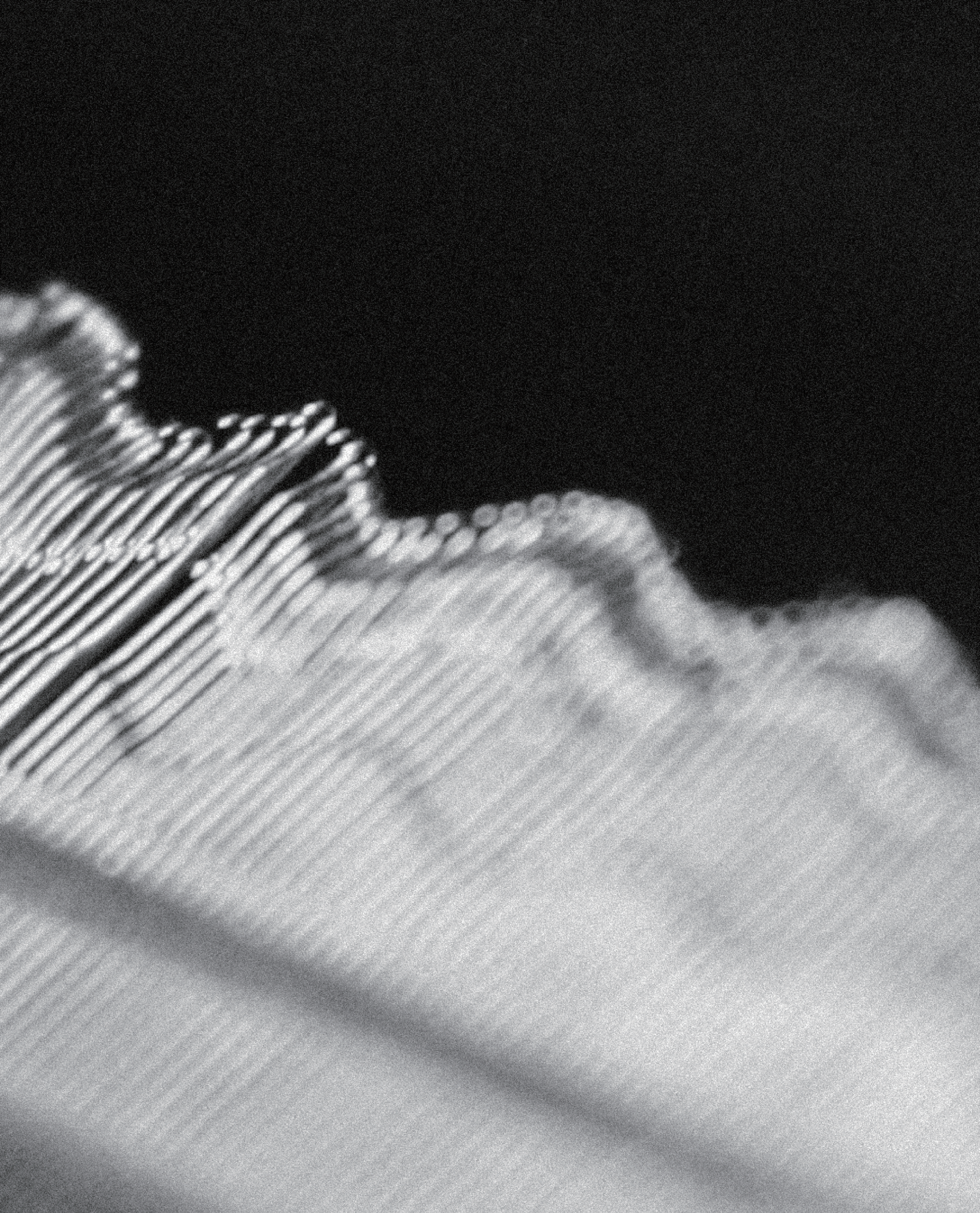
江南布衣+

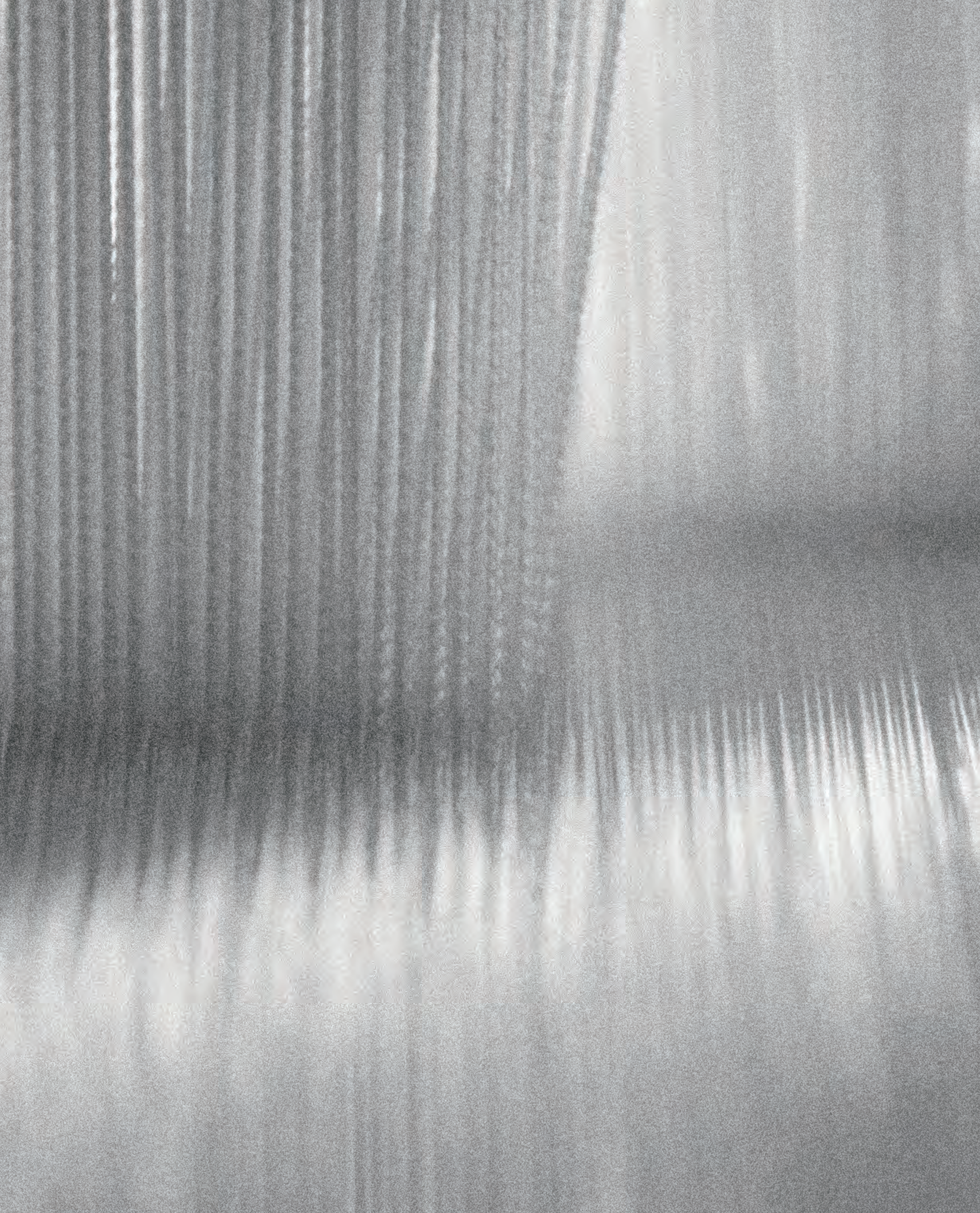
JNBY DESIGN LIMITED (Stock Code: 03306)

2019/20 ANNUAL REPORT

This annual report is printed on environmental paper



CONTENTS



INFORMATION ON JNBY GROUP

We are a leading designer brand fashion house based in China. According to the information provided by CIC [Note], in 2019, we ranked the first in the Chinese designer brand fashion industry in terms of total retail sales. We design, promote and sell contemporary apparel, footwear and accessories as well as household products. As at June 30, 2020, our brand portfolio comprises a number of brands in three stages— the Mature brand namely JNBY, three Younger brands, namely (i) CROQUIS (速寫), (ii) jnby by JNBY and (iii) less, as well as various Emerging brands, such as POMME DE TERRE (蓬馬) and JNBYHOME, each targeting at a distinct customer segment and having a uniquely defined design identity based on our Group's universal brand philosophy — "Just Naturally Be Yourself".

Our products target at middle- and upper-income customers who seek to express their individuality through fashionable products. Our broad range of product offering and brand portfolio create a lifestyle ecosystem that enables us to address our customers' needs at different stages and scenarios of their lives, which in turn allows us to build a large, diversified and loyal customer base. We started our business in 1994 by selling women's apparel. According to a survey conducted by CIC [Note], our Mature brand, JNBY, is considered the most unique and recognizable women's apparel designer brand in China, ranks the first in terms of brand awareness and enjoys the highest brand loyalty in terms of the number of customers with repeated purchases among top 10 women's apparel designer brands in China. We expanded our brand portfolio between 2005 and 2011 to include CROQUIS (速寫), jnby by JNBY and less. During 2016–2019, we further launched various Emerging brands, such as POMME DE TERRE (蓬馬) and JNBYHOME, so that our product mixes could be more diversified and segmented and we could cover consumers of most age groups. Meanwhile, we have launched such new consumption scenarios or products as "Box Project" and "JNBY Group +" member collection stores to provide consumers with more value-added services.

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

Note: China Insights Consultancy Limited, the industry consultant

JNBY

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

jnby by JNBY

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

POMME DE TERRE 蓬马

Year of launch:
2016
Slogan:
Don't be serious
Target customers:
Juveniles between 6 and 14 who are from families pursuing a high quality of life, who are easy and casual, full of curiosity and explorative spirit
Design concepts:
Textured, Exquisite, Easy

A PERSONAL NOTE 73

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

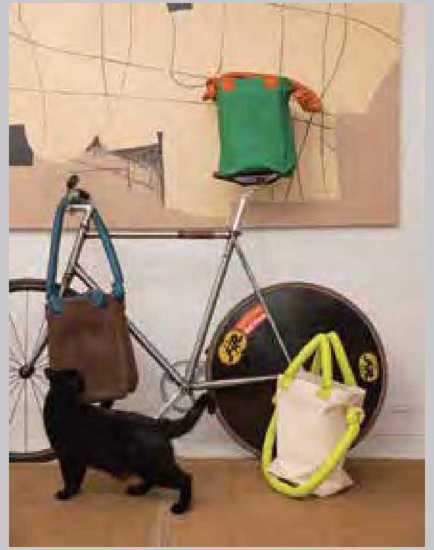
CROQUIS 速写

Year of launch:
2005
Slogan:
Re-Consider Humorously
Target customers:
Men between 25 and 40 who enjoy dressing

Design concepts:
Elegant, Playful, Contemporary and Textured

less

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



JNBYHOME

Year of launch:
2016
Slogan:
Live Lively
Target customers:
People between 20 and 45 who pursue a high quality of life with a proactive and free attitude

Design concepts:
Diversity, Comfort, Individuality, Curiosity

COMPANY INTRODUCTION

INFORMATION ON JNBY GROUP

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Note: China Insights Consultancy Limited, the industry consultant

CORPORATE INFORMATION

BOARD OF DIRECTORS

EXECUTIVE DIRECTORS	Mr. Wu Jian *(Chairman)* Ms. Li Lin Ms. Wu Huating
NON-EXECUTIVE DIRECTOR	Mr. Wei Zhe
INDEPENDENT NON-EXECUTIVE DIRECTORS	Mr. Lam Yiu Por Ms. Han Min Mr. Hu Huanxin

BOARD COMMITTEES

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

JOINT COMPANY SECRETARIES

Ms. Wang Minyuan
Ms. Ng Sau Mei (FCIS, FCS)

AUTHORIZED REPRESENTATIVES

Mr. Wu Jian
Ms. Ng Sau Mei

REGISTERED OFFICE

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

HEADQUARTERS

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

AUDITOR

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

THE CAYMAN ISLANDS PRINCIPAL REGISTRAR AND TRANSFER OFFICE

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

HONG KONG SHARE REGISTRAR

Link Market Services (Hong Kong) Pty Limited
Suite 1601, 16/F., Central Tower
28 Queen's Road Central
Hong Kong

PRINCIPAL BANKS

Bank of Hangzhou, Guanxiangkou Branch
Huaxia Bank, Heping Branch

COMPANY'S WEBSITE

http://www.jnbygroup.com/

STOCK CODE

3306

LISTING DATE

October 31, 2016

FINANCIAL SUMMARY

For the year ended June 30,	2020 RMB'000	2019 RMB'000	Increase/ (Decrease) %
Financial summary			
Revenue	**3,099,431**	3,358,168	(7.7%)
Gross profit	**1,849,655**	2,056,059	(10.0%)
Operating profit	**485,005**	644,973	(24.8%)
Net profit	**346,698**	484,779	(28.5%)
Net cash flows from operating activities	**668,767**	335,612	99.3%
Basic earnings per share (RMB)	**0.68**	0.95	
Diluted earnings per share (RMB)	**0.67**	0.94	
Financial Ratios			
Gross profit margin	**59.7%**	61.2%	(1.5%)
Operating profit ratio	**15.6%**	19.2%	(3.6%)
Net profit margin	**11.2%**	14.4%	(3.2%)

	As of June 30, 2020	As of June 30, 2019
Liquidity Ratios		
Trade receivables turnover days	**12.5**	11.4
Trade and bills payables turnover days	**56.0**	56.9
Inventory turnover days	**257.6**	227.5
Capital Ratios		
Debt to assets ratio	**47.6%**	38.2%

CONSOLIDATED RESULTS

For the year ended June 30,	**2020**	2019	2018	2017	2016
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	**3,099,431**	3,358,168	2,864,059	2,332,290	1,902,642
Gross profit	**1,849,655**	2,056,059	1,825,800	1,474,608	1,190,459
Gross profit margin	**59.7%**	61.2%	63.7%	63.2%	62.6%
Operating profit	**485,005**	644,973	556,064	459,636	343,004
Net profit	**346,698**	484,779	410,351	331,572	239,336
Net profit margin	**11.2%**	14.4%	14.3%	14.2%	12.6%
Profit attributable to the shareholders	**346,708**	484,787	410,351	331,572	239,336
ASSETS					
Non-current assets	**728,071**	455,509	318,054	208,815	156,338
Current assets	**2,106,138**	1,829,443	1,803,795	1,716,167	838,175
EQUITY AND LIABILITIES					
Total equity	**1,485,912**	1,411,076	1,287,879	1,257,239	287,942
Non-current liabilities	**91,511**	13,105	10,541	13,449	8,500
Current liabilities	**1,256,786**	860,771	823,429	654,294	698,071

CHAIRMAN'S STATEMENT

With the slowdown of the China's economic growth in recent years, the growth in consumption also decelerated, which has posed a greater challenge to the apparel industry. Meanwhile, with consumption upgrade and a younger consumer base, the demand of people who pursue distinguished lifestyles for personalized and fashionable products continues to rise and becomes more segmented, and the competition in the segmented market where the designer brands operate is intensifying. Since the outbreak of Coronavirus Disease 2019 (COVID-19) pneumonia epidemic (the "**Epidemic**") in early 2020, various provinces and cities in Mainland China launched the first-level response to significant public health emergencies and adopted kinds of stringent measures to curb the spread of the pandemic. The unexpected Epidemic and the extent of its severity have brought unprecedented challenges to the apparel industry and the segmented market where the designer brands operate.

As a leading designer brand fashion group in China, JNBY Design Limited (the "**Company**") and its subsidiaries (the "**Group**") continued to penetrate into this market segment and adhered to the strategy of "design-driven" and "fans economy". During the Epidemic, on the principle of "together we stand, my armor thine", the Group has implemented various measures to protect its partners and minimize the effect of the Epidemic on its employees and clients, including granting additional return rate to the wholesaler partners, launching We Care, purchasing commercial insurance for all employees and offering subsidies to the frontline sales staff, as appropriate. Meanwhile, the Group is negotiating with the landlords for further rent concession. It also continues to optimize business operation, keeps expenditure under reasonable control and maintains sufficient cash flows in order to ensure the Group operates effectively during the Epidemic and minimize the adverse effect. With the joint efforts of all employees, for the year ended 30 June 2020 ("**Fiscal Year 2020**"), the Group showed resilient results performance and continued to maintain healthy and abundant cash flow reserves. During Fiscal Year 2020, revenue and net profit of the Group amounted to RMB3,099 million and RMB347 million, representing a decrease of 7.7% and 28.5% as compared to the year ended 30 June 2019 ("**Fiscal Year 2019**"), respectively. As at 30 June 2020, the sum of the Group's cash and cash equivalents, term deposits with initial term over three months and financial assets at fair value through profit or loss, net of bank loans, exceeded RMB600 million.

I firmly believe the business environment will be improved continuously when the Epidemic is under effective control and I am still optimistic toward the long-term prospect of the Group. Going forward, we still seek to leverage our fans base to constantly optimize our designer brand portfolio in line with our Group's universal brand philosophy. We will also fully utilize internet mindsets and technologies, to continuously strengthen our domestic and foreign retail network and optimize our omni-channel interactive platform and supply chain capability, and constantly create and provide scenarios for value-added services and customer touchpoints to our fans who wish to express their individuality, so as to lead the way in building up a JNBY lifestyle ecosystem. We also believe that, with the constant expansion and diversification of our products and brand portfolio, and through building a larger and more diversified loyal fans groups could let us further develop our design-driven platform, so as to achieve long-term healthy and sustainable growth on the basis of such foundation.

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

MANAGEMENT DISCUSSION AND ANALYSIS

REVENUE

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

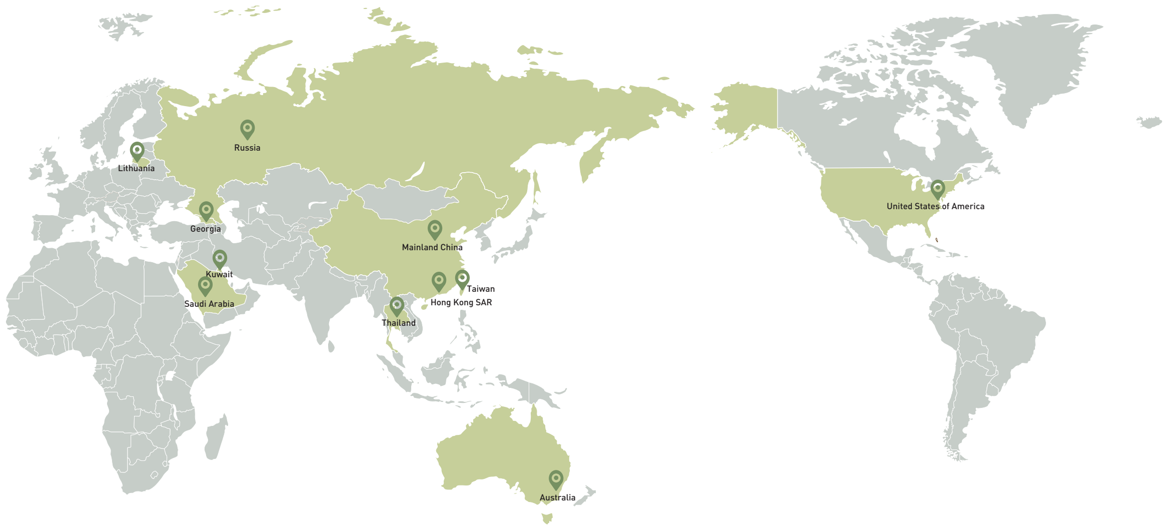
The total revenue for Fiscal Year 2020 amounted to RMB3,099.4 million, a decrease of 7.7% or RMB258.7 million as compared with RMB3,358.2 million for Fiscal Year 2019. The decrease in the revenue was mainly due to the outbreak of the coronavirus epidemic in early 2020 and the overall weather conditions in 2019, and the total number of our retail stores around the world decreased from 2,018 as of June 30, 2019 to 1,855 as of June 30, 2020.

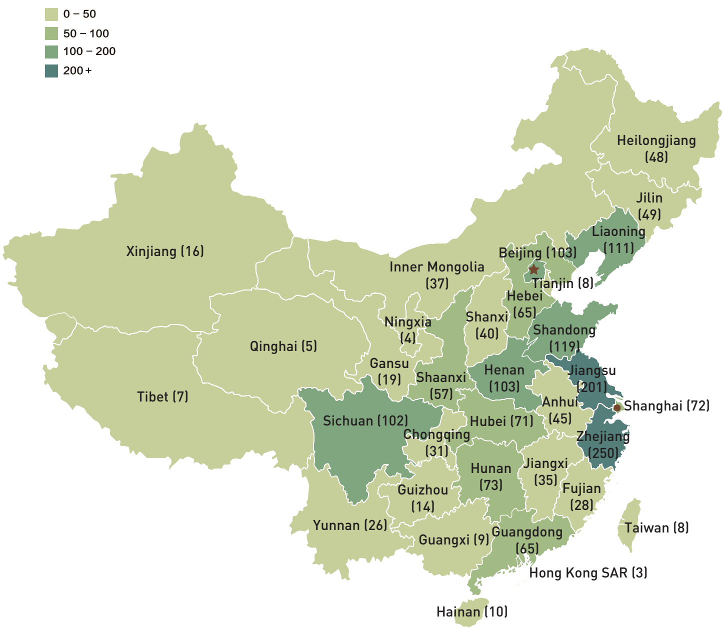
Including standalone offline stores abroad, our sales network has covered all provinces, autonomous regions and municipalities in Mainland China and across 10 other countries and regions around the world. The tables below set forth the information on the number of our standalone retail stores around the world by different brands and "JNBY Group +" member collection stores, respectively:

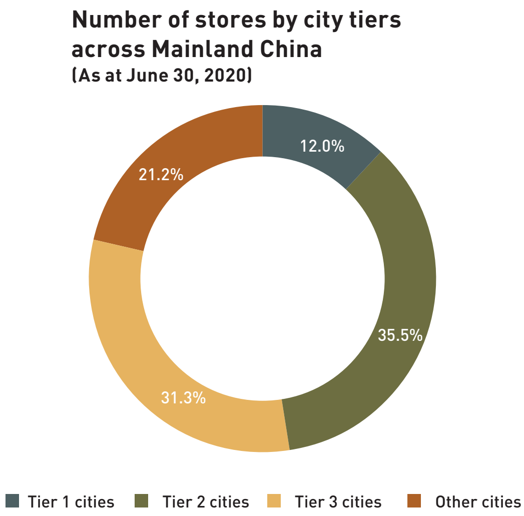
Number of our standalone retail stores around the world by different brands	As of June 30, 2020	As of June 30, 2019
Mature Brand		
JNBY	**881**	884
Subtotal	**881**	884
Younger Brands		
CROQUIS (速寫)	**315**	338
jnby by JNBY	**436**	514
less	**186**	186
Subtotal	**937**	1,038
Emerging Brands		
POMME DE TERRE (蓬馬)	**30**	59
JNBYHOME	**—**	—
Others	**5**	37
Subtotal	**35**	96
"JNBY Group +" member collection stores	**2**	—
Total	**1,855**	2,018

Number and geographic distribution of our retail stores by sales channels	As of June 30, 2020	As of June 30, 2019
Mainland China		
Self-operated stores	**539**	574
Distributor-operated stores	**1,284**	1,397
Outside Mainland China		
Self-operated stores	**3**	4
Distributor-operated stores	**29**	43
Total	**1,855**	2,018

The following maps and chart show the retail network distribution of our standalone retail stores in countries and regions all over the world (excluding points of sale), the geographic distribution of our retail stores (including standalone distributor-operated and self-operated stores) across Mainland China, Hong Kong and Taiwan as well as the distribution of our stores by city tiers across Mainland China as of June 30, 2020 respectively:







SAME STORE SALES GROWTH OF OFFLINE SHOPS

Since the outbreak of the coronavirus epidemic in early 2020, the customer traffic of our offline shops dropped sharply. Although we continued to launch new consumption scenarios or products such as "Box Project" and "JNBY Group +" member collection stores to provide consumers with more value-added services, same store sales of offline retail shops for Fiscal Year 2020 recorded a decrease of 4.9%, which was mainly due to:

(i) the slowdown in the growth of the number of new members and the declining member activity as a result of the epidemic

- As of June 30, 2020, we had over 4.2 million membership accounts (without duplication) (as of June 30, 2019: over 3.6 million), including more than 3.7 million subscribers (without duplication) on our WeChat platform (as of June 30, 2019: over 3.1 million). During the Fiscal Year 2020, the retail sales contributed by the members of the Group maintained stable, accounting for approximately 70% of our total retail sales.

- The number of active members accounts (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) decreased from over 450,000 for Fiscal Year 2019 to over 430,000 for Fiscal Year 2020, and the number of WeChat active members accounts (WeChat active members accounts are active members who are also the subscribers of our WeChat platform, without duplication) decreased from over 430,000 for Fiscal Year 2019 to over 420,000 for Fiscal Year 2020. The number of membership accounts with annual purchases totaling over RMB5,000 decreased from over 203,000 for Fiscal Year 2019 to over 179,000 for Fiscal Year 2020, and the retail sales contributed by those membership accounts has reached RMB2.1 billion (Fiscal Year 2019: RMB2.4 billion), still 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 decreased from over 199,000 for Fiscal Year 2019 to over 177,000 for Fiscal Year 2020.

(ii) as a result of customer traffic, the incremental retail sales generated by the inventory sharing and allocation system was RMB688.9 million in Fiscal Year 2020, representing a decrease of 11.3% as compared with RMB776.2 million in Fiscal Year 2019.

(iii) the retail sales contributed by the off-store sales via "Box Project" and WeChat Mall amounted to RMB97.5 million in Fiscal Year 2020.

REVENUE BY BRANDS

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

	For the year ended June 30,					
	2020		2019		Increase/(Decrease)	
	RMB'000	(%)	RMB'000	(%)	RMB'000	(%)
Mature Brand:						
JNBY	**1,761,502**	**56.9%**	1,879,120	56.0%	(117,618)	(6.3%)
Subtotal	**1,761,502**	**56.9%**	1,879,120	56.0%	(117,618)	(6.3%)
Younger Brands:						
CROQUIS (速寫)	**557,320**	**18.0%**	644,654	19.2%	(87,334)	(13.5%)
jnby by JNBY	**444,290**	**14.3%**	476,009	14.2%	(31,719)	(6.7%)
less	**260,918**	**8.4%**	286,962	8.5%	(26,044)	(9.1%)
Subtotal	**1,262,528**	**40.7%**	1,407,625	41.9%	(145,097)	(10.3%)
Emerging Brands:						
POMME DE TERRE (蓬馬)	**38,787**	**1.3%**	45,993	1.4%	(7,206)	(15.7%)
JNBYHOME	**13,844**	**0.4%**	10,915	0.3%	2,929	26.8%
Others	**22,770**	**0.7%**	14,515	0.4%	8,255	56.9%
Subtotal	**75,401**	**2.4%**	71,423	2.1%	3,978	5.6%
Total revenue[1]	**3,099,431**	**100.0%**	3,358,168	100.0%	(258,737)	(7.7%)

Note:

(1) Includes revenue recorded by "JNBY Group +" member collection stores of RMB4.2 million.

For Fiscal Year 2020, the revenue of the Group decreased due to declined customer traffic as a result of the impact of the epidemic and overall climate factors. Revenue generated from the Group's Mature brand with a history over 20 years, JNBY brand, decreased by 6.3% or RMB117.6 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 decreased by 10.3% in total. For Emerging brands portfolio, it consists of various new brands, such as POMME DE TERRE (蓬馬) and JNBYHOME, showing an aggregate of 2.4% 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,					
	2020		2019		Increase/(Decrease)	
	RMB'000	(%)	RMB'000	(%)	RMB'000	(%)
Offline channels						
Self-operated stores	**1,353,916**	**43.6%**	1,489,413	44.3%	(135,497)	(9.1%)
Distributor-operated stores[1]	**1,276,362**	**41.2%**	1,470,094	43.8%	(193,732)	(13.2%)
Online channels	**464,078**	**15.0%**	393,186	11.7%	70,892	18.0%
Other channels	**5,075**	**0.2%**	5,475	0.2%	(400)	(7.3%)
Total revenue	**3,099,431**	**100.0%**	3,358,168	100.0%	(258,737)	(7.7%)

Notes:

(1) Includes stores operated by overseas customers.

Due to the impact of the epidemic, customer traffic declined. In Fiscal Year 2020, absolute amounts of revenue generated from sales through our offline channels decreased as compared with that in Fiscal Year 2019. Revenues generated from sales through our online channels has increased by 18.0% compared with that in Fiscal Year 2019, and its percentage of our total revenue has also increased from 11.7% in Fiscal Year 2019 to 15.0% in Fiscal Year 2020.

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,					
	2020		2019		Decrease	
	RMB'000	(%)	RMB'000	(%)	RMB'000	(%)
Mainland China	**3,077,061**	**99.3%**	3,325,822	99.0%	(248,761)	(7.5%)
Outside Mainland China[1]	**22,370**	**0.7%**	32,346	1.0%	(9,976)	(30.8%)
Total revenue	**3,099,431**	**100.0%**	3,358,168	100.0%	(258,737)	(7.7%)

Note:

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

GROSS PROFIT AND GROSS PROFIT MARGIN

The Group's gross profit decreased by 10.0% from RMB2,056.1 million for Fiscal Year 2019 to RMB1,849.7 million for Fiscal Year 2020.

The Group's overall gross profit margin decreased from 61.2% for Fiscal Year 2019 to 59.7% for Fiscal Year 2020, which was mainly attributable to the change in sold product mix.

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,					
	2020		2019		Decrease	
	RMB'000	(%)	RMB'000	(%)	RMB'000	(%)
Mature Brand:						
JNBY	**1,076,764**	**61.1%**	1,164,043	61.9%	(87,279)	(7.5%)
Subtotal	**1,076,764**	**61.1%**	1,164,043	61.9%	(87,279)	(7.5%)
Younger Brands:						
CROQUIS (速寫)	**344,618**	**61.8%**	413,535	64.1%	(68,917)	(16.7%)
jnby by JNBY	**251,902**	**56.7%**	259,065	54.4%	(7,163)	(2.8%)
less	**161,802**	**62.0%**	190,261	66.3%	(28,459)	(15.0%)
Subtotal	**758,322**	**60.1%**	862,861	61.3%	(104,539)	(12.1%)
Emerging Brands:						
POMME DE TERRE (蓬馬)	**13,967**	**36.0%**	20,882	45.4%	(6,915)	(33.1%)
JNBYHOME	**2,902**	**21.0%**	4,258	39.0%	(1,356)	(31.8%)
Others	**(2,300)**	**(10.1%)**	4,015	27.7%	(6,315)	(157.3%)
Subtotal	**14,569**	**19.3%**	29,155	40.8%	(14,586)	(50.0%)
Total	**1,849,655**	**59.7%**	2,056,059	61.2%	(206,404)	(10.0%)

	For the year ended June 30,					
	2020		2019		Increase/(Decrease)	
	RMB'000	(%)	RMB'000	(%)	RMB'000	(%)
Offline channels						
Self-operated stores	**928,723**	**68.6%**	1,055,654	70.9%	(126,931)	(12.0%)
Distributor-operated stores	**651,157**	**51.5%**	767,681	52.2%	(116,524)	(15.2%)
Online channels	**265,993**	**55.9%**	228,409	58.1%	37,584	16.5%
Other channels	**3,782**	**74.5%**	4,315	78.8%	(533)	(12.4%)
Total	**1,849,655**	**59.7%**	2,056,059	61.2%	(206,404)	(10.0%)

SELLING AND MARKETING EXPENSES AND ADMINISTRATIVE EXPENSES

In Fiscal Year 2020, selling and marketing expenses were RMB1,145.0 million (Fiscal Year 2019: RMB1,170.3 million), which primarily consist of: (i) expenses relating to short-term leases and variable lease payments; (ii) the amortisation of right-of-use assets; (iii) our service outsourcing expenses; and (iv) our employee benefit expenses. In percentage terms, the selling and marketing expenses accounted for 36.9% of our revenue in Fiscal Year 2020 (Fiscal Year 2019: 34.8%), the increase in the expense ratio as compared to the previous year mainly attributable to lower revenue. The administrative expenses for Fiscal Year 2020 were RMB275.8 million (Fiscal Year 2019: RMB301.6 million) which, among others, primarily consist of: (i) employee benefit expenses; (ii) product development outsourcing fees; and (iii) professional service expenses. In percentage terms, administrative expenses accounted for 8.9% of our revenue in Fiscal Year 2020 (Fiscal Year 2019: 9.0%).

FINANCE INCOME, NET

The Group's finance income, net for Fiscal Year 2020 was RMB1.4 million (Fiscal Year 2019: financial income, net of RMB18.3 million). The decrease in financial income, net was mainly due to the impact of reclassification as a result of the implementation of HKFRS 16 "Leases".

NET PROFIT AND NET PROFIT MARGIN

Due to the above-mentioned factors, net profit for Fiscal Year 2020 was RMB346.7 million, representing a decrease of 28.5% or RMB138.1 million as compared with RMB484.8 million for Fiscal Year 2019. Net profit margin decreased from 14.4% for Fiscal Year 2019 to 11.2% for Fiscal Year 2020.

CAPITAL EXPENDITURE

The Group's capital expenditure mainly consists of payments for construction of our logistic center, property, plant and equipment, intangible assets and decoration of office building and our self-operated stores. The Company's capital expenditure for Fiscal Year 2020 was RMB121.0 million (Fiscal Year 2019: RMB163.7 million).

PROFIT BEFORE INCOME TAX

The Group's profit before income tax decreased by 26.7%, from RMB663.3 million for Fiscal Year 2019 to RMB486.4 million for Fiscal Year 2020. The decrease in the profit before income tax was mainly due to the decrease in the Group's operating profit.

FINANCIAL POSITION

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

As of June 30, 2020, the Group's cash and cash equivalents were RMB336.7 million (June 30, 2019: RMB216.5 million), of which 68.1% was denominated in RMB, 17.8% in US dollars and 14.1% in other currencies. Net cash inflow from operating activities in Fiscal Year 2020 was RMB668.8 million, an increase of 99.3% as compared with RMB335.6 million in Fiscal Year 2019.

As at June 30, 2020, our short-term bank loans amounted to RMB187.7 million, representing (i) our short-term loans of RMB39.3 million borrowed from Bank of Hangzhou on November 7, 2019, (ii) our short-term loans of RMB49.2 million borrowed from Bank of Ningbo on December 10, 2019, (iii) our short-term loans of RMB49.4 million borrowed from China Merchants Bank on January 7, 2020, and (iv) our short-term loans of RMB49.8 million borrowed from Industrial and Commercial Bank of China on April 26, 2020. The above short-term borrowings were utilized to supplement the Group's funds and enhance the usage efficiency of our own funds.

SIGNIFICANT INVESTMENT EVENT

SUBSCRIPTION OF FINANCIAL PRODUCTS

On November 6, 2019, JNBY Finery Co., Ltd. ("**JNBY Finery**"), a subsidiary of the Company, subscribed for the short-term financial products of Bank of Hangzhou with a principal of RMB40,000,000. The subscription mentioned above does not constitute a notifiable transaction of the Company.

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

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

On January 7, 2020, JNBY Finery subscribed for the short-term financial products of China Merchants Bank with a principal of RMB50,000,000. The subscription mentioned above does not constitute a notifiable transaction of the Company.

On March 5, 2020, JNBY Finery subscribed for the short-term financial products of Huaxia Bank with a principal of RMB50,000,000. The subscription mentioned above does not constitute a notifiable transaction of the Company.

On March 24, 2020, JNBY Finery subscribed for the short-term financial products of China Merchants Bank with a principal of RMB40,000,000. The subscription mentioned above does not constitute a notifiable transaction of the Company.

On April 15, 2020, JNBY Finery subscribed for the short-term financial products of Bank of Hangzhou with a principal of RMB50,000,000. The subscription mentioned above does not constitute a notifiable transaction of the Company.

On April 29, 2020, JNBY Finery subscribed for the short-term financial products of Hua Xia Bank with a principal of RMB50,000,000. The subscription mentioned above does not constitute a notifiable transaction of the Company.

On May 13, 2020, JNBY Finery subscribed for the short-term financial products of Agricultural Bank of China with a principal of RMB30,000,000. The subscription mentioned above does not constitute a notifiable transaction of the Company.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES

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

HUMAN RESOURCES

The number of the Group's employees decreased to 1,128 as of June 30, 2020 (June 30, 2019: 1,267). The total staff costs for Fiscal Year 2020 (including basic salaries and allowances, social security insurance, discretionary bonuses and share-based compensation expenses) were RMB271.0 million (Fiscal Year 2019: RMB239.0 million), representing 8.7% of our revenue (Fiscal Year 2019: 7.1%).

EVENTS AFTER THE BALANCE SHEET DATE

The Group has no significant events after the reporting period and up to the date of this report.

PLEDGE OF ASSETS

As at June 30, 2020, the Group did not have any secured bank borrowings.

CONTINGENT LIABILITIES

As at June 30, 2020, 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, 2020, the proceeds amounting to a total of RMB548.6 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, 2020 The actual used amount (RMB million)	For the year ended June 30, 2020 The actual used amount (RMB million)	As at June 30, 2020 Proceeds Amount (RMB million)
To strengthen our omni-channel interactive platform	167.4	167.4	—	—
To expand our product offering and brand portfolio	179.3	131.3	23.7	48.0
To establish a new logistics center	220.1	220.1	—	—
For general purposes	29.8	29.8	—	—
Total	596.6	548.6	23.7	48.0

As at June 30, 2020, the balance of proceeds of approximately RMB48.0 million would continue to be used for the purposes as stated in the Prospectus. It is also expected to be fully utilised within next 12 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 economic growth in recent years, the growth in consumption also decelerated, which has posed a greater challenge to the apparel industry. Meanwhile, with consumption upgrade and a younger consumer base, the demand of people who pursue distinguished lifestyles for personalized and fashionable products continues to rise and becomes more segmented, and the competition in the segmented market where the designer brands operate is intensifying. Since the outbreak of novel coronavirus (COVID-19) pneumonia epidemic (the "**Epidemic**") in early 2020, various provinces and cities in Mainland China launched the first-level response to significant public health emergencies and adopted kinds of stringent measures to curb the spread of the Epidemic. The unexpected outbreak of the Epidemic and the extent of its severity have brought unprecedented challenges to the apparel industry and the segmented market where the designer brands operate.

Despite unoptimistic recovery after the Epidemic, as the leading designer brand fashion group in China, benefiting from the diversified designer brand portfolio and sound operation management, we remain full confidence towards our future. Based on sufficient cash flow, 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 investment in enhancement of design and R&D capabilities;
- Adopting internet thinking and technology to further enhance our domestic and foreign retail network, to increase our strategic investments in store vision and image development, to optimize our omni-channel interactive platform and supply chain management capability, as well as to be capable to establish an appropriate scaled operation in each sub-segment;
- To enhance fans' experience by persisting fans economy strategy as the core, encouraging operational innovation, to continue in creating and providing scenarios for value-added services and customer touchpoints to our fans.

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

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

EXECUTIVE DIRECTORS

Mr. Wu Jian (吳健), aged 52, is the co-founder of our Group and an executive Director and the Chairman of our Company. Mr. Wu is primarily responsible for formulating the overall development strategies and overseeing the operation of our Group. Since late 1994, Mr. Wu has been devoted to retailing of Ms. Li Lin's apparel designs and the establishment and development of our Group. With over 25 years of experiences of business operation in the apparel industry, Mr. Wu has been the key driver of our business strategies and achievements to date and will continue to oversee the management of our operations and business.

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

Ms. Li Lin (李琳), aged 49, is the co-founder of our Group and an executive Director and chief creative officer of our Group. With over 25 years of experience in the apparel designing and retailing business, Ms. Li is primarily responsible for the design and innovation of our apparel business. In late 1994, Ms. Li began selling womenswear in Hangzhou, and gradually created and developed her own designs. Ms. Li and Mr. Wu opened their first retail store offering Ms. Li's own designs in 1996, and established Hangzhou JNBY in 1997.

Ms. Li has served as a council member of Beijing Ullens Center for Contemporary Art (UCCA) since November 2013, a board member of Institute of Asian Art of Vancouver Art Gallery since October 2015 and a council member of Asian Art Community of Solomon R. Guggenheim Museum since August 2019. Ms. Li graduated from Zhejiang University (浙江大學) with a bachelor's degree in chemistry in July 1992. Ms. Li is the wife of Mr. Wu Jian, the Chairman and executive Director of our Group.

Ms. Wu Huating (吳華婷), aged 45, is the chief executive officer and an executive Director of our Company. Ms. Wu is primarily responsible for the Group's overall strategy development, business planning and development. Ms. Wu has nearly 22 years of experience in the operation, management and investment of retail and internet industries. She was a partner of Vision Knight Capital General Partners Ltd., a private equity investment fund, from 2011 to 2018. Prior to joining Vision Knight Capital General Partners Ltd., Ms. Wu had been employed by Alibaba (China) Network Technology Co., Ltd. and served as senior director since 2006. She was mainly responsible for company brand, business marketing operations as well as marketing channel management, operation and optimization of Internet online marketing. In addition, she served as director of market development for UTStarcom Holdings Corp. from 2002 to 2006. She was also the product manager of Hangzhou Tingyi International Food Co., Ltd. under Ting Hsin International Group from 1998 to the end of 2001.

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

NON-EXECUTIVE DIRECTOR

Mr. Wei Zhe (衛哲), aged 49, joined our Group on June 24, 2013 when he was appointed as a non-executive Director of our Company. He is mainly responsible for providing strategic advice on the business development of our Group. Mr. Wei has over 20 years of experience in both investment and operational management in the PRC. Prior to joining our Group, Mr. Wei served as corporate finance manager at Coopers & Lybrand (now part of PricewaterhouseCoopers) from 1995 to 1998, and as managing director and head of investment banking at Orient Securities Company Limited from 1998 to 2000. Mr. Wei was a vice chairman, from 2002 to 2006, and a consultant, from 2007 to 2011, of China Chain Store & Franchise Association (中國連鎖經營協會). From 2003 to 2006, Mr. Wei was also the chief representative for Kingfisher's China sourcing office, Kingfisher Asia Ltd. Mr. Wei joined Alibaba Group and served as senior vice president of the B2B Division from November 2006 to January 2007, and president of the B2B Division and executive vice-president of Alibaba Group, from February 2007 to February 2011. He was the chief executive officer of Alibaba. com Limited, a leading worldwide B2B e-commerce company once listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") (Stock Code: 01688 and delisted in June 2012) from October 2007 to February 2011. He was voted as one of "China's Best CEOs" by FinanceAsia magazine in 2010. He has served as a director of Vision Knight Capital General Partners Ltd., a private equity investment fund since June 2011. Mr. Wei graduated from Shanghai International Studies College (上海外國語學院), Shanghai, with a bachelor's degree in international business management in July 1993. He also completed the EMBA corporate finance evening program at London Business School, London, United Kingdom in June 1998.

Currently, Mr. Wei has served as a non-executive director of PCCW Limited, a company listed on the Main Board of the Stock Exchange (Stock Code: 00008) since May 2012. Prior to this, he was an independent non-executive director of PCCW Limited from November 2011 to May 2012. Mr. Wei served as an independent director of 500.com Limited, a company listed on the New York Stock Exchange (Stock Code: WBAI) from October 2013 to November 2015. Mr. Wei also served as a non-executive director in Zhong Ao Home Group Limited, a company listed on the Main Board of the Stock Exchange (Stock Code: 01538) from April 2015 to June 2020. Mr. Wei has been an independent director of two listed companies, including Leju Holdings Limited since April 2014, a company listed on the New York Stock Exchange (Stock Code: LEJU), and Zall Smart Commerce Group Ltd. (formally named as Zall Development Group Ltd.) since April 2016, a company listed on the Main Board of the Stock Exchange (Stock Code: 02098).

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Lam Yiu Por (林曉波), aged 43, is an independent non-executive Director of our Company. He is primarily responsible for providing independent advice and judgment to our Board, and supervising operations of our Group. He joined our Group on October 13, 2016 when he was appointed as an independent non-executive Director. The following table sets forth the summary of Mr. Lam's working experience prior to joining our Group:

Period of Services	Name of the Companies	Principal Business Activities	Position	Responsibilities
November 2013 to July 2020	L'sea Resources International Holdings Limited (listed on the Stock Exchange, Stock Code: 00195)	Mining and sales of tin metal	Vice president and chief financial officer	Accounting, compliance matters and investor relations
November 2015 to June 2020	DeNOx Environmental & Technology Holdings Limited (listed on the Stock Exchange, Stock Code: 01452)	Manufacturing of platetype DeNOx catalyst	Independent non-executive director	Providing independent advice and judgment to the board of directors
November 2016 to November 2018	China Tontine Wines Group Limited (listed on the Stock Exchange, Stock Code: 00389)	Manufacturing and sale of wine	Independent non-executive director	Providing independent advice and judgment to the board of directors
July 2004 to December 2005	Zhongtian International Limited (listed on the Stock Exchange, Stock Code: 02379)	Property holding and sale of intelligent electronic products	Qualified accountant and financial controller	Financial reporting and investor relations
December 2005 to May 2008	SSY Group limited (formerly known as Lijun International Pharmaceutical (Holding) Co., Ltd., listed on the Stock Exchange, Stock Code: 02005)	Research, development, manufacturing and sale of finished medicines and pharmaceutical products	Qualified accountant, chief financial officer and company secretary	Company secretarial matters and financial reporting
June 2012 to February 2014	GR Properties Limited (formerly known as Buildmore International Limited, listed on the Stock Exchange, Stock Code: 00108)	Property investment, hotel management and manufacture and sales of dye-sublimation printed products	Independent non-executive director, chairman of the audit committee	Providing independent advice and judgment to the board of directors

Period of Services	Name of the Companies	Principal Business Activities	Position	Responsibilities
December 2014 to March 2016	Yat Sing Holdings Limited (listed on the Stock Exchange, Stock Code: 03708)	Provision of building maintenance and renovation services	Independent non-executive director	Providing independent advice and judgment to the board of directors
April 2015 to May 2017	Zhong Ao Home Group Limited (listed on the Stock Exchange, Stock Code: 01538)	Provision of property management services	Non-executive director	Providing advice and judgment to the board of directors

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

Ms. Han Min (韓敏), aged 46, is an independent non-executive Director of our Company. She is primarily responsible for providing independent advice and judgment to our Board, and supervising operations of our Group. She joined our Group on October 13, 2016 when she was appointed as an independent non-executive Director. Ms. Han has been working at Alipay (China) Information Technology Co., Ltd. (支付寶(中國)信息技術有限公司) ("**Alipay**") since January 2006. She served in a number of positions in Alipay from her joining in January 2006, including the director of the marketing operation department, the general manager of the merchants business department, the general manager of the consumers business department. Ms. Han worked at Alibaba (China) Network Technology Co., Ltd. (阿里巴巴(中國)網絡技術有限公司) from September 1999 to December 2005, during which she served various positions in the company, including director of the operation department, director of the international cooperation and development department, and director of the marketing department. Ms. Han graduated from Hangzhou Dianzi University (杭州電子科技大學) (formerly known as Hangzhou Dianzi Industrial College (杭州電子工業學院)), Hangzhou, with a bachelor's degree majoring in foreign trade in July 1997. In November 2008, she graduated from the University of Bath, U.K., with a master's degree of business administration.

Mr. Hu Huanxin (胡煥新), aged 52, is an independent non-executive Director of our Company. He is primarily responsible for providing independent advice and judgment to our Board, and supervising operations of our Group. Mr. Hu joined our Group on October 13, 2016 when he was appointed as an independent non-executive Director. Prior to joining our Group, Mr. Hu served in various roles with Cadbury, including general manager of Great China supply chain. From 2008 to 2009, Mr. Hu was employed by Vivalis, a cosmetics company based in the United Kingdom. Mr. Hu also served as the chief operating officer of Daphne International Holdings Limited, a company listed on the Stock Exchange (Stock Code: 00210) from 2010 to 2015. From March 2015 to December 2017, Mr. Hu has served as the chief operating officer of Yango Holdings Company Limited, the parent company of Yango Group Co., Ltd, a company listed on the Shenzhen Stock Exchange (Stock Code: 000671) and Fujian Longking Co., Ltd., a company listed on the Shanghai Stock Exchange (Stock Code: 600388). He has founded two companies, namely Shanghai Baolu Technology Co., Ltd. (上海寶履科技有限公司), a company engaging in Internet tailor-made male shoes, and Wuxi Baoding Investment Management Co., Ltd. (無錫寶頂投資管理有限公司), a company engaging in risk investment.

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

SENIOR MANAGEMENT

Mr. Zhu Qian (朱乾), aged 39, was appointed as chief financial officer when he joined our Group in November 2013. He is primarily responsible for the Group's overall business strategy, planning, development, operation and financial management, as well as capital market issues of our Group, and he was in charge of the overseas market and domestic distribution business of our JNBY, CROQUIS (速寫), jnby by JNBY, less and POMME DE TERRE (蓬馬) brands, the direct sale business of jnby by JNBY and POMME DE TERRE (蓬馬) brands of our Group simultaneously from November 2014 to April 2019. He currently mainly focuses on the overall strategies, business planning and development, group business intelligence, merger and acquisition, capital market and risk management matters of the Group.

Mr. Zhu has over 17 years of working experience in the auditing and financial industry. Prior to joining our Group, Mr. Zhu worked at PriceWaterhouseCoopers LLP from August 2003 to November 2013, where he last served as a senior manager and was primarily responsible for audit business.

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

Ms. Huang Sheng (黃盛), aged 45, joined our Group since September 9, 2019 and served as the Group's chief marketing officer. She is primarily responsible for the development of brand marketing strategy and membership operation of our Group, and is also responsible for direct sale business management for four of our brands, including JNBY brand, CROQUIS (速寫) brand, less brand and jnby by JNBY brand.

Ms. Huang has over 20 years of working experience in the retail business and operation. Prior to joining our Group, Ms. Huang worked at Shanghai La Chapelle Fashion Co., Ltd. as the vice marketing president and the chief executive officer of the NAFNAF brand in China from September 2018 to September 2019. She worked at GAP (Shanghai) Commercial Company Limited (蓋璞(上海)商業有限公司) (GAP) as the marketing director from August 2017 to September 2018.

Ms. Huang graduated from Shenyang Correspondence University (瀋陽市廣播電視大學) in July 1997, majoring in computer and its application. She received a master's degree of business administration from AMERICAN NEWPORT UNIVERSITY in May 2003.

Mr. Nie Yanlu (聶延路), aged 49, joined our Group in August 2002 and was appointed as the vice president of the Group from April 2019. Mr. Nie has over 22 years of working experience in operating and marketing. Since he joined our Group, he served in various positions in Huikang Industrial responsible for marketing of JNBY brand, including marketing director and general manager of business department from August 2002 to June 2011. Mr. Nie joined JNBY Finery in June 2011, and served as general manager of JNBY Brand Business Center. He was appointed as the general manager of JNBY Brand & CROQUIS (速寫) Brand Business Department of our Group in August 2015. Upon his appointment as the vice president of the Group in April 2019, he is primarily responsible for the distribution of our JNBY brand and CROQUIS (速寫) brand products, as well as the distribution and self-operated businesses of jnby by JNBY and POMME DE TERRE (蓬馬) brands. He currently mainly focuses on the distribution business of CROQUIS (速寫) and jnby by JNBY brands.

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

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

Ms. Wu Liwen (吳立文), aged 57, was appointed as the general manager of Production and Purchase Center of our Group since joining our Group on July 23, 2004. She is primarily responsible for overseeing manufacturing and purchasing affairs for our business operation. She has served as director in a number of our subsidiaries. Ms. Wu has over 10 years of working experience in the apparel manufacturing business. From July 2004 to October 2012, Ms. Wu served as the general manager of production and purchase center of Huikang Industrial. Ms. Wu worked in Shenyang No.9 People's Hospital (瀋陽市第九人民醫院) from July 1987 to July 2004, where she last served as the director of ultra-sonographic section.

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

Mr. Fan Yongkui (範永奎), aged 36, was appointed as the financial director of our Group when he joined our Group in September 2015. He is primarily responsible for accounting, financial management, post investment management and internal control related matters of our Group. Since joining our Group, Mr. Fan has served as supervisor in a number of our subsidiaries.

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

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

Mr. Xie Peiwang (謝培旺), aged 38, joined our Group in December 2015. Since joining our Group, he is primarily responsible for the overall operation of e-commerce. He serves as the general manager of our e-commerce operation centre, served as the director of our omnichannel membership operation department from March 2017 to November 2019 and also serves as the general manager of the business centre of JNBYHOME since March 2019. Mr. Xie has over 15 years of working experience in the internet industry, and worked at Alibaba Group from 2008 to 2015, during which he served in various operation roles across men's apparel and women's apparel.

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

DIRECTORS' REPORT

The Board is pleased to present the annual report (the "**Annual Report**") and the audited consolidated financial statements of the Group for the year ended June 30, 2020.

GLOBAL OFFERING

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

PRINCIPAL BUSINESS

The Company is principally engaged in the design, promotion and sales of female, male and youth contemporary apparel, footwear and accessories. The analysis of the Group's principal business for the year ended June 30, 2020 is set out in note 5 of the consolidated financial statements.

RESULTS

The results of the Group for the year ended June 30, 2020 are set out in the consolidated statement of comprehensive income on page 76 of this Annual Report.

DIVIDEND POLICY

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

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

FINAL DIVIDEND

The Board has recommended the payment of a final dividend of HK$0.54 per ordinary share (equivalent to approximately RMB0.50 per ordinary share) for the year ended June 30, 2020, representing a total payout of HK$280.1 million.

This proposed final dividend is subject to the approval of the Shareholders at the annual general meeting to be held on October 13, 2020, and will be paid on October 28, 2020 to those Shareholders whose names appear on the Company's register of members on October 19, 2020.

BUSINESS REVIEW

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

As a leading designer brand fashion group in China, the Group continued to penetrate into this market segment. Adhering to the strategic guidelines of "designdriven" and nurturing a "Fans Economy", the Group has once again achieved a breakthrough in its results. Details of business review and prospect of the Company are disclosed in the section headed "Management Discussion and Analysis" on pages 11 to 19 of this Annual Report. Details of the key financial performance indicators are set out in the section headed "Financial Summary" on page 8 to 9 of this Annual Report.

MAJOR RISKS AND UNCERTAINTIES

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

(I) RISKS RELATING TO BRAND RECOGNITION

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

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

(II) FIERCE COMPETITION

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

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

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

(IV) SUPPLY CHAIN

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

(V) INFORMATION TECHNOLOGY SYSTEMS

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

KEY RELATIONSHIPS

(I) FANS

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

(II) DISTRIBUTORS

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

(III) EMPLOYEES

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

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

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

(IV) SUPPLIERS

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

ENVIRONMENTAL POLICIES AND PERFORMANCE

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

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

FINANCIAL SUMMARY

A summary of the results and the assets and liabilities of the Group for the last five financial years is set out on page 9 of this Annual Report. The summary does not form part of the audited consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

MAJOR CUSTOMERS

The transaction amounts of our Group's top five customers accounted for 4.9% of the Group's total revenues (Fiscal Year 2019: 5.3%) for the Fiscal Year 2020 while the transaction amounts of our single largest customer accounted for 1.6% of the Group's total revenues (Fiscal Year 2019: 1.5%).

MAJOR SUPPLIERS

The transaction amounts of our Group's top five suppliers accounted for 12.0% of the total purchases (Fiscal Year 2019: 16.4%) for the Fiscal Year 2020 while the transaction amounts of our single largest supplier accounted for 3.3% of the Group's total purchases (Fiscal Year 2019: 3.7%).

None of the Directors, any of their respective close associates or any Shareholders (which to the knowledge of the Directors owns more than 5% of the Company's shares in issue) are interested in the five top clients or suppliers of the Group during the Fiscal Year 2020.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Company and the Group during the Fiscal Year 2020 are set out in note 13 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the Company's share capital during the Fiscal Year 2020 are set out in note 23 to the consolidated financial statements.

RESERVES

Details of the movements in the reserves of the Company and the Group during the Fiscal Year 2020 are set out in note 24 to the consolidated financial statements.

RESERVES AVAILABLE FOR DISTRIBUTION

As at June 30, 2020, the Company's reserves available for distribution amounted to approximately RMB924.9 million (June 30, 2019: RMB858.8 million).

BANK AND OTHER BORROWINGS

Details of the bank and other borrowings of the Company and the Group during the Fiscal Year 2020 are set out in note 28 to the consolidated financial statements.

DIRECTORS

The Directors during the Fiscal Year 2020 and up to the date of this Annual Report are as follows:

EXECUTIVE DIRECTORS:

Mr. Wu Jian *(Chairman)*

Ms. Li Lin

Ms. Wu Huating

NON-EXECUTIVE DIRECTOR:

Mr. Wei Zhe

INDEPENDENT NON-EXECUTIVE DIRECTORS:

Mr. Lam Yiu Por

Ms. Han Min

Mr. Hu Huanxin

In accordance with article 84 of the Company's articles of association (the "**Articles of Association**"), at each annual general meeting one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation. Accordingly, Mr. Wu Jian, Ms. Li Lin and Ms. Han Min, shall retire from office at the forthcoming annual general meeting and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

The particulars of Directors who are subject to re-election at the annual general meeting are set out in the circular to Shareholders to be dated September 11, 2020.

DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the Directors and senior management of the Company are set out on pages 20 to 24 of this Annual Report.

CONFIRMATION OF INDEPENDENCE FROM THE INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of the independent non-executive Directors a confirmation of his/her independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") and the Company considers all of the independent non-executive Directors are independent persons during the Fiscal Year 2020.

DIRECTORS' SERVICE CONTRACTS AND LETTERS OF APPOINTMENT

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

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

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Save as disclosed in the paragraph of "Connected transactions" below and in this Annual Report, no Director has a material interest, either directly or indirectly, in any transaction, arrangement or contract of significance to the business of the Group to which the Company, any of its subsidiaries or fellow subsidiaries was a party during the Fiscal Year 2020 and up to the date of this Annual Report.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the Fiscal Year 2020.

EMOLUMENT POLICY

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

Details of the emoluments of the Directors, and the five highest paid individuals during the Fiscal Year 2020 are set out in notes 34 and 8 to the consolidated financial statements.

RETIREMENT AND EMPLOYEE BENEFITS SCHEME

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

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

As at June 30, 2020, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**")) which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company pursuant to section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules were as follows:

Name of Directors	Nature of Interests	Number of Shares	Percentage of Shareholding in the Company (%)	Long Position/ Short Position/ Lending Pool
Mr. Wu Jian[1]	Founder of a discretionary trust; Beneficiary of a trust; Spouse interest	318,881,000	61.47	Long position
Ms. Li Lin[2]	Founder of a discretionary trust; Beneficiary of a trust; Spouse interest	318,881,000	61.47	Long position
Ms. Wu Huating[3]	Beneficial owner; Beneficiary of a trust	5,020,000	0.97	Long position

Notes:

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

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

(3) Ms. Wu Huating is interested in (i) 20,000 shares of the Company held by her and (ii) restricted share units ("**RSUs**") representing 5,000,000 shares of the Company that were granted to her pursuant to the RSU Scheme, which are subject to the vesting schedule and performance targets or review.

Save as disclosed above, as at June 30, 2020, none of the Directors or the chief executive of the Company had or was deemed to have any interest or short position in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) that was required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or required to be recorded in the register required to be kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as otherwise disclosed in this Annual Report, at no time during the Fiscal Year 2020 was the Company or its subsidiaries a party to any arrangement that would enable the Directors to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the Directors or any of their spouses or children under the age of 18 were granted any right to subscribe for the equity or debt securities of the Company or any other body corporate or had exercised any such right.

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

As at June 30, 2020, as far as the Directors are aware, the following persons (other than the Directors and chief executives of the Company) had interests or short positions in the shares or underlying shares of the Company which were required to be disclosed to the Company pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, and which were required to be entered in the register maintained by the Company pursuant to Section 336 of the SFO:

Name of Shareholders	Nature of Interests	Number of Shares	Percentage of Shareholding in the Company (%)	Long Position/ Short Position/ Lending Pool
Credit Suisse Trust Limited[1],[2]	Trustee	306,881,000	59.16	Long position
Ahead Global Holdings Limited[1]	Interest in a controlled corporation	152,100,000	29.32	Long position
Li Family Limited[2]	Interest in a controlled corporation	154,781,000	29.84	Long position
Ninth Capital Limited[1]	Beneficial owner	152,100,000	29.32	Long position
Ninth Investment Limited[2]	Beneficial owner	154,781,000	29.84	Long position
Puheng Limited[2]	Interest in a controlled corporation	154,781,000	29.84	Long position
Seletar Limited[1],[2]	Nominee for another person	306,881,000	59.16	Long position
Serangoon Limited[1],[2]	Nominee for another person	306,881,000	59.16	Long position
Wu Family Limited[1]	Interest in a controlled corporation	152,100,000	29.32	Long position
TCT (BVI) Limited[3]	Trustee	40,536,100	7.81	Long position
The Core Trust Company Limited[3]	Trustee	40,536,100	7.81	Long position
Energetic Design Limited[4]	Nominee for another person	28,536,100	5.50	Long position

Notes:

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

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

(3) TCT (BVI) Limited is the wholly-owned subsidiary of The Core Trust Company Limited. Such 40,536,100 shares represent the same batch of shares.

(4) Energetic Design Limited is the wholly-owned subsidiary of TCT (BVI) Limited. Accordingly, TCT (BVI) Limited is deemed to be interested in the 28,536,100 shares held by Energetic Design Limited.

Save as disclosed above, as at June 30, 2020, the Directors were not aware of any persons (who were not Directors or chief executive of the Company) who had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or which would be required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein.

RESTRICTED SHARE UNIT SCHEME

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

OUTSTANDING RSUs

Prior to the Company's shares listed on the Main Board of the Stock Exchange, RSUs in respect of an aggregate of 11,776,040 shares of the Company, representing approximately 2.27% of the issued shares of the Company as at June 30, 2020, had been granted to 89 RSU participants pursuant to the RSU Scheme. We have appointed The Core Trust Company Limited as the trustee to assist with the administration and vesting of RSUs granted pursuant to the RSU Scheme.

There are eleven vesting schedules under the RSU Scheme:

	Date of Grant	Vesting Schedule
1	(i) June 30, 2014 (ii) July 23,2014 (iii) November 20, 2014	the RSU participants shall vest as to 20%, 20%, 30% and 30% prior to August 31, 2015, 2016, 2017 and 2018, respectively
2	(i) May 16, 2014 (ii) December 1, 2014 (iii) March 9, 2015 (iv) September 10, 2015	the RSU participants shall vest as to 25%, 25%, 25% and 25% prior to August 31, 2016, 2017, 2018 and 2019, respectively
3	(i) November 23, 2015 (ii) December 15, 2016	the RSU participants shall vest as to 25%, 25%, 25% and 25% prior to August 31, 2017, 2018, 2019 and 2020, respectively
4	December 7, 2015	the RSU participants shall vest as to 20%, 20%, 30% and 30% prior to August 31, 2017, 2018, 2019 and 2020, respectively
5	(i) February 25, 2017 (ii) August 29, 2017	the RSU participants shall vest as to 25%, 25%, 25% and 25% prior to August 31, 2018, 2019, 2020 and 2021, respectively
6	(i) February 3, 2018 (ii) May 14, 2018 (iii) August 28, 2018	the RSU participants shall vest as to 20%, 20%, 20%, 20% and 20% prior to August 31, 2019, 2020, 2021, 2022 and 2023, respectively
7	(i) February 3, 2018 (ii) May 14, 2018 (iii) October 17, 2019	the RSU participants shall vest as to 25%, 25%, 25% and 25% prior to August 31, 2020, 2021, 2022 and 2023, respectively
8	February 3, 2018	the RSU participants shall vest as to 1/3, 1/3 and 1/3 prior to August 31, 2021, 2022 and 2023, respectively
9	(i) May 8, 2019 (ii) July 9, 2019 (iii) October 17, 2019	the RSU participants shall vest as to 20%, 20%, 20%, 20% and 20% prior to August 31, 2020, 2021, 2022, 2023 and 2024, respectively
10	July 9, 2019	the RSU participants shall vest as to 50% and 50% prior to August 31, 2020 and 2021, respectively
11	October 17, 2019	the RSU participants shall vest as to 15.6%, 21.1%, 21.1%, 21.1% and 21.1% prior to August 31, 2020, 2021, 2022, 2023 and 2024, respectively

Unless the Company shall otherwise determine and so notify the RSU participants in writing, the RSU participants shall vest following their respective vesting schedules described above.

During the year ended June 30, 2020, 3,247,500 RSUs have been granted, 12,998,125 RSUs have been forfeited or cancelled. As at June 30, 2020, there were a total of 19,526,622 RSUs outstanding.

The following is a summary table showing details of the RSUs granted under the RSU Scheme as at June 30, 2020. As of June 30, 2020, a total of 11,275,000 RSUs, representing 11,275,000 shares, were granted to the connected persons of the Company, among which 10,000,000 RSUs were granted to a Director.

			Year ended June 30, 2020				
Shares Represented by RSUs	Date of Grant	As at July 1, 2019 Outstanding	Granted	Exercised	Cancelled	Forfeited	As at June 30, 2020 Outstanding
9,764,560	June 30, 2014	7,010,241	—	224,000	—	45,000	**6,741,241**
711,480	November 20, 2014	406	—	400	—	—	**6**
10,000	March 9, 2015	2,500	—	—	—	—	**2,500**
280,000	September 10, 2015	70,000	—	69,500	—	—	**500**
50,000	November 23, 2015	50,000	—	—	—	28,125	**21,875**
500,000	December 7, 2015	300,000	—	150,000	—	—	**150,000**
80,000	December 15, 2016	40,000	—	20,000	—	—	**20,000**
680,000	February 25, 2017	605,000	—	2,000	—	15,000	**588,000**
30,000	August 29, 2017	22,500	—	7,500	—	—	**15,000**
15,000,000	February 3, 2018	10,350,000	—	120,000	4,125,000	540,000	**5,565,000**
1,240,000	May 14, 2018	1,240,000	—	—	240,000	680,000	**320,000**
180,000	August 28, 2018	180,000	—	—	40,000	—	**140,000**
10,000,000	May 8, 2019	10,000,000	—	—	5,000,000	—	**5,000,000**
492,500	July 9, 2019	—	492,500	—	200,000	—	**292,500**
2,755,000	October 17, 2019	—	2,755,000	—	660,000	1,425,000	**670,000**
Total		29,870,647	3,247,500	593,400	10,265,000	2,733,125	**19,526,622**

Notes:

(1) On October 17, 2019, the Board resolved to adjust the exercise price of the RSUs that were granted on May 8, 2019 from HK$15.34 per share to HK$11.60 per share.

(2) The closing price of the shares immediately before the date on which the RSUs were granted on July 9, 2019 was HK$14.08.

(3) The closing price of the shares immediately before the date on which the RSUs were granted on October 17, 2019 was HK$11.60.

(4) On June 30, 2020, the Board resolved to adjust the exercise prices of the RSUs granted on February 3, 2018, May 14, 2018, August 28, 2018, May 8, 2019, July 9, 2019 and October 17, 2019 from HK$11.60, HK$10.00 and HK$8.70 per share to HK$3.20 per share, and also to cancel 50% of the shares that have not been vested, i.e. an aggregate of 10,265,000 shares.

The weighted average closing price of the shares immediately before the dates on which the RSUs were exercised in Fiscal Year 2020 was approximately HK$9.62.

EXPECTED RETENTION RATE OF GRANTEES

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

EQUITY-LINKED AGREEMENT

There was no equity-linked agreement entered into by the Company or any of its subsidiaries in the Fiscal Year 2020 or subsisted at the end of the year.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During Fiscal Year 2020, save as the trustee of the RSU Scheme purchased a total of 14,159,000 shares of the Company with HK$105.2 million at the Stock Exchange pursuant to rules of the RSU Scheme and terms of the trust in order to grant shares to selected participants, none of the Company or any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

PRE-EMPTIVE RIGHTS

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

NON-COMPETITION UNDERTAKING

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

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

Based on the information and confirmation provided by the controlling Shareholders, the independent non-executive Directors have reviewed the implementation of non-competition undertaking during the Fiscal Year 2020, and are satisfied that the controlling Shareholders have complied with the Deed of Non-Competition.

DIRECTORS' INTEREST IN COMPETING BUSINESS

Save as disclosed in this Annual Report, none of the Directors or their associates had any interest in any business which directly or indirectly compete or may compete with the businesses of our Group during the Fiscal Year 2020.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

For the year ended June 30, 2020, the non-exempt continuing connected transactions conducted by the Group were described as follows:

LEASE OF OFFICES AND RETAIL STORES

The Group, as lessee, entered into a number of leases on December 1, 2012, January 1, 2013, June 30, 2014 and May 14, 2018 with Mr. Wu Jian and Ms. Li Lin (the "**Founders**"), and entities controlled by the Founders (collectively, the "**Lessors**"), pursuant to which the Lessors agreed to lease the properties in Hangzhou to us for office purpose. The term of above leases was renewed on May 28, 2020 for six months commencing from July 1, 2020 and ending on December 31, 2020. On August 30, 2017, the Group, as lessee, entered into a new lease agreement with our former executive director Mr. Li Ming and his spouse Ms. Tang Yu (as lessor), pursuant to which the lessor agreed to lease a property in Hangzhou to us for office purpose for a term commencing from September 1, 2017 and ending on December 31, 2020, lastly renewed on May 28, 2020.

The Group, as lessee, entered into two lease agreements on November 23, 2018 with Huizhan Technology (Hangzhou) Co., Ltd. ("**Huizhan Technology**"), a company ultimately controlled by the Founders, pursuant to which Huizhan Technology agreed to lease an office building and a multi-function hall in Hangzhou to us, respectively for office and advertising campaign purposes, both for a term of three years commencing from December 1, 2019.

The Group, as lessee, entered into a number of leases on January 1, 2013 with the Founders and Hangzhou JNBY Finery Co., Ltd. ("**Hangzhou JNBY**"), a company ultimately controlled by the Founders, pursuant to which, the Founders and Hangzhou JNBY agreed to lease the properties in Hangzhou to us for retail store purpose. The term of above leases was renewed on February 27, 2019 for three years commencing from July 1, 2019 and ending on June 30, 2022. On February 27, 2019, the Group, as lessee, entered into a lease agreement with Hangzhou Huikang Industrial Co., Ltd. ("**Huikang Industrial**"), a company ultimately controlled by the Founders, pursuant to which Huikang Industrial agreed to lease the properties in Hangzhou to us for employee dormitory purpose for a term of three years commencing from July 1, 2019.

The annual caps for our continuing connected lease transactions are approximately RMB39.2 million, RMB53.1 million and RMB53.1 million for the years ended June 30, 2020, 2021 and 2022, respectively. For more details, please refer to the announcements of the Company dated November 23, 2018, February 27, 2019, October 17, 2019 and May 28, 2020 in relation to the connected transactions and continuing connected transactions. For the year ended June 30, 2020, the Group's total lease payment paid or payable was RMB12.7 million without exceeding the annual caps for such transactions.

The Board wishes to clarify that the parties entered into a series of lease agreements with the Group, as set out on page 33 of the annual report of the Company for the year ended June 30, 2019 ("**FY2019 Annual Report**") under the section headed "CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS — LEASE OF OFFICES AND RETAIL STORES", should be the Lessors, Huikang Industrial and Hangzhou JNBY, instead of the Lessors and Huikang Industrial. On February 27, 2019, the Group entered into a lease agreement with Hangzhou JNBY, a company ultimately controlled by the Founders, pursuant to which Hangzhou JNBY agreed to lease the property at 403 Wulin Road, Xiacheng District, Hangzhou, Zhejiang, China to the lessee for retail store purpose for a term of three years commencing from July 1, 2019. The error was inadvertently made due to oversight of the typo mistake. Save as disclosed above, all other information disclosed in the FY2019 Annual Report is accurate.

APPAREL MANUFACTURING AGREEMENT

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

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

On February 27, 2019, Liancheng Huazhuo entered into a new framework apparel manufacturing agreement with Shangwei Apparel and Hangzhou New Shangwei Finery Co., Ltd. ("**Shangwei Group**"), pursuant to which Liancheng Huazhuo, and Shangwei Group agreed to renew the previous framework apparel manufacturing agreement and Shangwei Group agreed to manufacture apparel products for us for a term of three years commencing from July 1, 2019.

The annual caps for such transactions are approximately RMB40.0 million, RMB40.0 million and RMB40.0 million for the years ended June 30, 2020, 2021 and 2022, respectively. For the year ended June 30, 2020, the annual cap for such transactions of the Group was RMB40.0 million, and the total fees for apparel manufacturing actually paid or payable was RMB23.2 million without exceeding the annual cap for such transactions. For more details, please see the announcement of the Company regarding connected transaction and continuing connected transaction dated February 27, 2019.

SAMPLES OUTSOURCING AGREEMENT

On May 30, 2015, we entered into a framework samples outsourcing service agreement and amended on October 13, 2016 with Hangzhou JNBY, pursuant to which Hangzhou JNBY agreed to provide samples manufacturing service for us. The term of the service is from the Listing Date to June 30, 2019. On February 27, 2019, Liancheng Huazhuo entered into new framework sample apparel agreement with Hangzhou JNBY, pursuant to which Liancheng Huazhuo and Hangzhou JNBY agreed to renew the framework sample outsourcing service agreement, and Hangzhou JNBY agreed to manufacture and provide sample apparel for our designs for a term of three years commencing from July 1, 2019.

The annual caps for such transactions are approximately RMB36.0 million, RMB36.0 million and RMB36.0 million for the years ended June 30, 2020, 2021 and 2022, respectively. For the year ended June 30, 2020, the total fees for outsourcing service actually paid or payable was RMB32.6 million without exceeding the annual cap for such transaction. For more details, please see the announcement of the Company regarding connected transaction and continuing connected transaction dated February 27, 2019.

NON-CONTINUING CONNECTED TRANSACTIONS

For the year ended June 30, 2020, the non-exempt connected transactions conducted by the Group were described as follows:

The Group, as lessee, entered into a lease agreement on October 17, 2019 with Huizhan Technology, pursuant to which Huizhan Technology agreed to lease the properties in Hangzhou to us for staff canteen purpose, for a term of three years commencing from April 1, 2020. For more details, please see the announcements of the Company regarding connected transactions and continuing connected transaction dated October 17, 2019. For the year ended June 30, 2020, the total lease payment actually paid or payable was nil.

The Group, as lessee, entered into two lease agreements on May 28, 2020 with Huikang Industrial and Huizhan Technology, pursuant to which Huikang Industrial and Huizhan Technology agreed to lease the properties in Hangzhou to us for office purpose and warehouse purpose, respectively, both for a term of three years commencing from July 1, 2020. For more details, please refer to the announcements of the Company dated October 17, 2019 and May 28, 2020 in relation to the connected transactions and continuing connected transactions.

For details of the above connected transactions, please refer to note 32 to the consolidated financial statements.

In the Fiscal Year 2020, our independent non-executive Directors have reviewed the above continuing connected transactions and have confirmed that such transactions were entered into:

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

(ii) on normal or better commercial terms; and

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

The auditor of the Company has performed certain agreed-upon audit procedures for the above continuing connected transactions entered into by the Group in the year ended June 30, 2020, and concluded that such transactions:

(1) have been approved by the Board;

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

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

(4) have an aggregate amount not exceeding the relevant cap disclosed in the Company's announcements dated February 27, 2019, October 17, 2019 and May 28, 2020.

The related party transactions mentioned in note 32 to the consolidated financial statements constituted the connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules, and are in compliance with the disclosure requirements in Chapter 14A of the Listing Rules.

Save as disclosed in this Annual Report, there were no connected transactions or continuing connected transactions which are required to be disclosed by the Company in the Fiscal Year 2020 in accordance with the provisions concerning the disclosure of connected transactions under Chapter 14A of the Listing Rules.

CHARITY DONATION

The charity donation of the Group and other donation aggregately account for RMB0.2 million during the Fiscal Year 2020.

MATERIAL LEGAL PROCEEDINGS

During the Fiscal Year 2020, the Company was not involved in any material legal proceedings or arbitrations. To the best knowledge of the Directors, there is no material legal proceeding or claim which is pending or threatening against the Company.

PERMITTED INDEMNITY PROVISIONS

In the Fiscal Year 2020 and up to the date of this Annual Report, there were no permitted indemnity provisions which were or are currently in force, and are beneficial to the Directors (whether they were entered into by the Company or others) or any directors of the Company's connected companies (if they were entered into by the Company). The Company has purchased appropriate directors'and officers' liability insurance for its Directors and senior staff.

TAX RELIEF AND EXEMPTION OF HOLDERS OF LISTED SECURITIES

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

EVENTS AFTER THE BALANCE SHEET DATE

Details of the significant events after the balance sheet date are set out in note 35 to the consolidated financial statements.

AUDIT COMMITTEE

The Audit Committee of the Company (the "**Audit Committee**") has, together with the senior management and the external auditor of the Company, reviewed the accounting principles and practices adopted by our Group as well as the audited consolidated financial statements of the Group for the Fiscal Year 2020.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining high level of corporate governance practices. Information about the corporate governance practices adopted by the Company are set out in the corporate governance report on pages 41 to 53 in this Annual Report.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and to the best knowledge of the Directors, at least 25% (being the minimum public float prescribed by the Stock Exchange and the Listing Rules) of the Company's entire issued share capital were held by the public at any time during Fiscal Year 2020 and up to the date of this Annual Report.

AUDITOR

PricewaterhouseCoopers ("**PwC**") is appointed as auditor of the Company for the year ended June 30, 2020. PwC has audited the accompanying financial statements which were prepared in accordance with the HKFRSs.

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

By Order of the Board
Chairman
Wu Jian
Hong Kong, August 26, 2020

CORPORATE GOVERNANCE REPORT

The Board is pleased to present this corporate governance report set out in the Company's Annual Report for the Fiscal Year 2020.

CORPORATE GOVERNANCE PRACTICES

The Group is committed to maintaining a high standard of corporate governance to safeguard the interests of its shareholders and enhance its value and accountability. The Company has adopted the Corporate Governance Code and Corporate Governance Report (the "**Corporate Governance Code**") contained in Appendix 14 to the Listing Rules as its own corporate governance code. The Company has been in compliance with all applicable code provisions under the Corporate Governance Code during the Fiscal Year 2020, except for the disclosures in this Annual Report. The Company will continue to review and monitor its corporate governance practices in order to ensure the compliance with the Corporate Governance Code.

THE BOARD

RESPONSIBILITIES

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

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

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

BOARD COMPOSITION

During the year ended June 30, 2020 and as at the date of this Annual Report, the Board comprised three executive Directors, one non-executive Director and three independent non-executive Directors as set out below:

EXECUTIVE DIRECTORS:

Mr. Wu Jian
Ms. Li Lin
Ms. Wu Huating

NON-EXECUTIVE DIRECTOR:

Mr. Wei Zhe

INDEPENDENT NON-EXECUTIVE DIRECTORS:

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

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

During Fiscal Year 2020, the Board has met the requirements of Rules 3.10(1) and 3.10(2) of the Listing Rules relating to the appointment of at least three independent non-executive directors with at least one possessing appropriate professional qualifications or accounting or related financial management expertise.

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

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

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

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

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

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

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

INDUCTION AND CONTINUOUS PROFESSIONAL DEVELOPMENT

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

During the year ended June 30, 2020, the Company has arranged all Directors to watch a series of videos regarding "Duties of Directors and Role and Function of Board Committees" launched on the website of the Stock Exchange. In addition, all Directors developed themselves through 1) conducting focused discussion on issues relating to the business and operations of the Company at committee meetings; and 2) research, reading and study of relevant regulations and standards in order to strengthen the skills and knowledge relevant for their respective roles.

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

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

APPOINTMENT AND RE-ELECTION OF DIRECTORS

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

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

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

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

BOARD MEETINGS

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

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

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

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

During Fiscal Year 2020, four Board meetings and one general meeting were held, and the attendance of the individual Directors at the Board meetings is set out in the table below:

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

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as its own code of conduct regarding Directors' securities transactions. Specific enquiry has been made to all the Directors and each of the Directors has confirmed that he/she has complied with the required standards as set out in the Model Code during Fiscal Year 2020.

DELEGATION BY THE BOARD

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

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

CORPORATE GOVERNANCE FUNCTION

The Board is responsible for the corporate governance of the Group, it fulfills the corporate governance functions as required by the provisions of the Corporate Governance Code, and reviews the corporate governance practices at appropriate time. During Fiscal Year 2020, the Board reviewed the corporate governance policies and practices of the Company and reviewed the disclosures made in this corporate governance report. The Board has approved and adopted the terms of reference in relation to the fulfillment of corporate governance functions as set out in the Corporate Governance Code.

BOARD COMMITTEES

AUDIT COMMITTEE

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

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

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

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

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

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

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

(f) regarding (e) above:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

During Fiscal Year 2020, the Audit Committee held three meetings to discuss and consider the following:

- review the annual results for the year ended June 30, 2019 of the Company and its subsidiaries;
- review the interim results for the six months ended December 31, 2019 of the Company and its subsidiaries; and
- review the audit service plan and the plan on preparing environmental, social and governance report.

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

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

NOMINATION COMMITTEE

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

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

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

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

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

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

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

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

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

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

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

During Fiscal Year 2020, the Nomination Committee held one meeting to discuss and consider the following:

- review the structure, size and composition of the Board, the diversity policy of Board members and the independence of independent non-executive Directors, and discuss candidates for re-election of Directors.

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

Name of Directors	Actual attendance/ Required attendance
Mr. Wu Jian	1/1
Ms. Han Min	1/1
Mr. Hu Huanxin	1/1

Board Diversity Policy

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

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

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

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

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

Nomination Policies of Directors and Standard for Selection and Recommendations

1. Policies and Principles

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

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

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

2. Measurable Objectives

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

REMUNERATION COMMITTEE

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

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

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

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

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

(d) either:

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

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

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

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

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

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

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

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

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

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

During Fiscal Year 2020, the Remuneration Committee held two meetings to discuss and consider the following:

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

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

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

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

The remuneration of Directors and senior management of the Company (whose biographies are set out on pages 20 to 24 of this Annual Report) for the Fiscal Year 2020 falls under the following bands:

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

DIRECTORS' RESPONSIBILITIES FOR FINANCIAL REPORTING IN RESPECT OF FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities for preparing the financial statements of the Company for the year ended June 30, 2020 which give a true and fair view of the affairs of the Company and the Group and of the Group's results and cash flows.

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

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

The statement by the auditor regarding its reporting responsibilities on the consolidated financial statements of the Company is set out in the Independent Auditor's Report on page 72 of this Annual Report.

RISK MANAGEMENT AND INTERNAL CONTROL

The Group believes that good corporate governance practices are very important for maintaining and promoting investor confidence and for the sustainable growth of the Group. The Group has therefore made continued efforts to uplift its quality of corporate governance. It has established a highly effective system of internal control and risk management and adopted a series of measures to ensure their safety and effectiveness. As a result, the Group is able to safeguard its assets and protect the interests of its shareholders. During the Fiscal Year 2020, the Board has conducted a review on the effectiveness of the Group's internal control and risk management systems which covers financial, operational, compliance procedural and risk management functions and have considered the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function. The Board is not aware of any significant internal control and risk management weaknesses nor significant breach or limits of risk management policies, and considers the existing internal control system and risk management systems effective and adequate. During the year ended June 30, 2020, the Company has complied with all of the provisions in relation to risk management and internal control under the Corporate Governance Code.

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

PROCESSES USED TO IDENTIFY, EVALUATE AND MANAGE SIGNIFICANT RISKS

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

RISK IDENTIFICATION

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

RISK ASSESSMENT

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

RISK RESPONSE

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

RISK MONITORING AND REPORTING

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

INFORMATION DISCLOSURE POLICY

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

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

AUDITOR'S REMUNERATION

The auditor's remuneration in respect of the audit and non-audit services provided to the Company for the Fiscal Year 2020 is as follows:

Type of services	**Amount** RMB'000
Audit services	2,380
Non-audit services	20
Total	2,400

JOINT COMPANY SECRETARIES

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

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

During the Fiscal Year 2020, Ms. Wang Minyuan and Ms. Ng Sau Mei have undertaken no less than 15 hours of relevant professional training in compliance with Rule 3.29 of the Listing Rules.

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONSHIP

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

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

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

GENERAL MEETINGS

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

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

CONVENING AN EXTRAORDINARY GENERAL MEETING AND PUTTING FORWARD PROPOSALS

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

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

INVESTOR RELATIONS

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

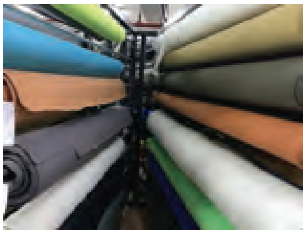
AMENDMENTS TO CONSTITUTIONAL DOCUMENTS

There were no changes in the Memorandum and Articles of Association of the Company during Fiscal Year 2020.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

1 INTRODUCTION

JNBY Design Limited is a leading designer brand fashion house based in China. We design, promote and sell contemporary apparel, footwear and accessories as well as household products. As of June 30, 2020, our brand portfolio comprises multiple brands in three stages, each targeting at a distinct customer segment and having a uniquely defined design identity based on our Group's universal brand philosophy — "Just Naturally By Yourself". We place utmost value on the experiences that customers may receive, therefore the high-quality products and services are of our persistence. We have set up an omni-channel interactive platform comprising physical retail stores, online platforms and WeChat-based social media interactive marketing service platform. Committing to provide our customers with quality experience services, we build up a "JNBY Fans Economy" strategy based on a community of fans whose purchases are driven by their affinity to the lifestyle we aim to promote.



We believe that sustainability is the key to the Group's long-term development. The Group provides a platform gathering people holding various life attitudes and encourages each member of our team to devote in the lives, environment and society they desired and work thoroughly. We believe it is fun and happy to have a group of exceptional dream chasers bring fascinating engagements in the pursuit of a mutual goal. Pursuant to the Environmental, Social and Governance Reporting Guide as set out in Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, the Group has prepared the Environment, Social and Governance Report (the "**ESG Report**") this fiscal year for the period from July 1, 2019 to June 30, 2020 ("**Fiscal Year 2020**"). This report elaborates our philosophy in sustainable development and social responsibility in respect of the environment and the society and covers our headquarters and the subsidiaries in various regions.

2 ESG SUMMARY

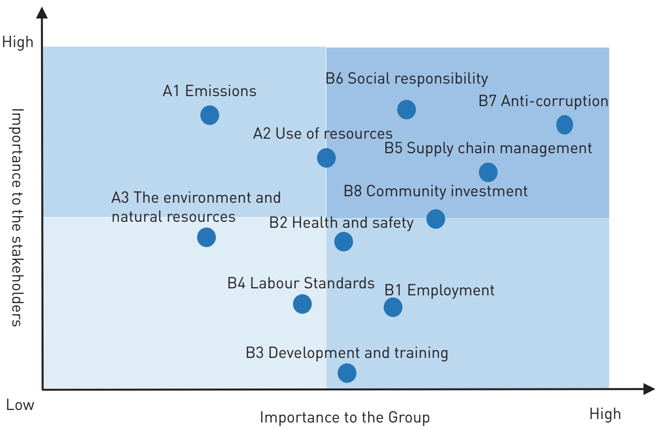
In order to conduct comprehensive management on environment, society and governance, the Group has set up an ESG working team which is led by the Internal Audit Department, with direct participation of the department heads from the Affairs Department, the Administrative Department, the Brand Marketing Center, the Human Resources Center, the Production and Procurement Center, the Research and Development Center, the E-commerce Operation Center and other departments of the Group. The Group also has designated personnel responsible for ESG management and reporting. The ESG working team regularly reports to our management and gives proper advices on improvement.

ESG GOVERNANCE PHILOSOPHY

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

IMPORTANCE ASSESSMENT

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



KEY IDENTIFICATIONS OF STAKEHOLDERS

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

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

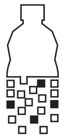
3 QUALITY PRODUCTS AND SERVICES

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

DESIGN, RESEARCH AND DEVELOPMENT

The Group adopts a design-driven retailing model which allows our designer team considerable creative freedom and autonomy to leverage their experiences and pursue their artistic vision. The Group adheres to the design philosophy of getting close to the nature and persists to use quality raw materials, such as the natural and organic cotton recognised by the Global Organic Textile Standard (GOTS) and pure wool verified by the International Wool Secretariat. We proactively choose the environmental-friendly raw materials. For example, the recycled nylon fully comprising recycled nylon thin checks is extracted from discarded fishnet upon decomposition, and the regenerated terylene comprising 30% of the double-faced polar fleece fabric with terylene in sized particles is extracted from recycled plastic bottles. Besides, the JNBY fabric laboratory upholds the passion to stylish characters and the persistence of handicraft, to develop a series of unique fabric and provide its brands with bespoke original raw fabric designs.

Additionally, the Group launched the first store in Joy City, Hangzhou of its environmental-friendly fashion brand REVERB with focus on social responsibility and sustainability on August 28, 2018. REVERB has been pursuing the trend of green fashion at all times by using natural materials with organic certification and technical materials certified by the Swiss bluesign® standards. Throughout the process, REVERB has discovered the potential of "Circular Fashion" since zero chemical ingredients are added. Through building up a comprehensive circular system, we strive to broaden the approaches to a sustainable lifestyle. Taking the organic cotton materials used in each season series and recognised by GOTS as an example, it cuts down the water consumption by 90% as compared with that of traditional cotton, since an organic farming method without using any pesticides and chemical fertilizers is adopted during cultivation, which has prevented the soil from being polluted by chemical substances while maintaining soil fertility. Avoid using chemical fertilizers also reduces the energy consumption of organic cotton by 61% as compared with that of traditional cotton, since chemical fertilizers are derivatives of petroleum, a kind of non-renewable energy, and requires higher energy consumption. Taking REVERB Spring Summer 19 Collection as an example, we have actually reduced carbon dioxide emissions by 55% through the use of recycled nylon fabric from the circular craftmanship as compared to that of traditional craftmanship; the use of other materials such as recycled polyester fibers from PET recycling plastic bottles has contributed a reduction of energy consumption and water consumption by 2/3 and 90%, respectively, comparing to that from the approach of oil crackling raw materials; the use of recycling fabric such as recycled wool fabric and hemp fiber also contribute to the reduction of carbon dioxide emissions, energy consumption and water consumption in practical sense. REVERB embraces "Circular Fashion" as its brand philosophy and focuses on the three design concepts of "Athleisure, Genderless and Sustainability", aiming to inspire the reflection of the young and fashionable millennials on exploring future fashion.



再生滌綸
Regenerate Polyester
GRS — Global Recycled Standard

Sources of raw materials
–––Recycle plastic products waste

New recycling green and environmental-friendly materials
–––Reduce 59% of energy consumption
–––Reduce 32% of carbon dioxide emissions

QUALITY ASSURANCE

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

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

95% white goose down

Internal Control Standard of the Group
Down content ⩾ 91%
Filling power ⩾ 22cm
National standard GB/T14272-2011
Down content ⩾ 85.5%
Filling power ⩾ 15cm

90% white duck down

Internal Control Standard of the Group
Down content ⩾ 85%
Filling power ⩾ 17cm
National standard GB/T14272-2011
Down content ⩾ 81%
Filling power ⩾ 14cm

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

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

QUALITY SERVICES

The Group expects to build up a JNBY lifestyle ecosystem with its multi-brand strategy in the future. We have set up an omni-channel interactive platform comprising physical retail stores, online platforms and WeChat-based social media interactive marketing service platform. The Group persists to take "fan-based economy" as the core and regards quality service as its core competitiveness. The Group has strengthened its communication with customers, improved customers' satisfaction and enhanced competitiveness by providing considerate sales services, intimate after-sales services and well-established membership maintenance.

✧ Considerate sales services

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

During Fiscal Year 2020, in order to better serve the customers, the Group has timely launched the BOX sales model, which provides tailor-made and styling services for the Group's Gold Members, fulfills the customers' try-on experience at home and meanwhile enables the customers to enjoy the same exclusive special offers from physical retail stores.

✧ Intimate after-sales services

The Group has formulated the Customer Complaint Process Management《(客戶投訴流程管理》), the Shopping Guide Working Duties《(導購工作職責》) and other systems to enhance its after-sales services, including follow-ups on product quality, providing follow-up services and maintenance network information and etc. The Group mainly acquires the after-sales feedback from customers through 400 customer service hotlines, online chat windows of online sales platforms and customer feedback portal of WeChat Mall and has formulated the specific response procedures for complaints through stores, emails, media and other channels. With respect to customers' complaints, the Group requires the online customer service staff to handle customer complaints with patience and sincerity and keep records for such complaints, and the E-commence Operation Center to conduct periodic inspection on abnormal orders; the Group also requires offline shopping guide to take follow-up actions on the product quality and provide follow-up services and maintenance network information for customers.

The sudden outbreak of COVID-19 during the Spring Festival in 2020 has posed severe impact on offline physical retail stores. Despite of that, the Group has decided to work with the distributors to "weather through this difficult period" by offering the Special Return Policies for the 2020 Spring Collection (《2020春特殊退貨政策》), pursuant to which, the return rate of Spring Collection products for the distributors of five major brands was raised to 100%, demonstrating the Group's determination to shoulder its responsibility.

✧ Upgraded membership benefits, marketing campaigns and membership management

Upgraded membership benefits

Being committed to creating a membership digital operation with fan-based economy as its core and making a layout with full access to social media, the Group has upgraded membership benefits, including privileges upon membership registration, rewards redemption, birthday gifts, free shipment for every purchase of two or more pieces, enjoying 6 exclusive garment styling services through "Box Project" every year for a Gold member etc., in order to deliver more exclusive services and quality experience for our members and highlight the perceived value of being a member

Personalized membership marketing campaigns

In order to enhance the experiences and stickiness of current members of the brands of the Group, while attracting more new registrations, a variety of personalized member campaigns are conducted for members of different levels in retail stores nationwide in collaboration with online shopping mall, which include:

- Membership marketing campaigns, including VIP member-exclusive activities, membership offers, membership giveaway, birthday gift packages, season-end promotional activities and double/multiple membership reward points

- Members' festival, including rewards redemption, free gifts, payment by points plus price, interactive shared game and live streaming

Membership management

- The Group has proactively promoted the transfer of membership asset from private domain to public domain and maintain member profile in public domain to conduct membership operation and management in a more standardised and effective manner

- In order to better monitor the abnormal consumption history of the Group membership card and regulate the monitoring procedures on abnormal consumption of members, the Group also continues to perform the Monitor Procedures of Abnormal Membership Consumption (《會員消費異常監控流程》) to realize standardized membership management

- The Group attaches great importance to the protection of customer's privacy. To this end, the Group has strict set on the access of account in membership management system and customer relationship maintenance system to strictly prohibit unauthorised access, restrict the use of customer's privacy-related information and prevent customer data breach, as well as requiring all the service staff to strictly keep customer's privacy-related information confidential as stated in the Online Customer Regulations (《在線客戶規範》). The Group also includes confidentiality provisions to the Employee Manual, pursuant to which, all staff are required to keep trade secret confidential

COMPLIANCE IN OPERATIONS

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

In Fiscal Year 2020, the Group issued the channel, content and handling of employees' and stakeholders' complaints through multiple channels. Employees of the Group can directly report to the Internal Audit Department by means of telephone, email and interviews to report abuse of power or other acts causing harm to company's interests. Staff can also directly express their feedbacks through company integrity mailbox, DingTalk and letters. The Group has zero tolerance toward corruption and deals with employees who violate laws and regulations thoroughly. The Internal Audit Department will evaluate and receive all kinds of complaints and reported cases, transfer, submit, supervise and report cases according to the actual situation of such cases, coordinate important complaints and report, and give feedback to the real-name whistleblowers. For anonymous complaints and reports, the relevant personnel will keep the complainants and the informers confidential. The Internal Audit Department will maintain the lawful rights and interests of real-name informers and anonymous informers in accordance with the laws.

In Fiscal Year 2020, the Group revised the Credibility and Integrity System (《誠信廉潔制度》) and the Code of Conduct for Employees (《員工行為準則》). The Group regularly provides training and education to the employees to ensure that they understand all the relevant information of the Company's anti-bribery policy, and clarify the role they play in and their duties on compliance with anti-bribery policy of the Company. We regularly conduct specialized audit, assess and update internal control and implement rectification measures. In Fiscal Year 2020, the Group had entered into Integrity Undertakings (《誠信承諾書》) with key-post employees in major business department, the clients, suppliers, etc., and communicated the relevant information and requirements of the Company's anti-bribery efforts to them. Meanwhile, the Group requires the Human Resources Center to carry out checks on key personnel to be appointed or promoted on their education background, work experience, integrity, behaviour, etc. No one is allowed to be appointed or promoted to the key posts if any record of corruption is discovered. Employees conducting proven corruption act are subject to the Company's penalty in accordance with the relevant regulations and even juridical authorities' ruling if it violates any laws.

Report hotline (86) 0571-88496199
Integrity mailbox LZ@jnby.com

4 SUPPLIER MANAGEMENT

The Group attaches great importance to the management of supply chains and suppliers and manages suppliers with grading system. In Fiscal Year 2020, the Group revised the multi-dimensional Access and Periodic Evaluation System for Supplier (《供應商的准入與定期考評制度》). For evaluation of suppliers, in addition to on-site visit, the Group also obtains their information through multi-channels such as Tianyancha, to see whether they are in legal disputes and whether there are operating and cooperation risks, so as to ensure a safe and reliable introduction of suppliers. Meanwhile, we have included the ISO14001 and ISO9001 certification indicators into the supplier management evaluation system, paid attention to the environmental and social performance of the suppliers, and investigated their employment and environmental protection performance, so as to achieve sustainable development values which are mutually beneficial with supply chain partners. The suppliers of the Group consist of four types: fabric suppliers, finished product suppliers, processing suppliers and other suppliers. The Group has established strict procedures and standards for supplier access, regularly maintains and cleans up supplier profile information, and conducts regular assessments on suppliers.

GRADING ACCESS SYSTEM

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

INFORMATION MAINTENANCE

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

APPRAISAL AND RATING

In order to effectively obtain the first-hand information of each supplier's integrity, quality, delivery date, degree of cooperation, and post-maintenance services, controls the supplier's capacity and business suitability to ensure the quality and timeliness of order completion, the Group has newly revised the relevant system of Access and Periodic Evaluation System for Supplier. Pursuant to which, the Production and Procurement Center organizes relevant departments to set up an evaluation team, integrates the information collected from Tianyancha, the daily recorded "Supplier Accident Record Form" and the annual order volume to rate the suppliers. Furthermore, to emphasize the management responsibility of the manager of procurement business, the Group link supplier management with his/her annual performance to determine their grades, and updates the list of supplier access accordingly to determine priority of cooperation and make necessary order adjustments.



Recycled and regenerated materials: the regenerated cotton yarn

For the purposes of energy saving, recycling and promoting the natural brand style, the Group proactively conducts procurement of raw materials of sustainable yarn. In selection of and conducting environmental inspection over the suppliers of sustainable fabrics, we are concerned with the relevant environmental certifications of our suppliers, including the Global Organic Textile Standard, the Bluesign Standard, the Biological Certification Tag for Textiles and the Global Recycling Standards. We also implement integrated management to our sustainable suppliers list to reduce the environmental and social risks involved in the procurement process. Taking regenerated cotton yarn as an example, it is fiber material reprocessed from leftover materials and waste silk generated during textile processing. According to the Law on Circular Economy Promotion (《循環經濟促進法》) in China launched many years ago, there are demonstration cases of circular economy found in numerous industries. In the textile sector, producing regenerated cotton yarn represents an important component for circular economy, which has not only achieved reutilization of fibre resources but also granted the textile wastes with recycling connotation. This unique development model of circular economy has positive meanings to enhance the rates of recycling and multipurpose utilization of textile wastes, develop featured industry based on actual situation as well as effectively tackling resource and environmental constraints.

5 EMPLOYEE RELATIONS

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

PROTECTING EMPLOYEE INTERESTS

The Group has strictly complied with the requirements of laws and regulations such as the Labour Law of the People's Republic of China (《中華人民共和國勞動法》) and the Labour Contract Law of the People's Republic of China (《中華人民共和國勞動合同法》). On this basis, the Group has formulated the system comprised of the Recruitment System, the Entry and Demission Management System, the Attendance System, the Remuneration System, Travel Management System and the Promotion System, which are applicable to all employees in headquarters. The Group has also established a complete set of systems for its retail system, such as the Administrative Measures for Recruitment of Oversea Retail Staff, Attendance and Vacation Management System of Retail Staff, Terminal Store Salary and Welfare Management System to regulate the recruitment, attendance, salary and welfare procedures for the retail store employees. In addition, the Group has strictly complied with the local laws and regulations such as Disability Discrimination Ordinance, Sex Discrimination Ordinance, and Rules on the Labour Protection of Female Employees, and allows zero tolerance in relation to any workplace discrimination, harassment or vilification. The Group advocates fair competition and provides equal opportunities for all employees who are treated equally without discrimination regardless of gender, age, marital status, religious belief, race, nationality or physical condition, which are well implemented during recruitment, appointment and promotion.

The Group insists on the recruitment principle of "impartiality and openness" and "recommendation of talents regardless of whether they are relatives or not". All employees are treated equally and equality, fairness and transparency are highly emphasized. In order to improve the effectiveness and efficiency of recruitment, the Company has launched an E-HR technology software that covers headquarters and retail business system. The system is equipped with AI function to automatically answer 25 questions involving welfare, training, company system, overtime, salary and interview, which substantially enhances the efficiency of initial communication with interviewees. When the candidates are preliminarily determined, the Company verifies their background information upon approval of them to ensure that their information is true and accurate. The Group has opened a social recruitment channel, a school recruitment channel, an internal referral channel and a part-time job channel at WeChat public interface to attract internal and external talents. The Group also proposed a sub-program of the "Headhunter Program" (「伯樂計劃」), namely "Special Referral in One Hundred Days" (「百日特推」) in the fiscal year to attract talents to join the Group. In order to prevent illegal employment of child labour, underage employees and forced labour at the time of entry of employees, the Human Resources Center of the Group requires applicants to provide valid identification and academic credentials before their employment to ensure that applicants are legally employed and prevent the risk of employing child labour. The Human Resources Center of the Group is also responsible for monitoring and ensuring that the Group complies with the latest relevant laws and regulations prohibiting the employment of child labour and forced labour. Adhering to the principle of "valuing both moral and talent, and offering equal opportunities", the Group provides the employees with dual-channel development opportunities which create a promotion path for horizontal development between positions and offer wider promotion and development space to the employees. In addition, the Group has also formulated the dismissal leaving office procedures to complete the leaving office of employees in accordance with reasonable and lawful procedures.

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

The Group offers competitive remuneration system to attract quality talents, stimulate employees and enhance labour efficiency, realising the optimisation of position values and the rapid enhancement of individual capability. The Group offers market-leading remuneration for the key positions with core functions that support the company to perform the strategies. The Group provides the employees with various extra benefits apart from the statutory benefits by different measures, such as staff canteen, employee purchase scheme, outing benefits, newborn baby gifts etc. In addition, in order to enrich their lifestyle after work, the Company regularly carries out diverse employee activities. In Fiscal Year 2020, a number of various activities were organised, such as the summer "Left-behind children" (「小候鳥」) activity taking care of employees' children, mountain climbing, and 21-day plank campaign, etc. Furthermore, the Group organised many activities to maintain continuous learning enthusiasm of employees, such as borrowing books for free and recommending excellent books, and those who share what they have learned in "Jiangnan Reading Circle" (「江南讀書圈」) may be awarded good gifts.

Since the COVID-19 epidemic has brought a huge impact on people's work and life year to date in 2020, the Company actively responded to the government's call for control and established an epidemic prevention and control team, with the chairman as the team leader and the vice president as the deputy team leader, to report on the prevention and control of the epidemic on the work platform every day. During the epidemic, the Company has taken various measures such as working at home for certain employees and peak-shifting working hours to protect the health of employees and ensure the effective operation of the Company's businesses.

DEVELOPMENT AND TRAINING

Talent cultivation is an important aspect of enterprise development. An excellent organisation is bound to be a learning-oriented organisation. The Group regards talent development as the core of talent management strategy. Accordingly, based on the Company's demand for talent supply in key positions in the process of incubation of new brands and rapid development of traditional brands, the Group has carried out talent review in Fiscal Year 2020 by updating the instructions for 82% of the positions in the first-level departments to further clarify their duties and strengthen professional management.

Generally, the Group reviewed staffing level of the current 160 management positions, the health level of 148 on-the-job managers from aspects such as competency level, resignation risk level, talent pipeline level etc. Currently, the Group has sufficient management positions to support its strategic development, and accordingly a talent pool was established.

In order to fully mobilize the enthusiasm of employees and expand employee development channels, the Group provided half-year promotion opportunities for those faster-growing grassroots employees in addition to the original annual promotion.

Adhering to the concept of joint development of the Company and employees, the Group combines training needs and resource allocation and combines training objectives with enterprise strategies to conduct job training and special training in an orderly and efficient manner, to improve the learning ability and knowledge level of employees, and to promote the career development ability of employees. In Fiscal Year 2020, a number of training sessions in different forms and contents were conducted for new employees, incumbent employees and managers to meet their different growth needs. A total of 1,192 people participated in the training sessions for a total of 8,628 hours. The average length of training for employees was about 5.9 hours.

The Group organised a number of collective activities for employees in various forms in Fiscal Year 2020. In order to give back to the Company's seasoned employees and enhance their sense of belonging, the Company organised three, five, eight and ten-year employee party and prepared exquisite gifts for those seasoned employees who have grown up with the Company, thus to continuously strengthen their sense of honour and cohesion. Departmental team building activities were considered in the Company's annual budget to strengthen communication and exchange within and between each department of the Company.

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

HEALTH AND SAFETY

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

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

During the COVID-19 epidemic in 2020, the Group launched We care ("JNBY Care Program" (「江南布衣關愛計劃」)) based on people-oriented approach to: ① purchase three months of commercial insurance against the epidemic for all employees of retail channels; ② provide different amounts of attendance subsidies to employees at shopping malls open for normal business, provide corresponding allowance to employees whose store is closed or who are quarantined, and pay basic salary to employees as a result of the lockdown after submitting the corresponding leave procedures; ③ pay salary during the quarantine period based on normal attendance to employees infected with COVID-19, suspected patients and close contacts upon resumption of work.

Epidemic Prevention and Control — Special Care in Special Times

Theme: Goddess Holiday, we are fighting the epidemic

Venue: Blue Ocean Times Building

The epidemic continued to exist on the Goddess Holiday in 2020. In order to express the most sincere blessing and gratitude to those employees who fight on the front line every day during the epidemic, the Group specially organised the "Goddess Holiday, we are fighting the epidemic" activity to present special gifts to front-line employees to express great respect and care.

6 ENVIRONMENTAL PROTECTION

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

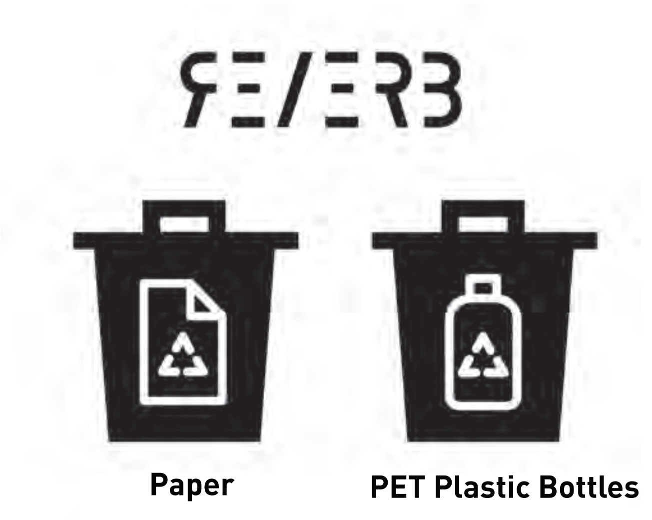
ENERGY CONSUMPTION

Utilisation of water and electricity: The major consumption of the Group is domestic water in offices. The Group promotes water conservation at all levels through various means, including posting up water-saving signs in office premises and installing sensor faucets to improve water efficiency. The Group continues to raise employees' awareness of electricity saving and use energy-saving lamps to reduce energy consumption, and recommends to set the air conditioner at the most appropriate temperature for saving energy in summer. In addition to replacement of energy-saving lamps in the last fiscal year, the logistics center further transformed 4,000 sets of lamps into induction lighting in Fiscal Year 2020, which saved production costs without affecting work and life. It is estimated that the cost of transformation is equivalent to the electricity charge that may be saved in the fiscal year after the transformation.

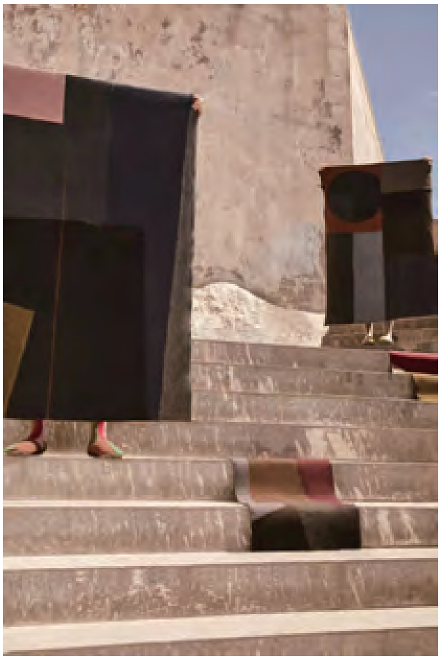
Utilisation of paper: The Group requires its employees to print on both sides, print informal documents with recycled paper, and actively promote paperless office by encouraging employees to think twice before printing, so as to cultivate staff awareness of resource conservation. The Group implements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

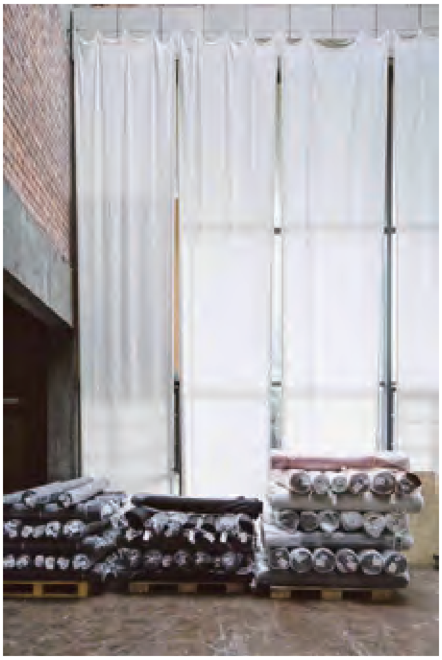
USE OF RESOURCES

With urban development and population growth, the amount of urban waste is increasing day by day. The Group actively responded to the call for waste classification, took the lead in setting up classification boxes for PET plastic bottles and paper in the REVERB brand design office for trial operation, and conducted processing and re-utilisation activities of office recyclable waste to reduce solid waste discharge and improve the rate of waste recovery and utilisation. We will reduce the production of domestic waste from ourselves and contribute to the environment and circular economy. The Group strictly implemented the garbage classification of Hangzhou Municipal Government, namely hazardous garbage, perishable garbage, recyclable garbage and other garbage. We will determine the location of the recycling bins according to the production site of garbage and determine the diversified type of the recycling bins according to the type of garbage. We will place recycling bins in each office for common garbage such as paper and plastic bottles; recycling bins at the entrance of each stairway for special garbage such as metals and batteries; and recycling bins at designated locations of express receiving and dispatching for the express boxes and other garbage.



The Group also actively adopted relevant measures to classify and recycle the special waste with industry characteristics, namely "fabric scraps" and "fabric stocks", reducing waste of resources and increasing resource reuse. For the "fabric scraps", the Group set up fabric recycling bins at the entrance of the production and purchase center and the design center to collect fabric scraps and recycle them in different categories. In Fiscal Year 2020, the Group organised a number of training sessions on recycling, such as transformation of old clothes, production of ornaments and dolls, so as to adhere to and promote the environmental protection concept of sustainable development, material-saving and recycling of resources. We believe in pursuing timeless design, respect the existence value of every spare fabric and use idle resources to create art of life. Whether it is the combination, reconstruction and redevelopment of old pattern or dolls, ornaments and clothes made from the old fabrics that were piled up in the warehouse, they represent a recreation of every spare fabric, which is a very worthwhile thing to do.





The following are the key performance indicators of the environment in Fiscal Year 2020. Unless otherwise stated, the key performance indicators cover our office in Hangzhou Headquarters.

Emissions

Critical effectiveness indicators:	FY 2020
Amount of wastewater (tons)	25,188.32
Aggregate amount of greenhouse gases emissions (Category I and Category II) (tons)	1,336.95
Direct greenhouse gases emissions (Category I) (tons)	109.74
Of which: gasoline (tons)	109.74
Indirect energy greenhouse gases emissions (Category II) (tons)	1,227.21
Of which: purchase of electricity (tons)	1,227.21
Aggregate amount of greenhouse gases emissions at the floor per square meter (tons/m^2)	0.05
Aggregate amount of harmless waste (tons)	48.20
Aggregate amount of harmless waste at the floor per square meter (Kilograms/m^2)	1.95

Notes:

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

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

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

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

Use of Resources

Critical effectiveness indicators:	FY 2020
Aggregate amount of energy consumption (megawatt hours)	2,370.39
Of which: amount of electricity consumption (megawatt hours)	1,947.96
amount of gasoline consumption (megawatt hours)	422.43
Amount of water consumption (tons)	31,485.4
Energy consumption at the floor per square meter (megawatt hours/m^2)	0.10
Amount of water consumption at the floor per square meter (tons/m^2)	1.27

Notes:

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

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

7 SOCIAL CARE

The Group bears in mind its corporate social responsibility and mission; it serves the community and reciprocates the society to its best with a positive attitude. Combining with the business characteristics of the Group, various public benefit activities have been conducted. The Group contributed a total of about RMB223,000 in donations in Fiscal Year 2020. In the future, the Group will continue to better fulfill its social responsibility and demonstrate its responsibility and accountability as a company.

- ✧ JNBY Finery Co., Ltd. (a domestic subsidiary) actively participated in the special campaign of rural revitalization that "thousands of enterprise support thousands of villages for poverty alleviation" (千企結千村，消滅薄弱村), establishing relationship for pairing poverty alleviation with Linfeng Village in Nianbadu Town, Jiangshan City, Zhejiang Province to which the company made direct donation of RMB30,000 in cash.

- ✧ Hangzhou Liancheng Huazhuo Industrial Co., Ltd. (a domestic subsidiary) donated RMB41,000 worth of clothes to Huanggang City, Hubei Province through the Shandong Red Cross for the prevention and control of the COVID-19 epidemic.

- ✧ Hangzhou Liancheng Huazhuo Industrial Co., Ltd. (a domestic subsidiary) donated RMB152,100 worth of clothes to the Sir Run Run Shaw Hospital affiliated with the Zhejiang University School of Medicine for the hospital's medical support team to Wuhan to fight the COVID-19 epidemic.

The brands of the Group are increasingly focusing on the concept of sustainable development and actively promote the cooperation between brands and environmental protection projects as well as brand environmental protection activities. REVERB initiated an activity in the theme of "Get Everyone Involved in the Blue Sky Protection Campaign" to support the United Nations Environment Programme during the World Environment Day. In the autumn and winter of 2019, the JNBY brand cooperated with the FEI MAYI (飛螞蟻) platform to organise new and old members to carry out the "Recycle Your Old Clothes for Regeneration" (「以衣'煥'衣」) campaign. The campaign firstly initiated collection of clothes online for free, so that old clothes may be effectively used, among which approximately 75% were recycled, approximately 10% that meet the standards were donated upon cleaning and disinfection and approximately 15% that meet the requirements were exported to poor or war-torn countries upon cleaning and disinfection.

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

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

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of JNBY Design Limited

(incorporated in Cayman Islands with limited liability)

Opinion

What we have audited

The consolidated financial statements of JNBY Design Limited (the "**Company**") and its subsidiaries (the "**Group**") set out on pages 76 to 129, which comprise:

- the consolidated balance sheet as at 30 June 2020;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 30 June 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

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

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

Independence

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

Key Audit Matters

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

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

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment provision of inventories Refer to note 16 "Inventories" and note 4 "Critical accounting estimates and judgments" to the consolidated financial statements. The Group's gross inventory balance as at 30 June 2020 was RMB1,357 million, against which an impairment provision of RMB453 million was made. Inventories are stated at the lower of cost and net realisable value. Management has developed a model to assess the required amount of impairment provision of inventories as at each period end, which involves significant management judgment based on the Group's marketing and retail pricing strategy, sales forecast of each product collection with reference to the historical pattern, and the price markdown necessary to sell off-season products over the product lifecycle based on the general historical pattern on a season-by-season basis. Management also performs regular check on the physical conditions of inventories and makes provision for those damaged inventories as at each period end. We focused on this area because of the significance of the impairment provision of inventories on the Group's balance sheet and the significant judgement required to be exercised by management in determining the appropriate level of impairment provision of inventories.	Our audit procedures relating to assessment of management's estimate of impairment provision of inventories are as follows: We obtained the inventory impairment provision model from management and discussed with them on the rationale, bases and assumptions used in the model. We discussed with management the general pattern of the Group's product lifecycle, and understood and checked the pricing policy at each stage of the product lifecycle by making reference to historical pricing policy adopted in the past at different stages of the product lifecycle of the inventories. We understood and validated management's process and key controls in determining the key parameters affecting the results of the model, e.g. actual sales volume at each stage of the product lifecycle, total production amount, proper recording of individual products in the right production season and the price markdown necessary to sell any off-season products on a season-by-season basis. We assessed the reasonableness of the key assumptions applied to estimate the impairment provision by: (1) evaluating the general deviation of management's estimate of sales ratio by comparing the sales forecast made by management in prior years against the actual sales amount; (2) inquiring management and other relevant employees other than the Group's finance team on whether there was any unexpected changes in plans for price markdowns or disposals of off-season inventories; and (3) assessing the reasonableness of the future sales projection made by management by comparing the projected sales to the historical trends for the past seasons on a season-by-season basis. We tested the mathematical accuracy of the inventory impairment provision model at the balance sheet date. We observed the physical conditions of the Group's inventories during the year-end inventory count by management to identify any slow moving, damaged, or obsolete inventories, and compared with management inventory count results and followed up on the management assessment and inclusion of provision on such damaged inventories in the total provision. Based on the results of the procedures above, we found that management's judgement in estimating the impairment provision of the inventories as at 30 June 2020 were supportable by available evidences.

Other Information

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

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

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

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

Responsibilities of Directors and the Audit Committee for the Consolidated Financial Statements

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

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

The Audit Committee is responsible for overseeing the Group's financial reporting process.

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

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

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

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

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

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

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

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

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

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

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

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

The engagement partner on the audit resulting in this independent auditor's report is Cheuk Chi Shing.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 26 August 2020

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(All amounts in RMB unless otherwise stated)

		Year ended 30 June	
		2020	2019
	Note	RMB'000	RMB'000
Revenue	5	**3,099,431**	3,358,168
Cost of sales	6	**(1,249,776)**	(1,302,109)
Gross profit		**1,849,655**	2,056,059
Selling and marketing expenses	6	**(1,145,015)**	(1,170,274)
Administrative expenses	6	**(275,762)**	(301,578)
Net impairment losses on financial assets	6	**(10,372)**	—
Other income and gains, net	7	**66,499**	60,766
Operating profit		**485,005**	644,973
Finance income	9	**17,686**	18,322
Finance costs	9	**(16,296)**	—
Finance income, net		**1,390**	18,322
Profit before income tax		**486,395**	663,295
Income tax expense	10	**(139,697)**	(178,516)
Profit for the year		**346,698**	484,779
Other comprehensive income			
Items that may be reclassified to profit or loss:			
Currency translation differences		**8,661**	13,800
Total comprehensive income for the year		**355,359**	498,579
Profit attributable to:			
— Shareholders of the Company		**346,708**	484,787
— Non-controlling interests		**(10)**	(8)
Total comprehensive income attributable to:			
— Shareholders of the Company		**355,369**	498,587
— Non-controlling interests		**(10)**	(8)
Earnings per share (expressed in RMB per share)			
— Basic	11	**0.68**	0.95
— Diluted	11	**0.67**	0.94

The notes on pages 81 to 129 are an integral part of these consolidated financial statements.

CONSOLIDATED BALANCE SHEET

(All amounts in RMB unless otherwise stated)

		As at 30 June	
		2020	2019
	Note	RMB'000	RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	13	**324,120**	279,298
Right-of-use assets	14	**196,144**	—
Land use right	14	**—**	26,079
Intangible assets	15	**13,597**	11,611
Prepayments, deposits and other assets	18	**8,387**	10,223
Deferred income tax assets	29	**185,823**	128,298
Total non-current assets		**728,071**	455,509
Current assets			
Inventories	16	**904,122**	859,739
Trade receivables	17	**97,413**	115,431
Prepayments, deposits and other assets	18	**253,057**	287,559
Amounts due from related parties	32(b)	**—**	6,980
Financial assets at fair value through profit or loss	20	**263,091**	—
Term deposits with initial term over 3 months	21	**246,320**	341,324
Restricted cash	22	**5,463**	1,945
Cash and cash equivalents	22	**336,672**	216,465
Total current assets		**2,106,138**	1,829,443
Total assets		**2,834,209**	2,284,952

The notes on pages 81 to 129 are an integral part of these consolidated financial statements.

		As at 30 June	
		2020	2019
	Note	RMB'000	RMB'000
LIABILITIES			
Non-current liabilities			
Lease liability	14	**65,860**	—
Accruals and other current liabilities	27	**6,977**	—
Amounts due to related parties	32(b)	**4,113**	—
Deferred income tax liabilities	29	**14,561**	13,105
Total non-current liabilities		**91,511**	13,105
Current liabilities			
Trade and bills payables	26	**181,788**	201,788
Lease liabilities	14	**116,858**	—
Contract liabilities	5	**326,541**	289,990
Accruals and other current liabilities	27	**429,107**	355,003
Amounts due to related parties	32(b)	**8,589**	9,097
Borrowings	28	**187,683**	—
Current income tax liabilities		**6,220**	4,893
Total current liabilities		**1,256,786**	860,771
Total liabilities		**1,348,297**	873,876
Net assets		**1,485,912**	1,411,076
EQUITY			
Equity attributable to shareholders of the Company			
Share capital	23	**4,622**	4,622
Shares held for restricted share units ("**RSU**") scheme	23	**(172,414)**	(78,646)
Share premium	23	**665,520**	657,376
Other reserves	24	**222,095**	183,130
Retained earnings		**766,104**	644,599
Equity attributable to shareholders of the Company		**1,485,927**	1,411,081
Non-controlling interests		**(15)**	(5)
Total equity		**1,485,912**	1,411,076

The notes on pages 81 to 129 are an integral part of these consolidated financial statements.

The financial statements on pages 76 to 80 were approved by the board of directors (the "**Board**") on 26 August 2020 and were signed on its behalf.

Wu Jian	Li Lin
Director	Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(All amounts in RMB unless otherwise stated)

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

	Note	Attributable to shareholders of the Company						
		Share capital RMB'000	Share Premium RMB'000	Shares held for RSU Scheme RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Non-controlling Interests RMB'000	Total equity RMB'000
Balance at 30 June 2019		**4,622**	**657,376**	**(78,646)**	**183,130**	**644,599**	**(5)**	**1,411,076**
Change in accounting policy	2.2	**—**	**—**	**—**	**—**	**(5,035)**	**—**	**(5,035)**
Restated total equity at 1 July 2019		**4,622**	**657,376**	**(78,646)**	**183,130**	**639,564**	**(5)**	**1,406,041**
Comprehensive income								
Profit for the year		**—**	**—**	**—**	**—**	**346,708**	**(10)**	**346,698**
Other comprehensive income:								
Currency translation differences		**—**	**—**	**—**	**8,661**	**—**	**—**	**8,661**
Total comprehensive income		**—**	**—**	**—**	**8,661**	**346,708**	**(10)**	**355,359**
Transactions with shareholders								
Profit appropriations to statutory reserves	24(a)	**—**	**—**	**—**	**666**	**(666)**	**—**	**—**
Liquidation of subsidiaries		**—**	**—**	**—**	**(296)**	**296**	**—**	**—**
Dividend	12	**—**	**—**	**—**	**—**	**(219,798)**	**—**	**(219,798)**
Share-based compensation	25	**—**	**—**	**—**	**38,610**	**—**	**—**	**38,610**
Purchase ordinary shares for RSU scheme	23	**—**	**—**	**(95,235)**	**—**	**—**	**—**	**(95,235)**
Vest and transfer of RSUs	24	**—**	**8,144**	**1,467**	**(8,676)**	**—**	**—**	**935**
Total transactions with shareholders		**—**	**8,144**	**(93,768)**	**30,304**	**(220,168)**	**—**	**(275,488)**
Balance at 30 June 2020		**4,622**	**665,520**	**(172,414)**	**222,095**	**766,104**	**(15)**	**1,485,912**

CONSOLIDATED STATEMENT OF CASH FLOWS

(All amounts in RMB unless otherwise stated)

		Year ended 30 June	
		2020	2019
	Note	RMB'000	RMB'000
Cash flows from operating activities			
Cash generated from operations	30(a)	**873,503**	537,643
Income tax paid		**(204,736)**	(202,031)
Net cash generated from operating activities		**668,767**	335,612
Cash flows from investing activities			
Purchase of property, plant and equipment		**(117,182)**	(159,561)
Purchase of intangible assets		**(3,781)**	(4,128)
Proceeds from disposals of property, plant and equipment		**420**	604
Proceeds from disposal of a land use right		**—**	27,858
Investment income received from financial products issued by commercial banks		**1,250**	1,837
Interest received		**17,198**	21,050
Payment of term deposits with initial term over 3 months		**(1,146,241)**	(1,447,959)
Proceeds from disposal of term deposits with initial term over 3 months		**1,251,563**	1,443,055
Payment of financial products issued by commercial banks		**(380,000)**	(80,000)
Proceeds from redemption of financial products issued by commercial banks		**120,000**	130,000
Net cash used in investing activities		**(256,773)**	(67,244)
Cash flows from financing activities			
Proceeds from capital injection of non-controlling interests		**—**	3
Proceeds from exercise of RSUs		**935**	—
Proceeds from borrowings		**224,641**	—
Repayments of borrowings		**(40,000)**	—
Payment of lease liabilities		**(164,947)**	—
Dividends paid	12	**(219,798)**	(341,929)
Payment for repurchase of treasury shares	23	**(95,235)**	(48,048)
Net cash used in financing activities		**(294,404)**	(389,974)
Net increase/(decrease) in cash and cash equivalents		**117,590**	(121,606)
Cash and cash equivalents at beginning of the year	22	**216,465**	333,405
Exchange gains on cash and cash equivalents		**2,617**	4,666
Cash and cash equivalents at end of the year	22	**336,672**	216,465

The notes on page 81 to 129 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2020
(All amounts in RMB unless otherwise stated)

1. General information

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

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

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

The 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 26 August 2020.

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

Name of Company	Place of incorporation and operation/date of incorporation	Particulars of issued/ paid-in capital	Ownership interest held by the Group As at 30 June 2020	Ownership interest held by the Group As at 30 June 2019	Ownership interest held by non-controlling interests As at 30 June 2020	Ownership interest held by non-controlling interests As at 30 June 2019	Principal activities
Directly owned							
Croquis Holdings Limited	BVI/ 14 December 2012	US$1,000	100%	100%	—	—	Investment holding
Indirectly owned							
Grand Vantage (China) Limited	Hong Kong/ 24 March 2011	HK$140,000,000	100%	100%	—	—	Investment holding and sales of apparel and accessory products
Grand Vantage International Holdings Limited	Hong Kong/ 23 May 2018	HK$10,000	80%	80%	20%	20%	Design of apparel and accessory
AP-DNA Co., Limited	Hong Kong/ 1 December 2018	HK$10,000	80%	80%	20%	20%	Design and sales of apparel and accessory products
Hangzhou Liancheng Huazhuo Industrial Co., Ltd.	The PRC/ 19 October 2012	US$35,000,000	100%	100%	—	—	Production and sales of apparel and accessory products
Hangzhou Huikang Huazhuo Import and Export Trade Co., Ltd.	The PRC/ 23 May 2008	RMB2,000,000	100%	100%	—	—	Overseas sales of apparel and accessory products
JNBY Finery Co., Ltd.	The PRC/ 21 June 2011	US$10,000,000	100%	100%	—	—	Design and sales of apparel and accessory products
Hangzhou Woquan Finery Co., Ltd.	The PRC/ 3 September 2012	RMB2,000,000	100%	100%	—	—	Retail of apparel and accessory products
Guangzhou JNBY Finery Co., Ltd.	The PRC/ 24 July 2012	RMB1,000,000	100%	100%	—	—	Retail of apparel and accessory products
JNBY (Tianjin) Finery Co., Ltd. (a)	The PRC/ 13 August 2012	RMB1,000,000	—	100%	—	—	Retail of apparel and accessory products
JNBY Finery (Hefei) Co., Ltd.	The PRC/ 4 July 2012	RMB2,000,000	100%	100%	—	—	Retail of apparel and accessory products
Shenyang JNBY Finery Co., Ltd.	The PRC/ 13 August 2012	RMB6,000,000	100%	100%	—	—	Retail of apparel and accessory products

1. General information (continued)

Name of Company	Place of incorporation and operation/date of incorporation	Particulars of issued/paid-in capital	Ownership interest held by the Group As at 30 June 2020	2019	Ownership interest held by non-controlling interests As at 30 June 2020	2019	Principal activities
Changsha JNBY Finery Co., Ltd.	The PRC/ 13 September 2012	RMB1,000,000	100%	100%	—	—	Retail of apparel and accessory products
JNBY Finery (Beijing) Co., Ltd.	The PRC/ 18 October 2012	RMB2,000,000	100%	100%	—	—	Retail of apparel and accessory products
Chongqing Croquis Finery Sales Co., Ltd.	The PRC/ 9 August 2012	RMB1,000,000	100%	100%	—	—	Retail of apparel and accessory products
Wuhan Grand Vantage Croquis Finery Sales Co., Ltd.	The PRC/ 12 September 2012	RMB1,000,000	100%	100%	—	—	Retail of apparel and accessory products
Xi'an JNBY Finery Sales Co., Ltd.	The PRC/ 16 February 2013	RMB1,010,000	100%	100%	—	—	Retail of apparel and accessory products
Zhengzhou JNBY Finery Sales Co., Ltd. (a)	The PRC/ 28 September 2012	RMB1,000,000	—	100%	—	—	Retail of apparel and accessory products
Ningbo JNBY Finery Sales Co., Ltd.	The PRC/ 12 April 2013	RMB2,000,000	100%	100%	—	—	Retail of apparel and accessory products
JNBY Finery (Wuxi) Sales Co., Ltd.	The PRC/ 27 May 2013	RMB1,000,000	100%	100%	—	—	Retail of apparel and accessory products
Qingdao Huazhuo Finery Sales Co., Ltd.	The PRC/ 7 June 2013	RMB1,500,000	100%	100%	—	—	Retail of apparel and accessory products
Shanghai Huazhuo Finery Sales Co., Ltd.	The PRC/ 1 July 2013	RMB1,000,000	100%	100%	—	—	Retail of apparel and accessory products
Taiyuan JNBY Finery Co., Ltd.	The PRC/ 31 July 2015	RMB500,000	100%	100%	—	—	Retail of apparel and accessory products
Tianjin JNBY Huazhuo Finery Co., Ltd.	The PRC/ 17 August 2018	RMB2,000,000	100%	100%	—	—	Retail of apparel and accessory products
Ningbo Croquis Finery CO., LTD	The PRC/ 22 March 2019	RMB2,000,000	100%	100%	—	—	Retail of apparel and accessory products

(a) Liquidation of subsidiaries

Zhengzhou JNBY Finery Sales Co., Ltd. and JNBY (Tianjin) Finery Co., Ltd. were liquidated on 31 July 2019 and 20 April 2020, respectively.

2. Summary of significant accounting policies

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

2.1 Basis of preparation

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

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

Changes in accounting policy and disclosures

(a) New and amended standards adopted by the Group

The following amendments to standards have been adopted by the Group for the first time for the financial year beginning on or after 1 July 2019:

— HKFRS 16 "Leases"

— HK(IFRIC)-Int 23 "Uncertainty over Income Tax Treatments"

— Amendments to HKFRS 9 "Prepayment Features with Negative Compensation"

— Amendments to HKAS 28, "Long-term Interests in Associates and Joint Ventures"

— Amendments to Annual Improvement Project "Annual Improvements 2015–2017 Cycle"

— Amendments to HKAS 19 "Plan Amendment, Curtailment or Settlement"

The impact of the adoption of HKFRS 16 "Leases" is disclosed in Note 2.2 below. Apart from HKFRS 16 as mentioned above, there are no other new standards or amendments to standards that are effective for the first time for the financial year that could be expected to have a material impact on the Group.

(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 2019 and have not been applied in preparing these consolidated financial statements.

	Effective Date
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
Amendments to HKAS 39, HKFRS 7 and HKFRS 9 "Hedge accounting"	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.

2. Summary of significant accounting policies (continued)

2.2 Changes in accounting policies

This note explains the impact of the adoption of HKFRS 16 Leases on the Group's consolidated financial statements.

The Group has adopted HKFRS 16 retrospectively from 1 July 2019, but has not restated the comparative for the last year, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening consolidated statement of financial position on 1 July 2019. The new accounting policies are disclosed in Note 2.26.

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

(a) Practical expedients applied

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

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics
- relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review — there were no onerous contracts as at 1 July 2019
- accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases
- excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the group relied on its assessment made applying HKAS 17 and Interpretation 4 Determining whether an Arrangement contains a Lease.

(b) Measurement of lease liabilities

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

(c) Measurement of right-of-use assets

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

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

	30 June 2020 RMB'000	1 July 2019 RMB'000
Retail shops and offices	**170,623**	251,218
Land use right	**25,521**	26,079
Total right-of-use assets	**196,144**	277,297

2. Summary of significant accounting policies (continued)

2.2 Changes in accounting policies (continued)

(d) Adjustments recognised in the balance sheet on 1 July 2019

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

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

2.3 Subsidiaries

2.3.1 Consolidation

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

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss, statement of comprehensive income, statement of changes in equity and balance sheet respectively.

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

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

(b) Disposal of subsidiaries

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

2. Summary of significant accounting policies (continued)

2.3 Subsidiaries (continued)

2.3.2 Separate financial statements

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

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

2.4 Associates

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

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

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

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

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

2.5 Segment reporting

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

2.6 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

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

2. Summary of significant accounting policies (continued)

2.6 Foreign currency translation (continued)

(b) Transactions and balances (continued)

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

(c) Group companies

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

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

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

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

2.7 Property, plant and equipment

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

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

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

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

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

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

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

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

2. Summary of significant accounting policies (continued)

2.8 Land use right

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

2.9 Intangible assets

Computer software and trademarks

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

2.10 Impairment of non-financial assets

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

2.11 Investments and other financial assets

2.11.1 Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and
- those to be measured at amortised cost

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income ("**FVOCI**").

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

2.11.2 Recognition and derecognition

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

2. Summary of significant accounting policies (continued)

2.11 Investments and other financial assets (continued)

2.11.3 Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("**FVPL**"), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other income and gains, together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other income and gains, net. Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other income and gains, net and impairment expenses are presented as separate line item in the statement of comprehensive income.

FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other income and gains, net in the period in which it arises.

Equity instruments

The Group subsequently measures all equity instruments at fair value. Where the Group's management has elected to present fair value gains and losses on equity instruments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income and gains, net when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in other income and gains, net in the statement of comprehensive income as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

2.11.4 Impairment

The Group assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see note 17 for further details. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For deposits and other receivables, management considers that its credit risk has not increased significantly since initial recognition with reference to the counterparty historical default rate and current financial position. The impairment provision is determined based on the 12-month expected credit losses, which is close to zero. To assess whether there is a significant increase in credit risk, the Group compares the risk of default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition by considering available, reasonable and supportive forwarding-looking information.

2. Summary of significant accounting policies (continued)

2.12 Offsetting financial instruments

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

2.13 Inventories

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

2.14 Trade and other receivables

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

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

2.15 Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts.

2.16 Share capital and shares held for RSU scheme

Ordinary shares are classified as equity.

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

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

2.17 Trade payables

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

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

2.18 Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

2. Summary of significant accounting policies (continued)

2.19 Current and deferred income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

(a) Current income tax

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

(b) Deferred income tax

Inside basis differences

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

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Outside basis differences

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

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

(c) Offsetting

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and where the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

2.20 Employee benefits

(a) Short-term obligations

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

(b) Pension obligations

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

2. Summary of significant accounting policies (continued)

2.20 Employee benefits (continued)

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

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

2.21 Share-based payments

(a) Equity-settled share-based payments transactions

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

— including any market performance conditions;

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

— including the impact of any non-vesting conditions.

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

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

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

For the RSU scheme, the Group may purchase its own shares through the trustee of the share award scheme from the open market for the shares to be vested under the share award scheme. The shares purchased by the Group that are not yet vested for this share award scheme were recorded as treasury shares and recorded as "Shares held for RSU scheme" as a deduction under equity.

The RSU plan is administered by the Core Trust Company Limited, which is consolidated in accordance with the principles in note 2.3. When the RSUs are exercised, the trust transfers the appropriate number of shares to employee. The proceeds received net of any directly attributable transaction costs are credited to share premium.

Upon exercise of the RSUs, the related costs of the purchased shares are reduced from the "Shares held for RSU scheme", and the related fair value of the RSUs are debited to share-based compensation reserve with the difference charged to equity.

The Group might modify the terms and conditions on which equity instruments were granted. If a modification increases the fair value of the equity instruments granted (for example, by reducing the exercise price of share options), the incremental fair value granted should be included in the measurement of the amount recognised for the services received over the remainder of the vesting period. The incremental fair value is the difference between the fair value of the modified equity instrument and that of the original equity instrument; both values are estimated as at the modification date. An expense based on the incremental fair value is recognised in addition to any amount in respect of the original instrument, and the original amount should continue to be recognised over the remainder of the original vesting period.

A grant of equity instruments, that is cancelled or settled during the vesting period, is treated as an acceleration of vesting. The Group recognise immediately the amount that otherwise would have been recognised for services received over the remainder of the vesting period.

2. Summary of significant accounting policies (continued)

2.21 Share-based payments (continued)

(b) Share-based payments transactions among group entities

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

2.22 Provisions and contingent liabilities

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

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

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

2.23 Revenue recognition

The Group is primarily engaged in the design, marketing and sales of fashion apparel, accessory products and household goods. Revenue from sales of goods is recognised at the point in time when control of the products is transferred to the customers.

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

(a) Sales of goods — distributors

A significant portion of the Group's products are sold to distributors, who have discretion over both the selling price and the distribution channels for such products to be sold in their designated geographical areas. Distributors are generally required to pay deposits when placing purchase orders and are required to settle the full payment prior to delivery of the products.

Revenues are recognised upon delivery, which occurs when distributors pick up goods at the Group's premises or when goods are handed over to a third party forwarder as designated by a specific distributor. Delivery occurs when the risks of obsolescence and loss are transferred to the distributors and the products are accepted by the distributors in accordance with the sales contract. Acceptance refers to either of the situations that distributors accept the goods in accordance with the sales contract or the acceptance provisions have lapsed or the Group has objective evidence that all criteria for acceptance have been satisfied and there is no unfulfilled obligation that could affect the distributors' acceptance of the products.

The Group offers volume rebates to distributors as agreed in the sales contracts. Revenue from these sales is recognised based on the price specified in the contract, net of the estimated volume discounts. Historical experience is used to estimate and provide for the discounts, using the expected value method, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. A refund liability (included in accruals and other current liabilities) is recognised for expected volume discounts payable to distributors in relation to sales made until the end of the reporting period.

2. Summary of significant accounting policies (continued)

2.23 Revenue recognition (continued)

(a) Sales of goods — distributors (continued)

Distributors are also offered with right of return within the limit as agreed in the sales contracts. Revenue is adjusted for estimated expected returns based on historical pattern. Historical experience is used to estimate and provide for the returns, using the expected value method, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. A refund liability (included in accruals and other current liabilities) is recognised for expected returns payable to distributors in relation to sales made. An asset for anticipate return (included in prepayments, deposits and other assets) and corresponding adjustment to cost of sales are also recognised for the right to recover products from distributors.

Receipt in advance from distributors before delivery of products are recognised as contract liabilities.

(b) Sales of products — retail

The Group sells its products to end customers via a chain of retail outlets of the Group or over third party online retail platform such as Tmall.Com. Revenue is recognised when the acceptance by end customers can be reasonably estimated. For offline retail sales, revenue is recognised when the customer has accepted the product at the retail outlet. For online retail sales, acceptance can normally be estimated when online payment transaction is completed through third-party payment platform. Revenue is adjusted for the value of expected returns.

The Group considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price need to be allocated. The Group operates a loyalty programme where customers accumulate points for purchases made which entitle them to discounts on future purchases. A contract liability for the award points is recognised at the time of the sale. Revenue is recognised when the points are redeemed or expired.

A receivable is recognised when the products are accepted as this is the point in time that consideration is unconditional because only the passage of time is required before the payment is due.

2.24 Interest income

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

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

2.25 Government grants

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

2.26 Leases

As explained in note 2.2 above, the Group has changed its accounting policy for leases where the Group is the lessee. The new policy is described below and the impact of the change is described in note 2.2.

Until 30 June 2019, leases in which a significant portion of the risks and rewards of ownership were not transferred to the Group as lessee were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 July 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Contracts may contain both lease and non-lease components. The Group elects not to separate lease and non-lease components and accounts for these as a single lease component.

2. Summary of significant accounting policies (continued)

2.26 Leases (continued)

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

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

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which does not have recent third party financing, and
- makes adjustments specific to the lease, e.g. term, country, currency and security.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

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

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

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise an extension option, the right-of-use asset is depreciated over the underlying asset's useful life.

A change in the consideration for the lease, without increasing or decreasing the scope of the lease, results in a remeasurement of the lease liability and a corresponding adjustment to the right-of-use asset. The Group remeasures the lease liability, using the interest rate implicit in the lease for the remainder of the lease term, and it makes a corresponding adjustment to the right-of-use asset. The Group uses its incremental borrowing rate at the effective date of modification if the interest rate implicit in the lease is not readily determinable.

Payments associated with short-term leases of stores and offices and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office furniture.

2. Summary of significant accounting policies (continued)

2.27 Dividend distributions

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

2.28 Earnings per share

(a) Basic earnings per share

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

(b) Diluted earnings per share

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

3. Financial risk management

3.1 Financial risk factors

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

(a) Market risk

(i) Foreign exchange risk

The Group operates mainly in the PRC with most of its transactions dominated in RMB. The Group is exposed to foreign currency risks with respect to foreign currency denominated financial assets as at 30 June 2020. The Group does not hedge against any fluctuation in foreign currency. Details of the Group's trade receivables, term deposits with initial term over 3 months, and cash and cash equivalents as at 30 June 2020, which are denominated in currencies other than RMB, are disclosed in Notes 17, 21 and 22 respectively.

As at 30 June 2020, if RMB had strengthened/weakened by 5% against US$ with all other variables held constant, the pre-tax profit for the year ended 30 June 2020 would have been RMB1,842,000 (30 June 2019: RMB266,000) lower/higher, mainly as a result of foreign exchange losses/gains on translation of US$ dominated trade receivables.

(ii) Cash flow and fair value interest rate risk

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

The sensitivity analysis is determined based on the exposure to interest risk of term deposits with initial term over 3 months and financial assets at fair value through profit or loss at the end of each reporting period. If the interest rate of the respective instruments held by the Group had been 50 basis points higher/lower, the profit before income tax would increase/decrease by RMB2,532,000 for the year ended 30 June 2020 (2019: RMB177,000).

(b) Credit risk

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

3. Financial risk management (continued)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

As at 30 June 2020 and 2019, most of the Group's restricted cash, cash and cash equivalents, and term deposits with initial term over 3 months were deposited in the major financial institutions in the PRC with good credit rating. The Group categorises its major counterparties into the following groups:

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

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

Group 3 — Other banks and financial institutions.

Category	As at 30 June 2020 RMB'000	2019 RMB'000
Group 1	**212,389**	157,348
Group 2	**639,058**	402,236
Group 3	**—**	—
	851,447	559,584

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

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

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

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

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

On that basis, the loss allowance as at 30 June 2020 and 30 June 2019 was determined as follows for trade receivables:

As at 30 June 2020	RMB'000 Gross carrying amount	RMB'000 Loss allowance	Expected loss rate
Within 3 months	**94,034**	**5,470**	**5.82%**
3 months to 6 months	**7,159**	**1,510**	**21.09%**
6 months to 1 year	**10,192**	**6,992**	**68.60%**
1 year to 2 years	**3,993**	**3,993**	**100.00%**
more than 2 years	**11,739**	**11,739**	**100.00%**
	127,117	**29,704**	**23.37%**

As at 30 June 2019	RMB'000 Gross carrying amount	RMB'000 Loss allowance	Expected loss rate
Within 3 months	113,725	5,758	5.06%
3 months to 6 months	7,466	1,279	17.13%
6 months to 1 year	3,673	2,396	65.23%
1 year to 2 years	12,384	12,384	100.00%
more than 2 years	4,168	4,168	100.00%
	141,416	25,985	18.37%

Net impairments losses on financial assets is provided as follows:

	Year ended 30 June 2020 RMB'000	2019 RMB'000
Impairments losses on trade receivables	**6,202**	7,685
Impairments losses on other receivables	**4,170**	—
	10,372	7,685

3. Financial risk management (continued)

3.1 Financial risk factors (continued)

(c) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure it maintains sufficient cash and cash equivalents. Due to the dynamic nature of the underlying business, the Group's finance department maintains flexibility in funding by maintaining adequate cash and cash equivalents.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining year at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	Within 1 year RMB'000	More than 1 year RMB'000
As at 30 June 2020		
Trade payables	**168,131**	**—**
Amounts due to related parties	**8,849**	**4,166**
Accruals and other current liabilities	**304,836**	**6,977**
Borrowings	**190,000**	**—**
Lease liabilities	**122,642**	**69,030**
	794,458	**80,173**
As at 30 June 2019		
Trade payables	195,890	1,035
Amounts due to related parties	9,097	—
Accruals and other current liabilities	267,496	—
	472,483	1,035

3.2 Capital management

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

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

3. Financial risk management (continued)

3.3 Fair value estimation

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

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

Specific valuation techniques used to value financial instruments include:

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

The following table presents the Group's assets that are measured at fair value as at 30 June 2020.

	Key input	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial assets at fair value through profit or loss					
— financial products issued by commercial banks	Bank quoted expected return	—	263,091	—	263,091

There were no transfers among level 1, 2 and 3 for recurring fair value measurements during the year.

(a) Financial instruments in level 1

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

(b) Financial instruments in level 2

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

(c) Financial instruments in level 3

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

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.

4. Critical accounting estimates and judgements (continued)

(e) Fair value of share-based compensation expenses

As mentioned in Note 2.21, 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 2020 was RMB38,610,000 (2019: RMB14,592,000).

(f) Determination of the lease term

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

The following factors are normally the most relevant:

- If there are significant penalties to terminate (or not extend), the Group is typically reasonably certain to extend (or not terminate);
- If any leasehold improvements are expected to have a significant remaining value, the Group is typically reasonably certain to extend (or not terminate);
- Otherwise, the Group considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset.

Potential future cash outflows have not been included in the lease liability because it is not reasonably certain that the leases will be extended (or not terminated).

The lease term is reassessed if any option is actually exercised (or not exercised) or the Group becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee.

5. Segment information

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

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

The CODM consider the operating segments as follows: mature brand representing JNBY, younger brands portfolio representing CROQUIS (速寫), jnby by JNBY, and less, and emerging brands representing POMME DE TERRE (蓬馬), JNBYHOME, etc.

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

	Year ended 30 June 2020			
	Mature brand RMB'000	Younger brands RMB'000	Emerging brands RMB'000	Total RMB'000
Revenue				
Mainland China	**1,745,062**	**1,256,621**	**75,378**	**3,077,061**
Outside mainland China	**16,440**	**5,907**	**23**	**22,370**
Revenue from external customers	**1,761,502**	**1,262,528**	**75,401**	**3,099,431**
Segment gross profit	**1,076,764**	**758,322**	**14,569**	**1,849,655**
Segment operating profit/(loss)	**564,871**	**288,199**	**(54,127)**	**798,943**
Unallocated selling and marketing expenses, administrative expenses and net impairment losses on financial assets				**(380,437)**
Other income and gains, net				**66,499**
Total operating profit				**485,005**

	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
Outside mainland China	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

5. Segment information (continued)

Assets and liabilities related to contracts with customers

(i) Right of return assets and refund liabilities

	30 June 2020 RMB'000	30 June 2019 RMB'000
Right of return assets (Note 18)	**52,957**	45,264
Refund liabilities		
Rights of return (Note 27)	**136,830**	104,677
Sales rebates (Note 27)	**35,283**	42,205
	172,113	146,882

(ii) Liabilities related to contracts with customers

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

	30 June 2020 RMB'000	30 June 2019 RMB'000
Advances from distributors	**310,819**	275,678
Customer loyalty programme	**15,722**	14,312
Total current contract liabilities	**326,541**	289,990

(iii) Revenue recognised in relation to contract liabilities

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

	Year ended 30 June 2020 RMB'000	2019 RMB'000
Revenue recognized that was included in the contract liabilities balance at the beginning of the year	**289,990**	271,762

(iv) Unsatisfied performance obligations

The following table shows the unsatisfied performance obligations as at 30 June 2020 and 30 June 2019.

	30 June 2020 RMB'000	30 June 2019 RMB'000
Advances from distributors	**310,819**	275,678
Customer loyalty programme	**15,722**	14,312
	326,541	289,990

6. Expenses by nature

	Year ended 30 June 2020 RMB'000	2019 RMB'000
Cost of inventories sold	**1,052,228**	1,161,567
Workforce contracting expenses	**297,870**	297,575
Expenses relating to short-term leases and variable lease payments	**273,281**	—
Employee benefit expenses (including share-based compensation expenses) (Note 8)	**271,006**	239,035
Depreciation and amortisation (Notes 13, 14 & 15)	**240,164**	48,187
— Right-of-use assets	**177,397**	—
— Property, plant and equipment	**60,972**	46,069
— Intangible assets	**1,795**	1,323
— Land use right	**—**	795
Provision for inventories (Note 16)	**176,594**	118,748
Promotion and marketing expense	**143,400**	147,640
Utilities charges and office expenses	**46,373**	45,419
Commission expenses to online platforms	**35,689**	33,021
Transportation and warehouse expense	**34,053**	58,754
Apparel design fee	**32,680**	48,446
Stamp duty, property tax and other surcharges	**21,899**	22,874
Other professional service expenses	**12,773**	20,988
Entertainment and travelling expenses	**12,252**	22,992
Net impairment losses on financial assets	**10,372**	7,685
Auditors' remuneration	**2,400**	2,700
Operating lease	**—**	279,703
Concession fees paid and payable to department stores	**—**	200,501
Others	**17,891**	18,126
Total cost of sales, selling and marketing expenses, net impairment losses on financial assets and administrative expenses	**2,680,925**	2,773,961

7. Other income and gains, net

	Year ended 30 June 2020 RMB'000	2019 RMB'000
Government grants (i)	**57,885**	44,072
Fair value gains (ii)	**4,341**	1,837
VAT exemption benefits for small-scale VAT taxpayer (iii)	**1,396**	—
Gains on disposal of right-of-use assets (Note 14)	**837**	—
Losses on disposal of property, plant and equipment	**(386)**	(96)
Provision for impairment of leasehold improvements (Note 13)	**(890)**	—
Reversal of provision in association with idle land	**—**	6,915
Gain on disposal of idle land	**—**	6,410
Foreign exchange gains	**—**	24
Others	**3,316**	1,604
	66,499	60,766

(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) Fair value gains represent primarily fair value gains from the Group's investment in financial products issued by commercial banks (Note 20).

(iii) For certain branches or subsidiaries of the Group in Mainland China, they are entitled to tax incentive in connection with the tax reduction and exemption policies for small-scale VAT taxpayer issued by the State Administration of Taxation (the "**SAT**") and the Ministry of Finance. Small-scale VAT taxpayer are exempted from value-added tax liability when their monthly sales are less than RMB100,000 from 2019 calendar year.

8. Employee benefit expenses

	Year ended 30 June 2020 RMB'000	Year ended 30 June 2019 RMB'000
Salaries, bonus and other welfares	**212,967**	204,702
Social security contribution (a)	**12,912**	13,439
Housing fund	**6,517**	6,302
Share-based compensation (Note 25)	**38,610**	14,592
	271,006	239,035

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

(b) Five highest paid individuals

The five individuals whose emoluments including share-based compensation expenses (Note 25) were the highest in the Group for the year included one (2019: zero) director whose emoluments are reflected in the analysis presented in Note 34. The emoluments paid and payable to the remaining four individuals (2019: five) were as follows:

	Year ended 30 June 2020 RMB'000	Year ended 30 June 2019 RMB'000
Basic salaries and allowances	**3,855**	3,768
Discretionary bonuses	**5,599**	7,724
Social security contribution	**298**	381
Share-based compensation	**8,835**	8,269
	18,587	20,142

The emoluments including share-based compensation expenses (Note 25) of the remaining highest paid individuals fell within the following bands:

	Year ended 30 June 2020	Year ended 30 June 2019
Emolument band:		
HK$3,000,001 to HK$3,500,000	**1**	2
HK$3,500,001 to HK$4,000,000	**1**	—
HK$4,500,001 to HK$5,000,000	**—**	1
HK$5,000,001 to HK$5,500,000	**—**	1
HK$6,000,001 to HK$6,500,000	**1**	1
HK$7,000,001 to HK$7,500,000	**1**	—
	4	5

9. Finance income, net

	Year ended 30 June 2020 RMB'000	Year ended 30 June 2019 RMB'000
Finance income		
Interest income on cash and cash equivalents, restricted cash and term deposits with initial term over 3 months	**17,387**	17,072
Net foreign exchange gains on financing activities	**299**	1,250
	17,686	18,322
Finance costs		
Interest expenses on lease liabilities	**(13,254)**	—
Interest expenses on bank borrowings	**(3,042)**	—
	(16,296)	—
Finance income, net	**1,390**	18,322

10. Tax expense

(a) Income tax expense

The income tax expense of the Group for the years ended 30 June 2020 and 2019 are analysed as follows:

	Year ended 30 June	
	2020	2019
	RMB'000	RMB'000
Current income tax expense		
— Enterprise income tax expense	**182,088**	178,379
Deferred income tax (benefit)/charge (Note 29)	**(42,391)**	137
	139,697	178,516

(i) Cayman Islands income tax

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

(ii) Hong Kong profits tax

Entities incorporated in Hong Kong are subject to Hong Kong profits tax at a rate of 8.25% on assessable profits up to HK$2,000,000 and 16.5% on any part of assessable profits over HK$2,000,000 for the years presented. No Hong Kong tax was provided for as there was no estimated assessable profit that was subject to Hong Kong profits tax during the years ended 30 June 2020 and 2019.

(iii) PRC enterprise income tax

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

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

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

(iv) Preferential income tax rate

For certain subsidiaries of the Group in Mainland China, they are entitled to the preferential income tax rate for Small Low-profit Enterprises issued by the SAT. The applicable tax rate is 5% or 10% for the period from 1 January 2019 to 31 December 2021.

(v) PRC withholding income tax

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

As filed with Hangzhou municipal tax bureau in October 2019, JNBY Finery Co., Ltd. and Hangzhou Liancheng Huazhuo Industrial Co., Ltd. meet conditions and requirements stated in the Circular on the Non-residence Enterprise's Tax Treaty Under Double Taxation Agreement (Guoshui No.35,[2019]) issued by the SAT. Therefore, the enacted withholding tax rate on the dividends from JNBY Finery Co., Ltd. and Hangzhou Liancheng Huazhuo Industrial Co., Ltd. is 5%.

10. Tax expense (continued)

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

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

	Year ended 30 June	
	2020	2019
	RMB'000	RMB'000
Profit before income tax	**486,395**	663,295
Tax calculated at domestic tax rate applicable to profits in PRC (25%)	**121,599**	165,824
Preferential income tax benefits	**(2,905)**	—
Different tax jurisdiction	**533**	215
PRC withholding income tax on the retained earnings intended to be distributed (Note 29)	**13,456**	17,564
Tax losses for which no deferred income tax asset was recognised	**2,032**	1,563
Tax differences related to the RSUs	**4,868**	(7,398)
Expenses not deductible for tax purpose	**114**	748
Income tax expense	**139,697**	178,516
Effective tax rate	**28.72%**	26.91%

(c) Tax losses

	Year ended 30 June	
	2020	2019
	RMB'000	RMB'000
Unused tax losses in PRC for which no deferred tax asset has been recognized	**652**	578
Potential tax benefit calculated at tax rate of 25%	**163**	145
Unused tax losses in Hong Kong for which no deferred tax asset has been recognized	**11,326**	8,594
Potential tax benefit calculated at tax rate of 16.5%	**1,869**	1,418
Tax losses for which no deferred income tax asset was recognised	**2,032**	1,563

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

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

As at 30 June 2020, the Group did not recognise deferred income tax asset of RMB9,042,000 (2019: RMB7,010,000) in respect of accumulated tax losses amounting to RMB53,564,000 (2019: RMB41,586,000).

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

The Group's revenues are subject to output VAT generally calculated at 13%, 3% or 1% of the selling prices pursuant to different circumstances or tax incentives.

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	
	2020	2019
	RMB'000	RMB'000
Profit attributable to shareholders of the Company	**346,708**	484,787
Weighted average number of ordinary shares in issue excluding shares held under the RSU scheme in issue (thousands of shares)	**508,953**	510,917
Basic earnings per share (expressed in RMB per share)	**0.68**	0.95

(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	
	2020	2019
	RMB'000	RMB'000
Profit attributable to shareholders of the Company	**346,708**	484,787
Weighted average number of ordinary shares in issue excluding shares held under the RSU scheme in issue (thousands of shares)	**508,953**	510,917
Adjustments for share based compensation — RSUs (thousands of shares)	**4,709**	5,103
Weighted average number of ordinary shares for the calculation of diluted EPS (thousands of shares)	**513,662**	516,020
Diluted earnings per share (expressed in RMB per share)	**0.67**	0.94

12. Dividends

	Year ended 30 June	
	2020	2019
	RMB'000	RMB'000
Dividends paid by the Company	**219,798**	341,929

A dividend of RMB219,798,000 that related to the year ended 30 June 2019 was paid during the year ended 30 June 2020. 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 31 December 2018 were paid during the year ended 30 June 2019.

A dividend in respect of the year ended 30 June 2020 of RMB0.5 per share, totaling approximately RMB249,390,000, has been proposed by the Board and is to be approved by the annual general meeting on 13 October 2020. These financial statements do not reflect this dividend payable.

13. Property, plant and equipment

	Office equipment and others RMB'000	Machinery RMB'000	Motor vehicles RMB'000	Leasehold improvements RMB'000	Construction-in-progress RMB'000	Buildings of Logistics center RMB'000	Total RMB'000
Year ended 30 June 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
Year ended 30 June 2020							
Opening net book value	**17,716**	**28,742**	**1,410**	**38,584**	**493**	**192,353**	**279,298**
Additions	**8,279**	**28,742**	**—**	**24,420**	**36,051**	**9,998**	**107,490**
Transfer from Construction-in-progress	**—**	**—**	**—**	**2,475**	**(2,475)**	**—**	**—**
Depreciation	**(5,778)**	**(5,106)**	**(308)**	**(40,205)**	**—**	**(9,575)**	**(60,972)**
Disposals	**(739)**	**(22)**	**(45)**	**—**	**—**	**—**	**(806)**
Impairment	**—**	**—**	**—**	**(890)**	**—**	**—**	**(890)**
Closing net book value	**19,478**	**52,356**	**1,057**	**24,384**	**34,069**	**192,776**	**324,120**
As at 30 June 2020							
Cost	**41,522**	**60,341**	**5,543**	**136,213**	**34,069**	**203,861**	**481,549**
Accumulated depreciation	**(22,044)**	**(7,985)**	**(4,486)**	**(110,939)**	**—**	**(11,085)**	**(156,539)**
Impairment	**—**	**—**	**—**	**(890)**	**—**	**—**	**(890)**
Net book value	**19,478**	**52,356**	**1,057**	**24,384**	**34,069**	**192,776**	**324,120**

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

	Year ended 30 June 2020 RMB'000	2019 RMB'000
Selling and marketing expenses	**50,263**	39,547
Administrative expenses	**10,709**	6,522
	60,972	46,069

14. Leases

(a) Amounts recognised in the consolidated balance sheet

The balance sheet shows the following amounts relating to leases:

Right-of-use assets

	Rented premises for stores and offices RMB'000	Land use right RMB'000	Total RMB'000
Year ended 30 June 2020			
Opening net book value as at 1 July 2019 (Note 2.2)	**251,218**	**26,079**	**277,297**
Additions	**140,539**	**—**	**140,539**
Disposals	**(28,296)**	**—**	**(28,296)**
Depreciation and amortisation	**(176,839)**	**(558)**	**(177,397)**
Modification (i)	**(15,999)**	**—**	**(15,999)**
Closing net book value as at 30 June 2020	**170,623**	**25,521**	**196,144**
Year ended 30 June 2019			
Opening net book value as at 1 July 2018	—	48,322	48,322
Transfer to land for sale	—	(21,448)	(21,448)
Depreciation and amortisation	—	(795)	(795)
Closing net book value as at 30 June 2019	—	26,079	26,079

Lease liabilities

	2020 RMB'000
As at 30 June 2019, as previously presented	**—**
Effect on adoption of HKFRS 16 (note 2.2)	**243,435**
As at 1 July 2019, as adjusted	**243,435**
Lease payment	**(164,947)**
Interest expenses	**13,254**
Additions	**140,539**
Modification (i)	**(15,999)**
Disposal	**(29,133)**
	187,149
Less: lease liabilities due to related parties (Note 32)	**(4,431)**
As at 30 June 2020	**182,718**

(i) The Group chose to record the rent concession occurring as a direct consequence of the COVID-19 pandemic is a lease modification. Changes in the consideration for the leases, resulted in a remeasurement of the lease liability and a corresponding adjustment to the right-of-use asset.

	As at 30 June 2020 RMB'000	As at 1 July 2019 RMB'000
Lease liabilities		
Current	**116,858**	160,679
Non-current	**65,860**	82,756
	182,718	243,435

14. Leases (continued)

(b) Amounts recognised in the consolidated statement of profit or loss

The consolidated statement of profit or loss shows the following amounts relating to the leases which are not capitalised in accordance with HKFRS 16:

	Year ended 30 June	
	2020	2019
	RMB'000	RMB'000
Expense relating to short-term leases	**76,803**	—
Expense relating to variable lease payments not included in lease liabilities	**196,478**	—
	273,281	—

The total cash outflow for leases in 2020 was RMB164,947,000.

(c) The Group's leasing activities

The Group leases various offices and retail stores. Rental contracts are typically made for fixed periods of 3 months to 6 years but may have extension options as described below. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

(d) Variable lease payments

Some leases contain variable payment terms that are linked to sales generated from a store. Variable payment terms are used for certain reasons, including minimising the fixed costs base for newly established stores. Variable lease payments that depend on sales are recognised in profit or loss in the period in which the condition that triggers those payments occurs.

(e) Extension and termination options

Extension and termination options are included in a number of property leases across the Group. These are used to maximise operational flexibility in terms of managing the assets used in the Group's operations.

15. Intangible assets

	Computer software RMB'000	Others RMB'000	Total RMB'000
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
Year ended 30 June 2020			
Opening net book value	**11,539**	**72**	**11,611**
Additions	**3,622**	**159**	**3,781**
Amortisation charge	**(1,785)**	**(10)**	**(1,795)**
Closing net book value	**13,376**	**221**	**13,597**
As at 30 June 2020			
Cost	**19,866**	**244**	**20,110**
Accumulated amortisation	**(6,490)**	**(23)**	**(6,513)**
Net book value	**13,376**	**221**	**13,597**

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

	Year ended 30 June	
	2020	2019
	RMB'000	RMB'000
Administrative expenses	**765**	695
Selling and marketing expense	**1,030**	628
	1,795	1,323

16. Inventories

	As at 30 June	
	2020	2019
	RMB'000	RMB'000
Finished goods	**1,154,040**	912,601
Raw materials	**39,651**	41,467
Commissioned processing materials	**163,089**	201,208
	1,356,780	1,155,276
Less: provision	**(452,658)**	(295,537)
	904,122	859,739

Movements of provision for inventories are analysed as follows:

	Year ended 30 June	
	2020	2019
	RMB'000	RMB'000
Beginning of the year	**295,537**	233,231
Addition of provision for inventories to net realisable value included in "cost of sales" (Note 6)	**176,594**	118,748
Release of provision upon sales of inventories written down in prior years	**(19,473)**	(56,442)
End of the year	**452,658**	295,537

17. Trade receivables

	As at 30 June	
	2020	2019
	RMB'000	RMB'000
Trade receivables	**127,117**	141,416
Less: provision for impairment	**(29,704)**	(25,985)
	97,413	115,431

The trade receivables are mainly due from the department stores where the Group operates its own retail outlets. General credit term offered to such department stores 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	
	2020	2019
	RMB'000	RMB'000
Within 3 months	**94,034**	113,725
3 months to 6 months	**7,159**	7,466
6 months to 1 year	**10,192**	3,673
1 year to 2 years	**3,993**	12,384
more than 2 years	**11,739**	4,168
	127,117	141,416

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

17. Trade receivables (continued)

The loss allowance for trade receivables as at 30 June reconcile to the opening allowances as follows:

	Year ended 30 June 2020 RMB'000	2019 RMB'000
Beginning of the year	**25,985**	18,593
Provision for trade receivables (Note 3.1)	**6,202**	7,685
Write-off of provision for impairment	**(2,483)**	(293)
End of the year	**29,704**	25,985

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

	As at 30 June 2020 RMB'000	2019 RMB'000
RMB	**96,408**	111,793
US$	**883**	3,581
Others	**122**	57
	97,413	115,431

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.

During the year ended 30 June 2020, a loss allowance of RMB6,202,000 is recognised (2019: RMB7,685,000 was recognised) based on expected credit loss. Information about the impairment of trade receivables and the Group's exposure to credit risk are set out in Note 3.1.

18. Prepayments, deposits and other assets

	As at 30 June 2020 RMB'000	2019 RMB'000
Long-term prepayments		
Long-term prepaid expenses	**8,387**	10,223
Current assets		
Deposits and other receivables	**94,802**	109,596
Prepayment to suppliers	**57,703**	75,214
Right of goods return	**52,957**	45,264
Value added tax recoverable	**21,538**	20,954
Prepaid expenses	**12,251**	34,932
Prepaid income tax	**11,975**	—
Interest receivables	**1,761**	1,572
Staff advances	**70**	27
	253,057	287,559
	261,444	297,782

As at 30 June 2020 and 2019, 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.

19. Financial instruments by category

	As at 30 June	
	2020	2019
	RMB'000	RMB'000
Financial assets		
Financial assets at amortised cost		
— Trade and other receivables	**193,976**	226,599
— Cash and cash equivalents	**342,135**	218,410
— Term deposits with initial term over 3 months	**246,320**	341,324
Financial assets at fair value		
— Financial assets at fair value through profit or loss	**263,091**	—
	1,045,522	786,333
Financial liabilities		
Liabilities at amortised cost		
— Trade payables	**168,131**	196,925
— Other payables	**311,813**	267,496
— Borrowings	**187,683**	—
— Lease liabilities	**182,718**	—
— Amounts due to related parties	**12,702**	9,097
	863,047	473,518

The Group's exposure to various risks associated with the financial instruments is discussed in Note 3. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of financial assets mentioned above.

20. Financial assets at fair value through profit or loss

	As at 30 June	
	2020	2019
	RMB'000	RMB'000
Included in current assets		
Wealth management products	**263,091**	—

This represents the Group's wealth management products with interest rates ranging from 1.5% to 3.8% per annum and maturity period within 1 year. These wealth management products are offered by large state-owned or reputable financial institutions in the Mainland China with potential return rate linked to the gold quotations, CSI 300 Index or Euro/US$ exchange rate.

21. Term deposits with initial term over 3 months

	As at 30 June	
	2020	2019
	RMB'000	RMB'000
Term deposits with initial term over 3 months	**246,320**	341,324

The carrying amounts of the Group's Term deposits with initial term over 3 months were denominated in the following currencies:

	As at 30 June	
	2020	2019
	RMB'000	RMB'000
US$	**196,320**	341,324
RMB	**50,000**	—
	246,320	341,324

The effective interest rate for the term deposits of the Group with initial term over 3 months for the year ended 30 June 2020 was 2.53% (2019: 2.82%).

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	
	2020	2019
	RMB'000	RMB'000
Cash at bank and on hand	**336,672**	216,465
Restricted cash	**5,463**	1,945

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	
	2020	2019
	RMB'000	RMB'000
RMB	**234,696**	170,724
US$	**59,796**	8,903
HK$	**47,107**	38,435
Others	**536**	348
	342,135	218,410

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 RMB'000	Subtotal RMB'000
As at 1 July 2019	**1,000,000,000**	**518,750,000**	**4,622**	**657,376**	**(78,646)**	**583,352**
Purchase of ordinary shares for RSU Scheme(a)	**—**	**—**	**—**	**—**	**(95,235)**	**(95,235)**
Vest and transfer of RSUs	**—**	**—**	**—**	**8,144**	**1,467**	**9,611**
As at 30 June 2020	**1,000,000,000**	**518,750,000**	**4,622**	**665,520**	**(172,414)**	**497,728**

	Number of shares authorised	Number of shares issued	Share capital RMB'000	Share premium RMB'000	Shares held for RSU Scheme 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

(a) During the year ended 30 June 2020, the Company repurchased 14,159,000 (2019: 4,209,000) of its own shares through the trustee of the RSU scheme at a total consideration of HK$105,201,000 (approximately RMB95,235,000) (2019: HK$54,820,000 (approximately RMB48,048,000)). As at 30 June 2020, there were 18,923,000 repurchased shares (30 June 2019: 6,424,000) held through the trustee of the RSU scheme.

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 2019	**154,678**	**24,562**	**5,489**	**(1,599)**	**183,130**
Appropriation to statutory reserves (a)	**666**	**—**	**—**	**—**	**666**
Liquidation of subsidiaries	**(296)**	**—**	**—**	**—**	**(296)**
Share-based compensation (Note 25)	**—**	**38,610**	**—**	**—**	**38,610**
Currency translation differences	**—**	**—**	**8,661**	**—**	**8,661**
Vest and transfer of RSUs	**—**	**(8,676)**	**—**	**—**	**(8,676)**
As at 30 June 2020	**155,048**	**54,496**	**14,150**	**(1,599)**	**222,095**
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

(a) In accordance with the respective articles of association and Board resolutions, the subsidiaries of the Group incorporated in the PRC appropriate 10% of the annual net profits, 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 2020, approximately RMB666,000 (2019: RMB10,769,000) 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 2020		Year ended 30 June 2019	
	Weighted average exercise price per RSU	Number of RSUs	Weighted average exercise price per RSU	Number of RSUs
Opening balance	**HK$10.88**	**23,441,887**	HK$6.66	20,962,442
Granted during the year (a)	**HK$9.40**	**3,247,500**	HK$15.15	10,180,000
Forfeited (b)	**HK$9.15**	**(2,733,125)**	HK$8.54	(4,535,960)
Cancellations (c)	**HK$10.18**	**(10,265,000)**	—	—
Vested (d)	**HK$5.29**	**(2,729,762)**	—	(3,164,595)
Ending balance	**HK$2.99**	**10,961,500**	HK$10.88	23,441,887
Exercised (e)	**HK$1.76**	**593,400**	—	1,278,000
Vested and exercisable at balance sheet date	**HK$1.56**	**8,565,122**	—	6,428,760

(a) During the year ended 30 June 2020, 3,247,500 RSUs (year ended 30 June 2019: 10,180,000 RSUs) were granted.

(b) During the year ended 30 June 2020, 2,733,125 RSUs (2019: 4,535,960 RSUs) were forfeited as a result of termination of employment of certain employees.

(c) On 30 June 2020, the Board resolved to cancel 10,265,000 unvested RSUs. RMB12,281,000 were recognised immediately as it was treated as an acceleration of vesting.

(d) During the year ended 30 June 2020, 2,729,762 RSUs (2019: 3,164,595 RSUs) were vested.

(e) The weighted average closing price of the shares immediately before the dates on which the RSUs were exercised during the year ended 30 June 2020 was HK$9.62 (2019: HK$14.14).

On 17 October 2019, the Board resolved to adjust the exercise price of the 10,000,000 RSUs granted to Ms. Wu Huating, an executive director of the Company and the Chief Executive Officer, from HK$15.34 per share to HK$11.60 per share. The Board further resolved to adjust exercise price of 10,265,000 unvested RSUs to HK$3.2 on 30 June 2020. The Group has accounted for the incremental fair value from the date of modification until the date when the modified equity instruments vest. During the year ended 30 June 2020, incremental fair value of RMB8,579,000 was recorded as share-based compensation expenses as a result of the modification.

25. Share-based payments (continued)

(f) 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 2020, the expected forfeiture rate was estimated at 3% (30 June 2019: 3%).

(g) The weighted average remaining contractual life of RSUs outstanding as at 30 June 2020 was 4.18 years (30 June 2019: 5.04 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 2020. The weighted average fair value of those RSUs granted during the year ended 30 June 2020 at the measurement date was RMB4.42. Key assumptions are set as below:

Risk free interest rate	1.45%–1.76%
Volatility	36.17%–42.77%
Dividend yield	6.7%

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	
	2020	2019
	RMB'000	RMB'000
Trade payables (a)	**168,131**	196,925
Bills payables (b)	**13,657**	4,863
	181,788	201,788

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

	As at 30 June	
	2020	2019
	RMB'000	RMB'000
Within 6 months	**162,284**	192,654
6 months to 1 year	**4,690**	3,236
1 to 2 years	**278**	556
2 to 3 years	**879**	479
	168,131	196,925

(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. Accruals and other current liabilities

	As at 30 June	
	2020	2019
	RMB'000	RMB'000
Non-current liabilities		
Payables for property, plant and equipment	**6,977**	—
Current liabilities		
Provisions for sales returns (Note 5)	**136,830**	104,677
Payroll and welfare payables	**83,675**	86,150
Value-added and other taxes payables	**40,596**	1,357
Provisions for sales rebates (Note 5)	**35,283**	42,205
Distribution deposits (a)	**34,076**	37,013
Deposits received from suppliers (b)	**24,950**	—
Workforce contracting payables	**20,686**	23,311
Payables for property, plant and equipment	**20,273**	30,716
Accrued marketing and promotions expenses	**7,642**	4,047
Rentals	**6,635**	4,478
Payables for leasehold improvements	**2,280**	8,506
Others	**16,181**	12,543
	429,107	355,003
	436,084	355,003

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

(b) Deposits received from suppliers represent non-interest bearing deposits received from third-party suppliers for quality assurance.

28. Borrowings

	As at 30 June	
	2020	2019
	RMB'000	RMB'000
Short-term borrowings	**187,683**	—

As at 30 June 2020, the bills receivables issued by one subsidiary to another subsidiary of the Group for intra-group transaction settlement were discounted to commercial banks with recourse. The directors were of the view that balance under such factoring arrangements were borrowings from banks. As at 30 June 2020, the average discounted rate was 2.91% per annum.

29. Deferred income tax

The analysis of deferred income tax assets is as follows:

	Year ended 30 June	
	2020	2019
	RMB'000	RMB'000
Total deferred tax assets	**228,479**	128,298
Set-off of deferred tax assets pursuant to set-off provisions	**(42,656)**	—
Net deferred tax assets	**185,823**	128,298
Deferred income tax assets:		
— to be recovered after more than 12 months	**122,679**	74,685
— to be recovered within 12 months	**63,144**	53,613
	185,823	128,298
Total deferred tax liabilities	**57,217**	13,105
Set-off of deferred tax liabilities pursuant to set-off provisions	**(42,656)**	—
Net deferred tax liabilities	**14,561**	13,105
Deferred income tax liabilities:		
— to be recovered within 12 months	**14,561**	13,105
	171,262	115,193

The deferred tax assets and deferred tax liabilities relating to right-of-use assets and lease liabilities have been offset in the consolidated financial statements.

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

	Year ended 30 June	
	2020	2019
	RMB'000	RMB'000
Beginning of the year	**128,298**	110,871
Adjustment on adoption of HKFRS 16 (Note 2.2)	**1,678**	—
Credited in the consolidated statement of comprehensive income (Note 10)	**55,847**	17,427
End of the year	**185,823**	128,298

29. Deferred income tax (continued)

	Provision for inventories RMB'000	Customer loyalty programme RMB'000	Accrued expenses and provisions RMB'000	Tax losses carried forward RMB'000	Impairment for receivables RMB'000	Unrealized profit from inter-company transactions RMB'000	Provision for investments RMB'000	Depreciation of right-of-use assets RMB'000	Provision for leasehold improvement RMB'000	Total RMB'000
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
Effect on adoption of HKFRS 16 (note 2.2)	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**1,678**	**—**	**1,678**
As at 1 July 2019 (Adjusted)	**73,883**	**3,577**	**41,186**	**803**	**6,284**	**783**	**1,782**	**1,678**	**—**	**129,976**
Credited/(charged) to the consolidated statement of comprehensive income	**39,280**	**352**	**7,269**	**6,435**	**763**	**(145)**	**—**	**1,695**	**198**	**55,847**
As at 30 June 2020	**113,163**	**3,929**	**48,455**	**7,238**	**7,047**	**638**	**1,782**	**3,373**	**198**	**185,823**

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 2020 RMB'000	2019 RMB'000
Beginning of the year	**13,105**	10,541
Debited in the consolidated statement of comprehensive income (Note 10)	**13,456**	17,564
Transferred to current tax liabilities	**(12,000)**	(15,000)
End of the year	**14,561**	13,105

As at 30 June 2020, the provisions of RMB14,561,000 (30 June 2019: RMB13,105,000) represented provision for withholding income tax were made for the planned profit distribution of the PRC subsidiaries.

30. Notes to consolidated statement of cash flow

(a) Cash generated from operations

	Year ended 30 June	
	2020	2019
	RMB'000	RMB'000
Profit before income tax	**486,395**	663,295
Adjustments for:		
— Depreciation of property, plant and equipment (Note 13)	**60,972**	46,069
— Depreciation of right-of-use assets (Note 14)	**177,397**	—
— Amortisation of land use right (Note 14)	**—**	795
— Amortisation of intangible assets (Note 15)	**1,795**	1,323
— Provision for impairment of financial assets (Note 3.1)	**10,372**	7,685
— Provision for inventories (Note 16)	**176,594**	118,748
— Provision for leasehold improvement (Note 7)	**890**	—
— Losses on disposal of property, plant and equipment (Note 7)	**386**	96
— Gains on disposal of right-of-use assets (Note 7)	**(837)**	—
— Share based compensation (Note 25)	**38,610**	14,592
— 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)	**(17,387)**	(17,072)
— Interest expenses (Note 9)	**3,042**	—
— Interest expenses on lease liabilities (Note 14)	**13,254**	—
— Net foreign exchange gains from financing activities (Note 9)	**(299)**	(1,250)
— Change in fair value of Financial assets at fair value through profit or loss (Note 7)	**(4,341)**	(1,837)
Operating profits before working capital changes	**946,843**	819,119
Changes in working capital:		
— Inventories	**(220,977)**	(214,727)
— Trade receivables	**11,816**	(28,585)
— Prepayments, deposits and other assets	**29,553**	(60,390)
— Trade and bills payables	**(19,754)**	(3,724)
— Contract liabilities and other current liabilities	**126,022**	25,950
Cash flow generated from operations	**873,503**	537,643

(b) Net debt reconciliation:

This section sets out an analysis of net debt and the movements in net debt for each of the periods presented.

	Year ended 30 June	
	2020	2019
	RMB'000	RMB'000
Cash and cash equivalents	**336,672**	216,465
Borrowings — repayable within one year	**(187,683)**	—
Lease liabilities	**(187,149)**	—
Net (debt)/cash	**(38,160)**	216,465
Cash and liquid investments	**336,672**	216,465
Gross debt — fixed interest rates	**(374,832)**	—
Net (debt)/cash	**(38,160)**	216,465

30. Notes to consolidated statement of cash flow (continued)

(b) Net cash reconciliation: (continued)

	Other assets	Liabilities from financing activities		
	Cash and cash equivalents RMB'000	Borrowings RMB'000	Lease liabilities RMB'000	Total RMB'000
Net cash as at 1 July 2018	333,405	—	—	333,405
Cash flows	(121,606)	—	—	(121,606)
Foreign exchange adjustments	4,666	—	—	4,666
Net cash as at 30 June 2019	216,465	—	—	216,465
Recognised on adoption of HKFRS 16 (Note 2.2)	**—**	**—**	**(243,435)**	**(243,435)**
Adjusted debt as at 1 July 2019	**216,465**	**—**	**(243,435)**	**(26,970)**
Cash flows	**117,590**	**(184,641)**	**164,947**	**97,896**
Interest expense	**—**	**(3,042)**	**(13,254)**	**(16,296)**
Additions	**—**	**—**	**(140,539)**	**(140,539)**
Modification	**—**	**—**	**15,999**	**15,999**
Disposal	**—**	**—**	**29,133**	**29,133**
Foreign exchange adjustments	**2,617**	**—**	**—**	**2,617**
Net debt as at 30 June 2020	**336,672**	**(187,683)**	**(187,149)**	**(38,160)**

31. Commitments

(a) Capital commitments

As at 30 June 2020, the capital expenditure contracted but not provided for amounted to RMB31,648,000 (30 June 2019: RMB35,484,000).

In addition, the Group was committed at 30 June 2020 to enter several leases that is not yet commenced, the lease payments under which amounted to RMB40,100,000 per annum. Most of the committed leases were agreed with Huizhan Technology (Hangzhou) Co., Ltd. ("**Huizhan Technology**"), a related party of the Group, to lease an office building and underground premises to the Group. Due to the delay in renovation process of the office building and underground premises, the leases are not recognised as right-of-use assets as they were not available for the Group's use as at 30 June 2020. Huizhan Technology and the Group agreed to reduce the rent and other charges payable on a pro rata basis according to the actual move-in date of the office building and underground premises under the lease agreements.

(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	
	2020	2019
	RMB'000	RMB'000
No later than 1 year	**31,378**	208,957
Later than 1 year and no later than 5 years	**—**	230,517
Later than 5 years	**—**	8,838
	31,378	448,312

32. 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

32. Significant related party transactions (continued)

(a) Significant transactions with related parties

The Group had the following significant transactions with related parties.

		Year ended 30 June	
		2020	2019
		RMB'000	RMB'000
(i)	Processing fee		
	Hangzhou Shangwei Apparel Co., Ltd.	**23,216**	24,078
	Hangzhou New Shangwei Finery Co., Ltd.	**—**	707
		23,216	24,785
(ii)	Framework sample apparel manufacturing		
	Hangzhou JNBY Finery Co., Ltd.	**32,588**	33,964
(iii)	Operating lease expenses charged by related parties		
	Hangzhou Huikang Industrial Co., Ltd.	**11,183**	11,284
	Wu Jian	**780**	1,476
	Li Ming	**224**	214
	Hangzhou JNBY Finery Co., Ltd.	**—**	1,808
		12,187	14,782
(iv)	Logistics and warehousing expenses charged by a related party		
	Hangzhou Huikang Industrial Co., Ltd.	**—**	21,487
(v)	Purchase of equipment		
	Hangzhou Huikang Industrial Co., Ltd.	**—**	5,658
(vi)	Purchase of right-of-use assets		
	Hangzhou JNBY Finery Co., Ltd.	**5,092**	—
	Hangzhou Huikang Industrial Co., Ltd.	**3,331**	—
	Wu Jian	**2,044**	—
		10,467	—

(b) Balances with related parties

	As at 30 June	
	2020	2019
	RMB'000	RMB'000
Due from related parties		
Prepaid operating lease expenses:		
— Hangzhou JNBY Finery Co., Ltd.	**—**	972
— Hangzhou Huikang Industrial Co., Ltd.	**—**	5,059
— Wu Jian	**—**	949
	—	6,980
Due to related parties		
Trade payables:		
— Hangzhou Shangwei Apparel Co., Ltd.	**3,606**	3,710
— Hangzhou JNBY Finery Co., Ltd.	**448**	97
	4,054	3,807
Other payables:		
— Hangzhou JNBY Finery Co., Ltd.	**4,217**	4,994
— Li Ming	**—**	296
	4,217	5,290
Lease liabilities:		
— Hangzhou JNBY Finery Co., Ltd.	**2,842**	—
— Wu Jian	**922**	—
— Hangzhou Huikang Industrial Co., Ltd.	**667**	—
	4,431	—
	12,702	9,097

(c) Key management compensation

Key management includes directors (Wu Jian, Li Lin and Wu Huating) whose emoluments are reflected in the analysis shown in Note 34 (a). The emoluments paid and payable to the remaining key management during the year are as follows:

	Year ended 30 June	
	2020	2019
	RMB'000	RMB'000
Basic salaries and allowances	**5,541**	4,657
Discretionary bonuses	**3,675**	5,007
Other benefits including pension	**382**	466
Share-based compensation	**11,280**	8,776
	20,878	18,906

33. Balance sheet and reserve movement of the Company

		As at 30 June	
		2020	2019
	Note	RMB'000	RMB'000
ASSETS			
Non-current assets			
Investment in a subsidiary		**227,042**	188,432
Amounts due from subsidiaries		**253,955**	215,550
Total non-current assets		**480,997**	403,982
Current assets			
Cash and cash equivalents		**78,593**	36,127
Term deposits with initial terms over 3 months		**196,320**	341,324
Prepayments, deposits and other assets		**1,250**	3,399
Total current assets		**276,163**	380,850
Total assets		**757,160**	784,832
LIABILITIES			
Accruals and other current liabilities		**19**	20
Total liabilities		**19**	20
Net assets		**757,141**	784,812
EQUITY			
Share capital		**4,622**	4,622
Shares held for RSU scheme		**(172,414)**	(78,646)
Share premium	(a)	**665,520**	657,376
Other reserves	(a)	**216,062**	165,401
Retained earnings	(a)	**43,351**	36,059
Total equity		**757,141**	784,812

The balance sheet of the Company was approved by the Board on 26 August 2020 and was signed on its behalf:

Wu Jian	Li Lin
Director	Director

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

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

	Share premium RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Subtotal RMB'000
As at 1 July 2019	**657,376**	**165,401**	**36,059**	**858,836**
Profit for the year	**—**	**—**	**227,090**	**227,090**
Dividends paid	**—**	**—**	**(219,798)**	**(219,798)**
Share-based compensation	**—**	**38,610**	**—**	**38,610**
Currency translation difference	**—**	**20,727**	**—**	**20,727**
Vest and transfer of RSUs	**8,144**	**(8,676)**	**—**	**(532)**
As at 30 June 2020	**665,520**	**216,062**	**43,351**	**924,933**
As at 1 July 2018	647,739	139,678	29,926	817,343
Profit for the year	—	—	348,062	348,062
Dividends paid	—	—	(341,929)	(341,929)
Share-based compensation	—	14,592	—	14,592
Currency translation difference	—	20,793	—	20,793
Vest and transfer of RSUs	9,637	(9,662)	—	(25)
As at 30 June 2019	657,376	165,401	36,059	858,836

34. Benefits and interests of directors

(a) Directors' and chief executive's emoluments

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

For the year ended 30 June 2020

Name	Salaries and allowances RMB'000	Discretionary bonuses RMB'000	Social security insurance RMB'000	Share-based compensation RMB'000	Total RMB'000
Executive Directors					
Mr. Wu Jian (i)	**1,476**	**—**	**16**	**—**	**1,492**
Ms. Li Lin (i)	**2,515**	**—**	**16**	**—**	**2,531**
Ms. Wu Huating (ii)	**1,731**	**874**	**92**	**21,049**	**23,746**
Non-executive Director					
Mr. Wei Zhe (iii)	**225**	**—**	**—**	**—**	**225**
Independent Non-executive Directors					
Mr. Hu Huanxin (iv)	**250**	**—**	**—**	**—**	**250**
Mr. Lam Yiu Por (iv)	**300**	**—**	**—**	**—**	**300**
Ms. Han Min (iv)	**250**	**—**	**—**	**—**	**250**

For the year ended 30 June 2019

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

34. Benefits and interests of directors (continued)

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

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

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

(iii) Appointed on 24 June 2013.

(iv) Appointed on 13 October 2016.

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

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

(b) Directors' retirement benefits and termination benefits

None of the retirement benefits was paid to or receivable by directors during the year (2019: Nil).

None of the termination benefits was paid by or receivable from the company, the subsidiary undertaking nor the controlling shareholders to the directors during the year (2019: Nil).

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

During the year ended 30 June 2020, the Company does not pay consideration to any third parties for making available directors' services (2019: Nil).

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

As at 30 June 2020, there are no loans, quasi-loans and other dealing arrangements in favour of directors, controlled bodies corporate by and controlled entities with such directors (2019: Nil).

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

No significant transactions, arrangements and contracts in relation to the Company's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year (2019: Nil).

35. Subsequent event

Since the outbreak of COVID-19 continues to spread around the world and its duration is still uncertain, a prolonged coronavirus pandemic may have an adverse impact on the Group's future financial performance, even though part of the impact has been reflected into the year ended 30 June 2020. The Group will continue to closely monitor the latest development of the outbreak of COVID-19 so as to adopt positive counter-measures to overcome any challenges arising and to assess the related impact to the Group on a continuous basis.

Except for the event as described above, there is no other significant event occurred subsequently during the period from 30 June 2020 to the approval date of the consolidated financial statements by the Board on 26 August 2020.