江南布衣+ JNBY GROUP

JNBY Design Limited

江 南 布 衣 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3306)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED JUNE 30, 2019

HIGHLIGHTS OF ANNUAL RESULTS

- The total revenue of the Group for the year ended June 30, 2019 ("**Fiscal Year 2019**") amounted to RMB3,358.2 million, an increase of 17.3% or RMB494.1 million as compared with RMB2,864.1 million for the year ended June 30, 2018 ("**Fiscal Year 2018**"). The net profit for Fiscal Year 2019 amounted to RMB484.8 million, an increase of 18.1% or RMB74.4 million as compared with RMB410.4 million for Fiscal Year 2018.

- The Group launched successively 2 designer fashion brands, which belong to our Emerging brands segment, namely i) LASU MIN SOLA, a designer brands collection shop brand and ii) A PERSONAL NOTE 73 featuring the High-Street style, in Fiscal Year 2019 to diversify and subdivide our brand portfolio. As at June 30, 2019, the brand portfolio of the Group includes 10 brands in 3 stages, namely (i) Mature brand, (ii) Younger brands and (iii) Emerging brands.

- The total number of our retail stores around the world increased from 1,831 as of June 30, 2018 to 2,018 as of June 30, 2019, coupled with our 161 points of sale abroad, our sales network has covered all provinces, autonomous regions and municipalities in mainland China and across 17 other countries and regions around the world.

- As of June 30, 2019, the Group had over 3.6 million membership accounts (without duplication) (as of June 30, 2018: over 2.5 million), including our more than 3.1 million subscribers (without duplication) on the WeChat platform (as of June 30, 2018: over 2.1 million). The retail sales contributed by our members accounted for around 70% of our total retail sales for Fiscal Year 2019.

- The number of Active Members accounts of the Group for Fiscal Year 2019 (Active Members accounts are membership accounts associated with at least two purchases for a period of any 180 consecutive days within the last 12 months, without duplication) was over 450,000 (Fiscal Year 2018: over 360,000), and the number of membership accounts with annual purchases totaling over RMB5,000 for Fiscal Year 2019 exceeded 203,000 from 162,000 accounts for Fiscal Year 2018, thereby contributing retail sales amounting to RMB2.4 billion (Fiscal Year 2018: RMB1.9 billion), or over 40% of our total retail sales from offline channels.

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

CONSOLIDATED ANNUAL RESULTS

The board of directors (the "**Board**") of JNBY Design Limited (the "**Company**") is pleased to announce the audited consolidated results of our Company and its subsidiaries (the "**Group**") for the year ended June 30, 2019, together with the comparative figures for the year ended June 30, 2018, as follows:

CONSOLIDATION STATEMENT OF COMPREHENSIVE INCOME

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

CONSOLIDATION STATEMENT OF FINANCIAL POSITION

		As at 30 June	
		2019	2018
	Note	***RMB'000***	*RMB'000*
ASSETS			
Non-current assets			
Property, plant and equipment	*13*	**279,298**	141,518
Land use rights	*14*	**26,079**	48,322
Intangible assets	*15*	**11,611**	8,806
Prepayments, deposits and other assets	*19*	**10,223**	8,537
Deferred income tax assets	*28*	**128,298**	110,871
Total non-current assets		**455,509**	318,054
Current assets			
Inventories	*17*	**859,739**	763,760
Trade receivables	*18*	**115,431**	94,531
Prepayments, deposits and other assets	*19*	**287,559**	230,580
Amounts due from related parties	*31(b)*	**6,980**	7,852
Available-for-sale financial assets	*20*	**—**	50,000
Term deposits with initial term over 3 months	*21*	**341,324**	322,646
Restricted cash	*22*	**1,945**	1,021
Cash and cash equivalents	*22*	**216,465**	333,405
Total current assets		**1,829,443**	1,803,795
Total assets		**2,284,952**	2,121,849

	Note	As at 30 June **2019** *RMB'000*	2018 *RMB'000*
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities	*28*	**13,105**	10,541
Current liabilities			
Trade and bills payables	*26*	**201,788**	204,280
Deferred revenue		**—**	18,295
Contract liabilities	*27*	**289,990**	—
Accruals and other current liabilities	*27*	**355,003**	576,015
Amounts due to related parties	*31(b)*	**9,097**	11,294
Current income tax liabilities		**4,893**	13,545
Total current liabilities		**860,771**	823,429
Total liabilities		**873,876**	833,970
Net assets		**1,411,076**	1,287,879
EQUITY			
Equity attributable to shareholders of the Company			
Share capital	*23*	**4,622**	4,622
Shares held for restricted share units ("**RSU**") scheme	*23*	**(78,646)**	(30,623)
Share premium	*23*	**657,376**	647,739
Other reserves	*24*	**183,130**	153,631
Retained earnings		**644,599**	512,510
Equity attributable to shareholders of the Company		**1,411,081**	1,287,879
Non-controlling interests		**(5)**	—
Total equity		**1,411,076**	1,287,879

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(All amounts in RMB unless otherwise stated)

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

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

CONSOLIDATED STATEMENT OF CASH FLOWS

(All amounts in RMB unless otherwise stated)

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2019

1. GENERAL INFORMATION

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

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

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

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

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

2. BASIS OF PREPARATION

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

The preparation of financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies.

3. ACCOUNTING POLICY

3.1 Basis of preparation

(a) New and amended standards adopted by the Group

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

— HKFRS 9 "Financial Instruments"
— HKFRS 15 "Revenue from Contracts with Customers"
— Amendments to HKFRS 2 "Classification and Measurement of Share-based Payment Transactions"
— Amendments to HKFRS 4, "Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts"
— Amendments to HKFRS 15 "Clarifications to HKFRS 15 Revenue from Contracts with Customers"
— Amendments to HKAS 40 "Transfers of Investment Property"
— HK(IFRIC)-Int 22 "Foreign Currency Transactions and Advance Consideration"
— Annual Improvements 2014–2016 Cycle, "Amendments to HKFRS 1, HKFRS 12 and HKAS 28"

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

(b) New standards and interpretations not yet adopted

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

	Effective Date
HKFRS 16 "Leases"	1 January 2019
HK(IFRIC)-Int 23 "Uncertainty over Income Tax Treatments"	1 January 2019
Amendments to HKFRS 9 "Prepayment Features with Negative Compensation"	1 January 2019
Amendments to HKAS 28 "Long-term Interests in Associates and Joint Ventures"	1 January 2019
Annual Improvements to HKFRS Standards 2015–2017 Cycle	1 January 2019
Amendments to HKAS 19 "Plan Amendment, Curtailment or Settlement"	1 January 2019
Amendments to HKFRS 10 and HKAS 28 "Sale or contribution of assets between an investor and its associate or joint venture"	To be determined
Amendments to HKFRS 3 "Definition of a Business"	1 January 2020
Conceptual Framework for Financial Reporting 2018 "Revised conceptual framework for financial reporting"	1 January 2020
Amendments to HKAS 1 and HKAS 8 "Definition of Material"	1 January 2020
HKFRS 17 "Insurance Contracts"	1 January 2021

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

HKFRS 16 "Leases"

Nature of change

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

The accounting for lessors will not significantly change.

Impact

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

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

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

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

Date of adoption by Group

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

3.2 Changes in accounting policies

This note explains the impact of the adoption of HKFRS 9 Financial Instruments and HKFRS 15 Revenue from Contracts with Customers on the Group's financial statements.

HKFRS 9 Financial instruments

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

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

(a) Classification and measurement

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

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

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

- Investment in financial products issued by commercial banks previously classified as available-for-sale financial assets was reclassified to financial assets at FVPL; and

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

The impact of the reclassification is as follows:

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

(b) Impairment

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

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

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

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

HKFRS 15 Revenue from Contracts with Customers

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

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

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

(a) Accounting for refunds

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

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

(b) Accounting for customer loyalty programme

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

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

(c) *Presentation liabilities related to contracts with customers*

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

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

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

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

(a) Net realisable value of inventories

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

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

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

(b) Income taxes and deferred income tax

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

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

(c) Right of return

The Group offers right of return to distributors and end customers. The Group management estimates the amount of returns associated with sales in a specific period, which are deducted from the total revenue arising from such sales. Historical experience is used to estimate and provide for the returns, using the expected value method, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. Management believes that the Group has processed sufficient historical experience and patterns to estimate sales returns based on different customer profiles, e.g. distributors, offline retail customers, online retail customers, etc. Such estimates are performed on a periodic basis taking into account the competitive landscape, world fashion trend, and changes in customer taste.

(d) Membership-based customer loyalty program

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

(e) Fair value of share-based compensation expenses

The Group awarded RSUs under the scheme to eligible senior management and employees, and used the fair value of underlying ordinary shares to determine the total fair value of the RSUs awarded.

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

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

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

5. SEGMENT INFORMATION

The Group operates as three operating segments. The operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker (the "**CODM**"), the executive directors.

Management has determined the operating segments based on the information reviewed by the CODM for the purposes of allocating resources and assessing performance. The CODM consider the business from product perspective.

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

Previously, the operating segments included women (including JNBY and less), men (including CROQUIS (速寫)), children and teenagers (including jnby by JNBY and POMME DE TERRE (蓬馬)) and others (including JNBYHOME). As a result, segment data for year ended 30 June 2018 presented for comparative purposes has been restated to reflect the new reportable segments.

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

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

	Year ended 30 June 2018			
	Mature brand *RMB'000*	Younger brands *RMB'000*	Emerging brands *RMB'000*	Total *RMB'000*
Revenue				
Mainland China	1,604,096	1,186,906	45,241	2,836,243
Hong Kong, Taiwan region and other overseas countries and regions	17,732	10,053	31	27,816
Revenue from external customers	1,621,827	1,196,960	45,272	2,864,059
Segment gross profit	1,031,191	771,310	23,299	1,825,800
Segment operating profit/(loss)	541,680	318,543	(32,244)	827,979
Unallocated selling and marketing expenses and administrative expenses				(290,321)
Other income and gains, net				18,406
Total operating profit				556,064

6. EXPENSES BY NATURE

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

7. OTHER INCOME AND GAINS, NET

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

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

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

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

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

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

8. EMPLOYEE BENEFIT EXPENSES

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

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

9. FINANCE INCOME/(COSTS), NET

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

10. TAX EXPENSE

(a) Income tax expense

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

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

11. EARNINGS PER SHARE

(a) Basic

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

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

(b) Diluted

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

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

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

12. DIVIDENDS

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

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

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

13. PROPERTY, PLANT AND EQUIPMENT

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

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

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

14. LAND USE RIGHTS

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

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

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

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

15. INTANGIBLE ASSETS

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

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

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

16. INVESTMENT IN AN ASSOCIATE

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

In September 2017, the Group acquired, at a cash consideration of RMB7,500,000, 8.11% of the equity interests of Hangzhou Yunyijian Network Technology Co., Ltd. ("**Yunyijian**") (杭州雲衣間網絡技術有限公司), a company incorporated in the PRC engaged principally in operating an online e-commerce platform for sales of garments by fashion designers.

The Group determined that it had significant influence over Yunyijian due to the board seat held by the Group. Consequently, the investment was accounted for using equity method of accounting.

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

17. INVENTORIES

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

Movements of provision for inventories are analysed as follows:

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

18. TRADE RECEIVABLES

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

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

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

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

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

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

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

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

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

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

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

19. PREPAYMENTS, DEPOSITS AND OTHER ASSETS

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

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

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

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

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

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

21. TERM DEPOSITS WITH INITIAL TERM OVER 3 MONTHS

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

The effective interest rate for the term deposits of the Group with initial term over 3 months for the year ended 30 June 2019 was 2.82% (2018: 2.55%).

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

22. CASH AND BANK BALANCES

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

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

Cash and bank balances were denominated in the following currencies:

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

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

	Number of shares authorised	**Number of shares issued**	**Share capital** *RMB'000*	**Share premium** *RMB'000*	**Shares held for RSU Scheme (b)** *RMB'000*	**Subtotal** *RMB'000*
As at 1 July 2018	**1,000,000,000**	**518,750,000**	**4,622**	**647,739**	**(30,623)**	**621,738**
Purchase of ordinary shares for RSU Scheme (a)	—	—	—	—	**(48,048)**	**(48,048)**
Vest and transfer of RSUs	—	—	—	**9,637**	**25**	**9,662**
As at 30 June 2019	**1,000,000,000**	**518,750,000**	**4,622**	**657,376**	**(78,646)**	**583,352**

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

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

(b) The ordinary shares held for RSU scheme were regarded as treasury shares and had been deducted from shareholders' equity as the directors are of the view that such shares are within the Company's control until the shares are vested unconditionally to the participants and hence are considered as treasury shares in substance.

24. OTHER RESERVES

	Statutory reserves *RMB'000*	Share-based compensation reserve *RMB'000*	Currency translation differences *RMB'000*	Merger reserve (b) *RMB'000*	Total *RMB'000*
As at 1 July 2018	**143,909**	**19,632**	**(8,311)**	**(1,599)**	**153,631**
Appropriation to statutory reserves (a)	**10,769**	**—**	**—**	**—**	**10,769**
Share based compensation *(Note 25)*	**—**	**14,592**	**—**	**—**	**14,592**
Currency translation differences	**—**	**—**	**13,800**	**—**	**13,800**
Vest and transfer of RSUs	**—**	**(9,662)**	**—**	**—**	**(9,662)**
As at 30 June 2019	**154,678**	**24,562**	**5,489**	**(1,599)**	**183,130**
As at 1 July 2017	111,901	17,979	2,948	(1,599)	131,229
Appropriation to statutory reserves (a)	32,008	—	—	—	32,008
Share based compensation *(Note 25)*	—	10,413	—	—	10,413
Currency translation differences	—	—	(11,259)	—	(11,259)
Vest and transfer of RSUs	—	(8,760)	—	—	(8,760)
As at 30 June 2018	143,909	19,632	(8,311)	(1,599)	153,631

(a) In accordance with the respective articles of association and Board resolutions, certain subsidiaries of the Group incorporated in the PRC appropriate certain percentage of the annual statutory net profits, after offsetting any prior year losses as determined under the PRC accounting standards, to the statutory surplus reserve fund before distributing any dividends. The statutory surplus reserve fund can be used to offset prior year losses, if any, and may be converted into paid-in capital. For the year ended 30 June 2019, approximately RMB10,769,000 (2018: RMB32,008,000) was appropriated from retained earnings to the statutory surplus reserve fund.

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

25. SHARE-BASED PAYMENTS

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

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

Movements in the number of outstanding RSUs are as follows:

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

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

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

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

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

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

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

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

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

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

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

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

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

26. TRADE AND BILLS PAYABLES

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

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

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

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

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

27. CONTRACT LIABILITIES, ACCRUALS AND OTHER CURRENT LIABILITIES

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

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

28. DEFERRED INCOME TAX

The analysis of deferred income tax assets is as follows:

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

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

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

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

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

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

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

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

29. CASH GENERATED FROM OPERATIONS

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

30. COMMITMENTS

(a) Capital commitments

As at 30 June 2019, the capital expenditure contracted but not provided for amounted to RMB35,484,000 (30 June 2018: RMB50,415,000).

(b) Operating lease commitments

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

	As at 30 June	
	2019	2018
	RMB'000	*RMB'000*
No later than 1 year	**208,957**	156,912
Later than 1 year and no later than 5 years	**230,517**	134,763
Later than 5 years	**8,838**	—
	448,312	291,675

31. SIGNIFICANT RELATED PARTY TRANSACTIONS

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

Name	**Relationship with the Group**
Li Lin	One of the controlling shareholders
Wu Jian	One of the controlling shareholders
Li Ming	Former director of the Company
Hangzhou Huikang Industrial Co., Ltd.	Controlled by the controlling shareholders
Hangzhou Shangwei Apparel Co., Ltd.	Controlled by the controlling shareholders
Hangzhou JNBY Finery Co., Ltd.	Controlled by the controlling shareholders
Hangzhou New Shangwei Finery Co., Ltd.	Controlled by the controlling shareholders

(a) Significant transactions with related parties

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

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

(b) Balances with related parties

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

MANAGEMENT DISCUSSION AND ANALYSIS

Revenue

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

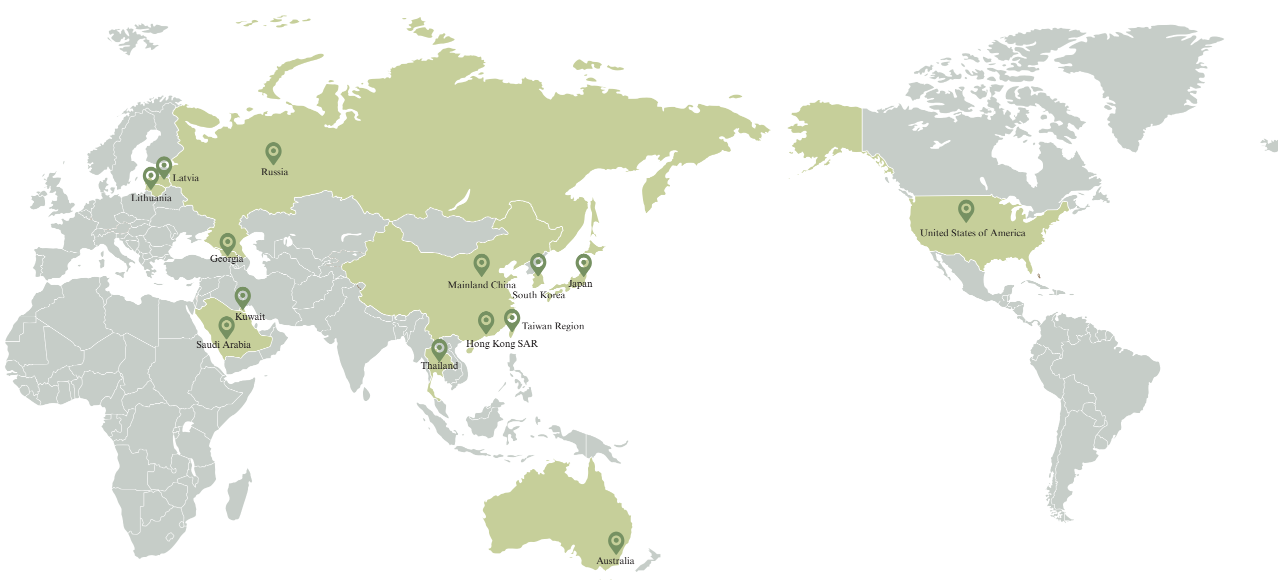
The total revenue for Fiscal Year 2019 amounted to RMB3,358.2 million, an increase of 17.3% or RMB494.1 million as compared with RMB2,864.1 million for Fiscal Year 2018. The increase in the revenue was mainly attributable to the expansion of the Group's retail network and the rapid development of e-commerce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

The total number of our standalone retail stores around the world increased from 1,831 as of June 30, 2018 to 2,018 as of June 30, 2019, coupled with our 161 points of sale abroad, our sales network has covered all provinces, autonomous regions and municipalities in mainland China and across 17 other countries and regions around the world. The tables below set forth the information on the number of our standalone retail stores around the world by different brands and the number and geographic distribution of those standalone retail stores by sales channels, respectively:

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

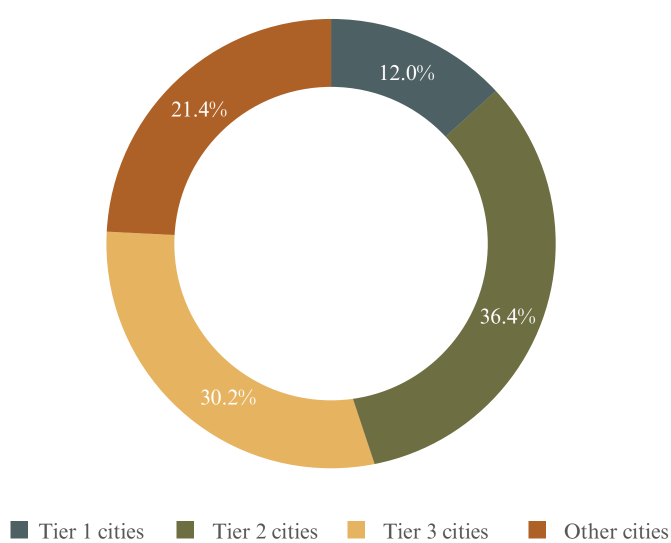
	As of June 30, 2019	As of June 30, 2018
Number and geographic distribution of our standalone retail stores by sales channels		
Mainland China		
Self-operated stores	**574**	536
Distributor-operated stores	**1,397**	1,250
Hong Kong, Taiwan region and other overseas countries and regions		
Self-operated stores	**4**	5
Distributor-operated stores	**43**	40
Total	**2,018**	1,831

The following maps and chart show the retail network distribution of our standalone retail stores in countries and regions all over the world (excluding points of sale), the geographic distribution of our retail stores (including standalone distributor-operated and self-operated stores) across Mainland China, Hong Kong and Taiwan region as well as the distribution of our stores by city tiers across Mainland China as at June 30, 2019 respectively:



Number of stores by city tiers across Mainland China

(As at 30 June 2019)



Same Store Sales Growth of offline shops

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

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

(ii) the number of active membership accounts for Fiscal Year 2019 (active membership accounts are membership accounts associated with at least two purchases for a period of any 180 consecutive days within the last 12 months, without duplication) increased from over 360,000 for Fiscal Year 2018 to over 450,000 for Fiscal Year 2019, and the number of WeChat active membership accounts (WeChat active membership accounts are active members who are also the subscribers of our WeChat platform, without duplication) increased from over 340,000 for Fiscal Year 2018 to over 430,000 for Fiscal Year 2019.

(iii) the number of membership accounts with annual purchases totaling over RMB5,000 increased from over 162,000 for Fiscal Year 2018 to over 203,000 for Fiscal Year 2019, and the retail sales contributed by those membership accounts has reached RMB2.4 billion (the Fiscal Year 2018: RMB1.9 billion), accounting for over 40% to the total retail sales from offline channels. Among these membership accounts, the number of subscribers on our WeChat platform with annual purchases totaling over RMB5,000 increased from over 157,000 for Fiscal Year 2018 to over 199,000 for Fiscal Year 2019. Driven by our social media omni-channel interactive platform, especially on WeChat, the loyalty of our fans maintained stable growth.

(iv) the incremental retail sales generated by the inventory sharing and allocation system was RMB776.2 million in Fiscal Year 2019 (Fiscal Year 2018: RMB642.4 million).

Revenue by brands

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

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

Notes:

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

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

For Fiscal Year 2019, benefiting from the diversified designer brands portfolio, the revenue of the Group has shown a stable increasing trend. Revenue generated from the Group's Mature brand with a history over 20 years, JNBY brand, continued to grow at a rapid pace, representing an increase of 15.9% or RMB257.3 million. For the Younger brands portfolio, it consists of brands which were successively launched from 2005 to 2011, namely CROQUIS (速寫), jnby by JNBY and less. Revenue generated from Younger brands portfolio maintained a steady growth, with a total growth rate reached 17.6% or RMB210.7 million. For Emerging brands portfolio, it consists of POMME DE TERRE (蓬馬), JNBYHOME and six other brands in total, which were launched progressively during 2016 to 2019. Revenue from Emerging brands portfolio totaling of RMB71.4 million were recorded, showing an aggregate of 2.1% to the total revenue. A stable increasing trend in such percentage is recorded.

Revenue by sales channels

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

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

Note:

(1) Includes stores operated by overseas customers.

In Fiscal Year 2019, the absolute amounts of revenue generated from sales through our offline and online channels continued to increase as compared with that in Fiscal Year 2018. Benefiting from the increase in the number of people with high fashion sense consuming on each e-commerce platform, the in season products retail sales through our online channels accounted for more than 20% of total online retail sales. Meanwhile, revenues generated from sales through our online channels, as a percentage of our total revenue, has increased from 9.3% for Fiscal Year 2018 to 11.7% for Fiscal Year 2019, represented a growth rate over 40%, which has driven the increase in the overall revenue of the Group.

Revenue by Geographical Distribution

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

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

Note:

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

Due to the expansion of our retail network, in Fiscal Year 2019, the absolute amounts of revenue generated from sales in Mainland China and non-Mainland China areas continued to increase as compared with that in Fiscal Year 2018.

Gross profit and gross profit margin

The Group's gross profit increased by 12.6% from RMB1,825.8 million for Fiscal Year 2018 to RMB2,056.1 million for Fiscal Year 2019, which was primarily attributable to the expansion of the Group's retail network, the same store sales growth of the retail stores and the development of the new value-added business.

The Group's overall gross profit margin decreased from 63.7% for Fiscal Year 2018 to 61.2% for Fiscal Year 2019, which was mainly attributed to the change of our channel structure (the percentage of our offline self-operated channels with higher gross profit margin has decreased).

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

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

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

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

Selling and marketing expenses and administrative expenses

In Fiscal Year 2019, selling and marketing expenses were RMB1,170.3 million (Fiscal Year 2018: RMB1,037.4 million), which primarily consist of: (i) the operating lease rental related to the leasing of self-operated stores and offices; (ii) our concession fees payable to department stores; (iii) our service outsourcing expenses; and (iv) our employee benefit expenses. In percentage terms, the selling and marketing expenses accounted for 34.8% of our revenue in Fiscal Year 2019 (Fiscal Year 2018: 36.2%), the decrease in the expenses was mainly attributable to the improvements of operational efficiency in self-operated stores. The administrative expenses for Fiscal Year 2019 were RMB301.6 million (Fiscal Year 2018: RMB250.8 million) which, among others, primarily consist of: (i) employee benefit expenses, including emoluments of the directors of the Company (the "**Directors**"); (ii) product development outsourcing fees; and (iii) professional service expenses. In percentage terms, administrative expenses accounted for 9.0% of our revenue in Fiscal Year 2019 (Fiscal Year 2018: 8.8%), representing an increase in the expenses related to research and development and an increase in the professional service expenses as compared with that for the corresponding period of the previous year.

Finance Income, Net

The Group's net finance income for Fiscal Year 2019 was net income of RMB18.3 million (Fiscal Year 2018: net income of net financial income of RMB13.4 million). The increase in net financial income was mainly due to more interest income earned.

Profit and net profit margin, net

Due to the above-mentioned factors, net profit for Fiscal Year 2019 was RMB484.8 million, representing an increase of 18.1% or RMB74.4 million as compared with RMB410.4 million for Fiscal Year 2018. Net profit margin increased from 14.3% for Fiscal Year 2018 to 14.4% for Fiscal Year 2019.

Capital expenditure

The Group's capital expenditure mainly consists of payments for construction of our logistic base, property, plant and equipment, intangible assets and decoration of our self-operated stores. The Group's capital expenditure for Fiscal Year 2019 was RMB163.7 million (Fiscal Year 2018: RMB119.1 million).

Profit before income tax

The Group's profit before income tax increased by 16.6%, from RMB569.1 million for Fiscal Year 2018 to RMB663.3 million for Fiscal Year 2019. The increase in the profit before income tax was mainly due to the increase in the Group's operating profit.

Financial position

The Group generally finances its operations with internally generated cash flows.

As of June 30, 2019, the Group's cash and cash equivalents were RMB216.5 million (June 30, 2018: RMB333.4 million), of which 78.0% was denominated in RMB, 4.1% in US dollars and 17.9% in other currencies. Net cash inflow from operating activities in Fiscal Year 2019 was RMB335.6 million, a decrease of 11.4% as compared with RMB378.8 million in Fiscal Year 2018.

Significant Investment Event

Subscription of financial products of commercial banks

On November 13, 2018, JNBY Finery Co., Ltd. ("**JNBY Finery**"), a subsidiary of the Company, subscribed for the short-term financial products of Bank of Hangzhou with a principal of RMB40,000,000. The subscription mentioned above does not constitute a notifiable transaction of the Company under Chapter 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

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

Exposure to fluctuations in exchange rates

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

Human resources

In order to cope with the Group's development plan, the number of the Group's employees increased to 1,267 as of June 30, 2019 (June 30, 2018: 999). The total staff costs during Fiscal Year 2019 (including basic salaries and allowances, social security contribution, discretionary bonuses and share-based compensation expenses) were RMB239.0 million (Fiscal Year 2018: RMB201.1 million), representing 7.1% of our revenue (Fiscal Year 2018: 7.0%).

Pledge of assets

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

Contingent liabilities

As at June 30, 2019, the Group did not have any material contingent liabilities.

USE OF PROCEEDS FROM LISTING

The Company's net proceeds from listing were approximately HK$684.0 million (equivalent to approximately RMB596.6 million), after deduction of underwriting fees and related expenses. As of June 30, 2019, the proceeds amounting to a total of RMB524.9 million have been used. These proceeds shown as following have been used for the purposes as stated in the prospectus (the "**Prospectus**") of the Company dated October 19, 2016.

Item	The planned use of proceeds *(RMB million)*	As at June 30, 2018 The actual used amount *(RMB million)*	For the year ended June 30, 2019 The actual used amount *(RMB million)*	As at June 30, 2019 Proceeds Amount *(RMB million)*
To strengthen our omni-channel interactive platform	167.4	167.4	40.5	—
To expand our product offering and brand portfolio	179.3	107.6	33.1	71.7
To establish a new logistics center	220.1	220.1	132.3	—
For general purposes	29.8	29.8	—	—
Total	596.6	524.9	205.9	71.7

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

OUTLOOK

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

As the leading designer brand fashion group in China, benefiting from the diversified brand portfolio matrix and sound operation management, we remain full confidence towards our future. We will continue to maintain and strengthen our position as a leading designer brand fashion house based in China, and we are committed to pursuing the following strategies thus to nurture the JNBY lifestyle ecosystem we advocate:

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

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

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

FINAL DIVIDEND

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

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

CLOSURE OF REGISTER OF MEMBERS

In order to determine the identity of members who are eligible to attend the AGM, the register of members of the Company will be closed from October 15, 2019 to October 18, 2019 (both days inclusive), during which period no share transfer will be registered. In order to be eligible to attend the AGM, 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 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on October 14, 2019.

In order to determine the identity of members who are eligible for receiving the final dividend, the register of members of the Company will also be closed from October 24, 2019 to October 25, 2019 (both days inclusive), during which period no share transfer will be registered. In order to be eligible for receiving the final 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 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on October 23, 2019.

CORPORATE GOVERNANCE CODE

The Group is committed to maintaining a high standard of corporate governance to safeguard the interests of its shareholders and enhance its value and accountability. The Company has adopted the Corporate Governance Code and Corporate Governance Report (the "**CG Code**") contained in Appendix 14 to the Listing Rules as its own code of corporate governance.

The Company has complied with all applicable code provisions under the CG Code during Fiscal Year 2019, except for that set out in this annual results announcement. 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 Gode, the roles of chairman and chief executive officer should be separated and should not be performed by the same person. Mr. Wu Jian resigned as the Chief Executive Officer of the Company (the "**Chief Executive Officer**") since March 7, 2019 and Ms. Wu Huating at the same time was appointed as the Chief Executive Officer. For details, please see our announcement dated March 7, 2019. The Chairman of the Board and the Chief Executive Officer are currently two separate positions held by Mr. Wu Jian and Ms. Wu Huating, respectively, with clear distinction in responsibilities. The Chairman of the Board is responsible for providing strategic advice and guidance on the business development of the Group, while the Chief Executive Officer is responsible for the day-to-day operations of the Group.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuer (the "**Model Code**") set out in Appendix 10 of the Listing Rules as the code of conduct regarding Directors' securities transactions. Specific enquiry has been made to all Directors and each of the Directors has confirmed that he/she has complied with the required standards as set out in the Model Code during Fiscal Year 2019.

PURCHASE, REDEMPTION OR SALE OF THE LISTED SECURITIES

During Fiscal Year 2019, save as the trustee of the Restricted Share Unit Scheme of the Company purchased a total of 4,209,000 shares of the Company with HK$54.8 million at The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") pursuant to rules of the Restricted Share Unit Scheme and terms of the trust in order to grant shares to selected participants, none of the Company or any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

AUDIT COMMITTEE

The Audit Committee of the Company, together with the senior management and the external auditor of the Company, has reviewed the the accounting principles and practices adopted by the Group, and the Group's consolidated financial statements for Fiscal Year 2019.

AUDITOR'S PROCEDURES PERFORMED ON THIS RESULTS ANNOUNCEMENT

The figures in respect of the Group's consolidated statement of comprehensive income, consolidated statement of financial position, consolidated statement of changes in equity, consolidated statement of cash flows and the related notes thereto for the year ended 30 June 2019 as set out in the preliminary announcement have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

PUBLICATION OF THE ANNUAL RESULTS ANNOUNCEMENT AND THE ANNUAL REPORT FOR FISCAL YEAR 2019 ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This annual 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 annual report for Fiscal Year 2019 containing all the information required by the Listing Rules will be dispatched to the Shareholders and published on the aforesaid websites of the Stock Exchange and the Company in due course.

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

Hong Kong, August 27, 2019

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