumable used	651,905	616,811
Changes in inventories of finished goods, work in progress and commissioned processing materials (Note 18)	(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 (Note 18)	52,968	21,353
Transportation and warehouse expense	28,481	24,387
Depreciation and amortisation (Note 13,14 &15)	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
Total cost of sales, selling and marketing expenses and administrative expenses	1,249,690	1,008,590

## 8. OTHER INCOME AND GAINS, NET

	Six months ended December 31,	
	2017 RMB'000	2016 RMB'000
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
	22,621	19,856

## 9. FINANCE INCOME, NET

	Six months ended December 31,	
	2017 RMB'000	2016 RMB'000
<b>Finance income</b>		
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
<b>Finance costs</b>		
Interest expenses on bank borrowings	-	(1,016)
<b>Finance income, net</b>	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 December 31,	
	2017 RMB'000	2016 RMB'000
Current income tax expense		
- Enterprise income tax expense	132,153	105,926
Deferred income tax expense (Note 16)	(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 December 31, 2017 is 24.8% and 16.5%, respectively (six months ended December 31, 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 December 31,	
	2017 RMB'000	2016 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)	0.61	0.54

### (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,	
	2017 RMB'000	2016 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)	0.60	0.52

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

## 12. DIVIDENDS

A dividend of RMB245,853,000 that relates to the year ended June 30, 2017 was paid during the six months ended December 31, 2017 (six months ended December 31, 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 RMB'000	Machinery RMB'000	Motor vehicles RMB'000	Leasehold improvements RMB'000	Construction- in-progress RMB'000	Total RMB'000
<b>Six months ended December 31, 2017</b>						
Opening net book value as at July 1, 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)
<b>Closing net book value</b>	<b>9,406</b>	<b>10,021</b>	<b>1,913</b>	<b>33,679</b>	<b>49,574</b>	<b>104,593</b>
<b>As at December 31, 2017</b>						
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)
<b>Net book value</b>	<b>9,406</b>	<b>10,021</b>	<b>1,913</b>	<b>33,679</b>	<b>49,574</b>	<b>104,593</b>
<b>Six months ended December 31, 2016</b>						
Opening net book value as at July 1, 2016	6,181	1,898	1,963	21,653	1,954	33,649
Additions	2,330	317	103	22,038	1,370	26,158
Depreciation	(1,253)	(109)	(416)	(12,709)	–	(14,487)
Disposals	(21)	–	–	(771)	–	(792)
<b>Closing net book value</b>	<b>7,237</b>	<b>2,106</b>	<b>1,650</b>	<b>30,211</b>	<b>3,324</b>	<b>44,528</b>
<b>As at December 31, 2016</b>						
Cost	19,940	2,626	4,816	108,089	3,324	138,795
Accumulated depreciation	(12,703)	(520)	(3,166)	(77,878)	–	(94,267)
<b>Net book value</b>	<b>7,237</b>	<b>2,106</b>	<b>1,650</b>	<b>30,211</b>	<b>3,324</b>	<b>44,528</b>

## 14. LAND USE RIGHTS

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

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

## 16. DEFERRED INCOME TAX

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

	As at December 31, 2017 RMB'000	As at June 30, 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
	111,852	88,274
Deferred income tax liabilities:		
– to be recovered within 12 months	18,498	13,449
Deferred income tax assets – net	93,354	74,825

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

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

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

	Six months ended December 31,	
	2017 RMB'000	2016 RMB'000
Opening balance as at July 1	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 December 31	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 December 31, 2017 RMB'000
As at July 1, 2017	–
Addition	7,500
Share of loss of investment accounted for using the equity method	(185)
As at December 31, 2017	7,315

## 18. INVENTORIES

	As at December 31, 2017 RMB'000	As at June 30, 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 December 31, 2017, the cost of inventories recognised as "cost of sales" amounted to approximately RMB602,842,000 (six months ended December 31, 2016: RMB454,545,000).

Movements of provision for inventories are as follows:

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

## 19. TRADE RECEIVABLES

	As at December 31, 2017 RMB'000	As at June 30, 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 December 31, 2017 RMB'000	As at June 30, 2017 RMB'000
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
	194,178	92,795

## 20. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at December 31, 2017 RMB'000	As at June 30, 2017 RMB'000
<b>Long-term prepayments</b>		
Long-term prepaid expenses	9,353	5,967
<b>Current assets</b>		
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
	153,061	223,824
	162,414	229,791



## 21. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	As at December 31, 2017 RMB'000	As at June 30, 2017 RMB'000
Investment in structured deposits	140,000	130,597

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 December 31, 2017 (year ended June 30, 2017: 3.75% to 3.85%) and maturity period within 1 year. These structured deposits are offered by two listed commercial banks 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 December 31, 2017 RMB'000	As at June 30, 2017 RMB'000
US\$ term deposits	195,872	203,251

The effective interest rate for the term deposits of the Group with initial term over 3 months for the six months ended December 31, 2017 was 2.00% per annum (year ended June 30, 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 December 31, 2017 RMB'000	As at June 30, 2017 RMB'000
<b>Current</b>		
Cash and cash equivalents	566,618	494,334
Restricted cash	-	1,000
	566,618	495,334

## 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 July 1, 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 December 31, 2017	1,000,000,000	518,750,000	4,622	647,739	(42)	652,319

	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 July 1, 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 December 31, 2016	1,000,000,000	518,750,000	4,622	628,514	(95)	633,041

- (a) As at December 31, 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 July 1, 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 December 31, 2017	131,248	11,858	(12,438)	(1,599)	129,069
As at July 1, 2016	71,838	22,537	4,208	(1,599)	96,984
Appropriation to statutory reserves (a)	23,565	-	-	-	23,565
Share based compensation (Note 26)	-	2,816	-	-	2,816
Currency translation differences	-	-	13,077	-	13,077
As at December 31, 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 December 31, 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 July 1, 2017	8,265,281
Granted (a)	30,000
Forfeited (b)	(30,000)
Vested (c)	(3,044,695)
As at December 31, 2017	5,220,586
As at July 1, 2016	11,776,040
Granted	80,000
Forfeited (b)	(420,000)
As at December 31, 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 August 31, 2017, 30,000 RSUs were granted to one employee, of which 25%, 25%, 25% and 25% shall be vested within two months after June 30, 2018, 2019, 2020 and 2021, respectively.
- (b) During the six months ended December 31, 2017, 30,000 RSUs (six months ended December 31, 2016: 420,000 RSUs) were forfeited as a result of the termination of employment of the relevant employees.
- (c) During the six months ended December 31, 2017, 3,044,695 RSUs (six months ended December 31, 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 December 31, 2017 RMB'000	As at June 30, 2017 RMB'000
Trade payables	196,465	149,067
Bills payables	–	2,000
	196,465	151,067

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

	As at December 31, 2017 RMB'000	As at June 30, 2017 RMB'000
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
	196,465	149,067

## 28. ACCRUALS AND OTHER CURRENT LIABILITIES

	As at December 31, 2017 RMB'000	As at June 30, 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
	525,711	460,578

- (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 December 31, 2017, the Group had commitment for capital expenditures contracted but not provided for amounting to RMB78,702,000 (June 30, 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 December 31, 2017 RMB'000	As at June 30, 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	–	–
	327,412	219,406

### 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 December 31,	
	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
(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

#### (b) Balances with related parties

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

### 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.