江南布衣+

JNBY DESIGN LIMITED (Stock Code: 03306)

2020/21 ANNUAL REPORT

This annual report is printed on environmental paper

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INFORMATION ON JNBY GROUP

We are a leading designer brand fashion house based in China. According to the information provided by CIC [Note], in 2020, 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, 2021, 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 +" multi-brand 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 searching for their own identity
Design concepts:
Textured, Exquisite, Easy

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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 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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Taking into account our customers' purchasing patterns and information needs, we have established an omni-channel retail network comprising physical retail stores, online platforms and WeChat-based diversified social and retail 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

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. Qian Xiaoping
(appointed on February 25, 2021)
Ms. Ng Sau Mei (FCG, 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

Building 2–6, O ō ELi,
No. 398 Tianmushan 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,	2021 RMB'000	2020 RMB'000	Increase %
Financial Summary			
Revenue	**4,126,225**	3,099,431	33.1%
Gross profit	**2,597,352**	1,849,655	40.4%
Operating profit	**883,861**	485,005	82.2%
Net profit	**647,195**	346,698	86.7%
Net cash flows from operating activities	**1,336,578**	668,767	99.9%
Basic earnings per share (RMB)	**1.30**	0.68	91.2%
Diluted earnings per share (RMB)	**1.29**	0.67	92.5%
Financial Ratios			
Gross profit margin	**62.9%**	59.7%	3.2%
Operating profit ratio	**21.4%**	15.6%	5.8%
Net profit margin	**15.7%**	11.2%	4.5%

	As of June 30, 2021	As of June 30, 2020
Liquidity Ratios		
Trade receivables turnover days	**9.6**	12.5
Trade and bills payables turnover days	**52.3**	56.0
Inventory turnover days	**192.3**	257.6
Capital Ratios		
Debt to assets ratio[1]	**55.1%**	47.6%

Note 1: Debt to assets ratio = total debts/total assets

CONSOLIDATED RESULTS

For the year ended June 30,	2021 RMB'000	2020 RMB'000	2019 RMB'000	2018 RMB'000	2017 RMB'000
Revenue	**4,126,225**	3,099,431	3,358,168	2,864,059	2,332,290
Gross profit	**2,597,352**	1,849,655	2,056,059	1,825,800	1,474,608
Gross profit margin	**62.9%**	59.7%	61.2%	63.7%	63.2%
Operating profit	**883,861**	485,005	644,973	556,064	459,636
Net profit	**647,195**	346,698	484,779	410,351	331,572
Net profit margin	**15.7%**	11.2%	14.4%	14.3%	14.2%
Profit attributable to the shareholders	**647,201**	346,708	484,787	410,351	331,572
ASSETS					
Non-current assets	**1,329,688**	728,071	455,509	318,054	208,815
Current assets	**2,488,955**	2,106,138	1,829,443	1,803,795	1,716,167
EQUITY AND LIABILITIES					
Total equity	**1,716,251**	1,485,912	1,411,076	1,287,879	1,257,239
Non-current liabilities	**466,418**	91,511	13,105	10,541	13,449
Current liabilities	**1,635,974**	1,256,786	860,771	823,429	654,294

CHAIRMAN'S STATEMENT

In recent years, although the COVID-19 pandemic is still spreading globally, benefiting from the relatively optimistic pandemic prevention and control situation in China, the domestic consumer market and the apparel industry have recovered and recorded a strong rebound. Meanwhile, the COVID-19 pandemic has also accelerated changes in the business environment and consumer behavior. In the post-pandemic era, China will retain its role as the engine of global consumption growth. With consumption upgrades and a younger consumer base, the number of people pursuing good lifestyles is growing rapidly, the demand of consumers for personalized and fashionable products continues to rise and young consumers have a growing preference for products and brands with strong brand strength, hence a huge potential for the market segment where the designer brands operate. Besides, the pandemic has not only accelerated the transition of consumers from traditional retails to diversified new consumption scenarios, but also prompted consumers to turn to brands they trust more. Therefore, the market segment where the designer brands operate has shown a centralized competition trend.

As a leading designer brand fashion group in China, JNBY Design Limited (the "**Company**") and its subsidiaries (the "**Group**") adapts to market changes and seizes market opportunities in an actively manner. In addition to further adherence to the strategies of "design-driven", "multi-brand large-scale development" and "fans economy", the Group has further increased investment in brand strength, strengthened the comprehensive capacity building to support the sustainable and large-scale development of multi-brands, and continued to optimize the construction of a fan-focused global retail network.

Thanks to the efforts of all employees, the Group's performance has once again made a huge breakthrough against the backdrop of greater uncertainty in the post-pandemic era. Revenue and net profit for the year ended June 30, 2021 ("**Fiscal Year 2021**") rebounded with rising healthy and sufficient operating cash flows. In Fiscal Year 2021, the Group recorded revenue of approximately RMB4,126.2 million and net profit of approximately RMB647.2 million, increasing by 33.1% and 86.7% as compared with that of the year ended June 30, 2020 ("**Fiscal Year 2020**"), respectively. Excluding incomparable factors such as the waiver of various expenses due to the pandemic, the adjusted net profit of the Group for Fiscal Year 2021 was approximately RMB623.9 million.

Looking forward, we are committed to becoming a respectable and influential designer brand group. We will continue to focus on our fans base, implement a design and brand-driven strategy, continuously optimize our designer brand portfolio, enhance forward-looking design and research and development capabilities, comprehensively enhance our brand strength, make full use of Internet thinking and technology, continue to enhance our retail network all across China and over the globe, actively deploy diversified social retail and other new consumption scenarios, optimize the omni-channel interactive marketing platform and the ability of the intelligent responsive supply chain, 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 continuously diversified product and brand portfolios, increasingly strong brand strength, a larger diversified loyal fan base and the improvement of comprehensive capabilities to support the sustainable and large-scale development of multiple brands, we can further promote the construction of a design incubation platform, thus lay a foundation for the sustainable long-term healthy and high-quality growth of the Group.

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 heartfelt gratitude to all our shareholders, business partners and employees of the Company for their continued support and confidence in the Group. The Group will continue to be 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.

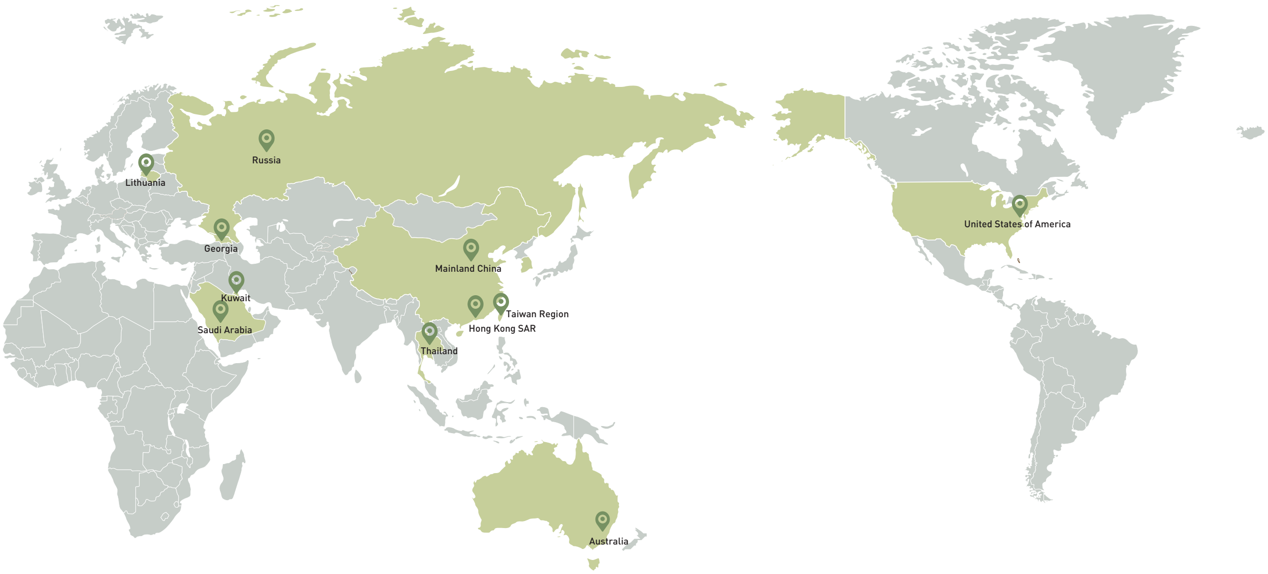
The total revenue for Fiscal Year 2021 amounted to RMB4,126.2 million, an increase of 33.1% or RMB1,026.8 million as compared with RMB3,099.4 million for Fiscal Year 2020. The increase in the revenue was mainly due to the increase in same store sales, the rapid increase in online channels as well as the increase in offline stores scale.

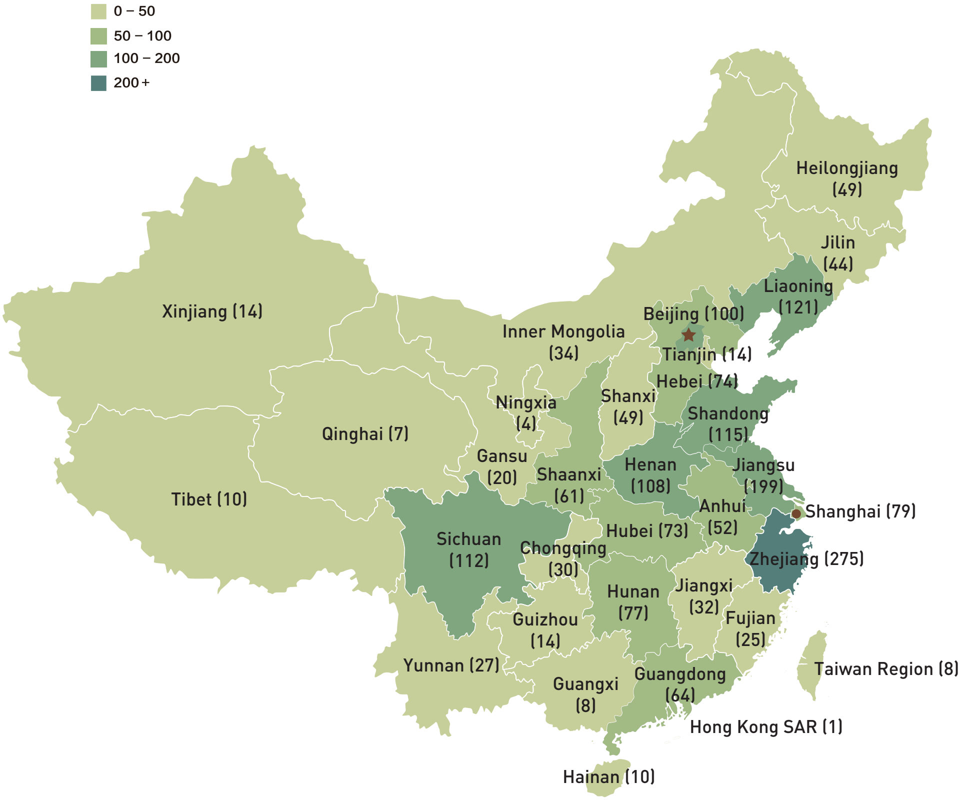
Including standalone offline stores abroad, our sales network has covered all provinces, autonomous regions and municipalities in Mainland China and across 10 other countries and regions around the world. The tables below set forth the information on the number of our standalone retail stores around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

Number of our standalone retail stores around the world by different brands	As of June 30, 2021	As of June 30, 2020
Mature Brand		
JNBY	**926**	879
Subtotal	**926**	879
Younger Brands		
CROQUIS (速寫)	**312**	312
jnby by JNBY	**470**	436
LESS	**185**	184
Subtotal	**967**	932
Emerging Brands		
POMME DE TERRE (蓬馬)	**28**	30
JNBYHOME	**—**	—
Others	**2**	5
Subtotal	**30**	35
"JNBY Group +" multi-brand collection stores	**8**	9
Total	**1,931**	1,855

Number and geographic distribution of our retail stores by sales channels	As of June 30, 2021	As of June 30, 2020
Mainland China		
Self-operated stores	**544**	539
Distributor-operated stores	**1,357**	1,284
Outside Mainland China		
Self-operated stores	**1**	3
Distributor-operated stores	**29**	29
Total	**1,931**	1,855

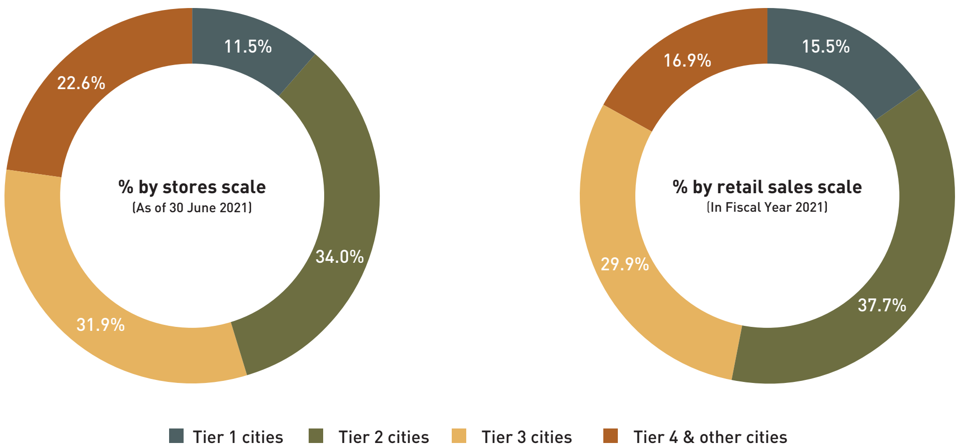
The following maps and chart show the retail network distribution of our standalone retail stores in countries and regions all over the world (excluding points of sale), the geographic distribution of our retail stores (including standalone distributor-operated and self-operated stores) across Mainland China, Hong Kong and Taiwan as well as the distribution of our stores by city tiers across Mainland China as of June 30, 2021 respectively:





Number of stores and retail sales by city tiers across Mainland China

Retail sales scale in tier 1 and tier 2 cities accounted for > 50%



SAME STORE SALES GROWTH OF OFFLINE SHOPS

Although the customer traffic of our offline shops still experienced fluctuation affected by the epidemic preventive and control measures implemented in various places since the outbreak of the coronavirus epidemic in early 2020, we have provided consumers with more value-added services by proactively launching and upgrading new consumption scenarios or products such as "Box Project", "Diversified Social E-commerce" and "JNBY Group +" multi-brand collection stores, while gradually upgrading the store image of all brands in order to provide customers with more comfortable shopping experience. Same store sales of offline retail shops for Fiscal Year 2021 recorded an increase of 19.3%, which was mainly due to the facts that:

i. both the discount made to in-season products and the associated purchase rate were improved, which was benefited from the Group's increased strategic investments in store image upgrading of each brand and in visual merchandising development, and the launch of brand new store image of "JNBY Group +" multi-brand collection stores and the full reach to the fans and improved service quality.

ii. in Fiscal Year 2021, the incremental retail sales generated by the inventory sharing and allocation system was RMB978.0 million, representing an increase of 42.0% as compared with RMB688.9 million for Fiscal Year 2020.

iii. the shipment GMV through social retail channels including "Box Project", "WeChat Mall" and "Diversified Social E-commerce" reached RMB279.7 million, with a growth rate of over 90% due to continuous utilization of Internet+ mindsets and technologies.

MEMBERS-RELATED DATA

As of June 30, 2021, the Group had over 4.9 million membership accounts (without duplication) (as of June 30, 2020: over 4.2 million), including our more than 4.4 million subscribers (without duplication) on the WeChat platform (as of June 30, 2020: over 3.7 million). The proportion of the Group's digital members on the WeChat platform further went up to over 90% (as of June 30, 2020: over 89%). During the Fiscal Year 2021, the retail sales contributed by the members of the Group maintained stable, accounting for approximately 70% of our total retail sales.

In Fiscal Year 2021, the number of active members accounts of the Group[note 1] (without duplication) was over 430,000 (Fiscal Year 2020: over 430,000), among these membership accounts, the number of WeChat active members accounts[note 2] (without duplication) was over 420,000 (Fiscal Year 2020: over 420,000).

In Fiscal Year 2021, the number of membership accounts with annual purchases totaling over RMB5,000 was over 209,000 (Fiscal Year 2020: over 179,000), and the retail sales contributed by those membership accounts has reached RMB2.61 billion (Fiscal Year 2020: RMB2.10 billion), accounting for over 40% to the total retail sales from offline channels. Among these membership accounts, the number of subscribers on our WeChat platform with annual purchases totaling over RMB5,000 was over 208,000 for Fiscal Year 2021 (Fiscal Year 2020: over 177,000). In Fiscal Year 2021, both the number of members accounts with purchases totaling over RMB5,000 and the number of WeChat members accounts with purchases totaling over RMB5,000 increased as compared with that of Fiscal Year 2020. Driven effectively by the omni-social retail interactive marketing & service platforms, mainly on WeChat, the loyalty of our fans continued to grow steadily.

Note 1: 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.

Note 2: WeChat active members accounts are active members who are also the subscribers of our WeChat platform.

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,					
	2021		2020		Increase/(Decrease)	
	RMB'000	(%)	RMB'000	(%)	RMB'000	(%)
Mature Brand:						
JNBY	**2,298,790**	**55.7%**	1,761,502	56.9%	537,288	30.5%
Subtotal	**2,298,790**	**55.7%**	1,761,502	56.9%	537,288	30.5%
Younger Brands:						
CROQUIS (速寫)	**692,311**	**16.8%**	557,320	18.0%	134,991	24.2%
jnby by JNBY	**656,721**	**15.9%**	444,290	14.3%	212,431	47.8%
LESS	**391,307**	**9.5%**	260,918	8.4%	130,389	50.0%
Subtotal	**1,740,339**	**42.2%**	1,262,528	40.7%	477,811	37.8%
Emerging Brands:						
POMME DE TERRE (蓬馬)	**50,034**	**1.2%**	38,787	1.3%	11,247	29.0%
JNBYHOME	**26,139**	**0.6%**	13,844	0.4%	12,295	88.8%
Others	**10,923**	**0.3%**	22,770	0.7%	(11,847)	(52.0%)
Subtotal	**87,096**	**2.1%**	75,401	2.4%	11,695	15.5%
Total revenue [1]	**4,126,225**	**100.0%**	3,099,431	100.0%	1,026,794	33.1%

Note:

(1) Includes revenue recorded by "JNBY Group +" multi-brand collection stores of RMB100.1 million.

For Fiscal Year 2021, the revenue of the Group increased significantly. Revenue generated from the Group's Mature brand with a history over 20 years, JNBY brand, increased by 30.5% or RMB537.3 million. For the Younger brands portfolio, it consists of brands which were successively launched from 2005 to 2011, namely CROQUIS (速寫), jnby by JNBY and LESS. Revenue generated from Younger brands portfolio increased by 37.8% 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 2.1% to the total revenue.

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 to our total revenue, for the years indicated:

	For the year ended June 30,					
	2021		2020		Increase/(Decrease)	
	RMB'000	(%)	RMB'000	(%)	RMB'000	(%)
Offline channels						
Self-operated stores	**1,755,911**	**42.6%**	1,353,916	43.6%	401,995	29.7%
Distributor-operated stores [1]	**1,709,602**	**41.4%**	1,276,362	41.2%	433,240	33.9%
Online channels	**660,712**	**16.0%**	464,078	15.0%	196,634	42.4%
Other channels	**—**	**—**	5,075	0.2%	(5,075)	(100%)
Total revenue	**4,126,225**	**100.0%**	3,099,431	100.0%	1,026,794	33.1%

Note:

(1) Includes stores operated by overseas customers.

In Fiscal Year 2021, absolute amounts of revenue generated from sales through our offline channels increased as compared with that in Fiscal Year 2020. Revenues generated from sales through our online channels increased by 42.4% compared with that in Fiscal Year 2020, and as a percentage to our total revenue has also increased from 15.0% in Fiscal Year 2020 to 16.0% in Fiscal Year 2021.

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,					
	2021		2020		Increase	
	RMB'000	(%)	RMB'000	(%)	RMB'000	(%)
Mainland China	**4,095,830**	**99.3%**	3,077,061	99.3%	1,018,769	33.1%
Outside Mainland China [1]	**30,395**	**0.7%**	22,370	0.7%	8,025	35.9%
Total revenue	**4,126,225**	**100.0%**	3,099,431	100.0%	1,026,794	33.1%

Note:

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

GROSS PROFIT AND GROSS PROFIT MARGIN

The Group's gross profit increased by 40.4% from RMB1,849.7 million for Fiscal Year 2020 to RMB2,597.4 million for Fiscal Year 2021.

The Group's overall gross profit margin increased from 59.7% for Fiscal Year 2020 to 62.9% for Fiscal Year 2021, which was mainly attributable to the enhancement of brand equity and product recognition of the Group and the increased gross profit margin of all channels.

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,					
	2021		2020		Increase	
	RMB'000	(%)	RMB'000	(%)	RMB'000	(%)
Mature Brand:						
JNBY	**1,459,840**	**63.5%**	1,076,764	61.1%	383,076	35.6%
Subtotal	**1,459,840**	**63.5%**	1,076,764	61.1%	383,076	35.6%
Younger Brands:						
CROQUIS (速寫)	**428,373**	**61.9%**	344,618	61.8%	83,755	24.3%
jnby by JNBY	**404,829**	**61.6%**	251,902	56.7%	152,927	60.7%
LESS	**259,896**	**66.4%**	161,802	62.0%	98,094	60.6%
Subtotal	**1,093,098**	**62.8%**	758,322	60.1%	334,776	44.1%
Emerging Brands:						
POMME DE TERRE (蓬馬)	**26,313**	**52.6%**	13,967	36.0%	12,346	88.4%
JNBYHOME	**12,170**	**46.6%**	2,902	21.0%	9,268	319.4%
Others	**5,931**	**54.3%**	(2,300)	(10.1%)	8,231	357.9%
Subtotal	**44,414**	**51.0%**	14,569	19.3%	29,845	204.9%
Total	**2,597,352**	**62.9%**	1,849,655	59.7%	747,697	40.4%

	For the year ended June 30,					
	2021		2020		Increase/(Decrease)	
	RMB'000	(%)	RMB'000	(%)	RMB'000	(%)
Offline channels						
Self-operated stores	**1,230,511**	**70.1%**	928,723	68.6%	301,788	32.5%
Distributor-operated stores	**939,480**	**55.0%**	651,157	51.0%	288,323	44.3%
Online channels	**427,361**	**64.7%**	265,993	57.3%	161,368	60.7%
Other channels	**—**	**—**	3,782	74.5%	(3,782)	(100%)
Total	**2,597,352**	**62.9%**	1,849,655	59.7%	747,697	40.4%

SELLING AND MARKETING EXPENSES AND ADMINISTRATIVE EXPENSES

In Fiscal Year 2021, selling and marketing expenses were RMB1,429.2 million (Fiscal Year 2020: RMB1,145.0 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 34.6% of our revenue in Fiscal Year 2021 (Fiscal Year 2020: 36.9%), the decrease in the expense ratio as compared to the previous year was mainly attributable to the growth of overall revenue and the improvements of operational efficiency.

The administrative expenses for Fiscal Year 2021 were RMB328.3 million (Fiscal Year 2020: RMB275.8 million) which primarily consist of: (i) employee benefit expenses; (ii) product development outsourcing fees; and (iii) professional service expenses. In percentage terms, administrative expenses accounted for 8.0% of our revenue in Fiscal Year 2021 (Fiscal Year 2020: 8.9%), the decrease in the expense ratio as compared to the previous year was mainly attributable to the growth of overall revenue and the improvements of management efficiency.

FINANCE INCOME, NET

The Group's finance income, net for Fiscal Year 2021 was RMB2.7 million (Fiscal Year 2020: financial income, net of RMB1.4 million). The increase in financial income, net was mainly due to the optimized cash flows and the increase of wealth management products income.

NET PROFIT AND NET PROFIT MARGIN

Due to the above-mentioned factors, net profit for Fiscal Year 2021 was RMB647.2 million, representing an increase of 86.7% or RMB300.5 million as compared with RMB346.7 million for Fiscal Year 2020. Net profit margin increased from 11.2% for Fiscal Year 2020 to 15.7% for Fiscal Year 2021.

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 2021 was RMB128.5 million (Fiscal Year 2020: RMB121.0 million).

PROFIT BEFORE INCOME TAX

The Group's profit before income tax increased by 82.3% from RMB486.4 million for Fiscal Year 2020 to RMB886.6 million for Fiscal Year 2021. The increase in the profit before income tax was mainly due to the increase in the Group's operating profit.

FINANCIAL POSITION

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

As at June 30, 2021, the Group's cash and cash equivalents were RMB549.0 million (June 30, 2020: RMB336.7 million), of which 90.6% was denominated in RMB, 3.2% in US dollars and 6.2% in other currencies. Net cash inflow from operating activities in Fiscal Year 2021 was RMB1,336.6 million, an increase of 99.9% as compared with RMB668.8 million in Fiscal Year 2020.

As at June 30, 2021, our short-term bank loans amounted to RMB243.6 million, representing (i) the short-term loans of RMB50.0 million borrowed from Industrial and Commercial Bank of China on July 8, 2020, (ii) the short-term loans of RMB49.8 million borrowed from Industrial and Commercial Bank of China on August 11, 2020, (iii) the short-term loans of RMB45.5 million borrowed from Industrial and Commercial Bank of China on November 20, 2020, (iv) the short-term loans of RMB49.2 million borrowed from China Merchants Bank on January 6, 2021, and (v) the short-term loans of RMB49.1 million borrowed from China Merchants Bank on May 31, 2021.

The above short-term borrowings were utilized to supplement the Group's funds and enhance the usage efficiency of our own funds.

SIGNIFICANT INVESTMENT EVENTS

SUBSCRIPTION OF FINANCIAL PRODUCTS

On September 29, 2020, JNBY Finery Co., Ltd. ("**JNBY Finery**"), a subsidiary of the Company, subscribed for the short-term financial products of Hangzhou United Bank with a principal of RMB40,000,000. The subscription mentioned above does not constitute a notifiable transaction of the Company.

On January 15, 2021, JNBY Finery subscribed for the short-term financial products of Industrial and Commercial Bank of China with a principal of RMB50,000,000. The subscription mentioned above does not constitute a notifiable transaction of the Company.

On January 27, 2021, JNBY Finery subscribed for the short-term financial products of Industrial and Commercial Bank of China with a principal of RMB50,000,000. The subscription mentioned above does not constitute a notifiable transaction of the Company.

On February 25, 2021, JNBY Finery subscribed for the short-term financial products of Agricultural Bank of China with a principal of RMB40,000,000. The subscription mentioned above does not constitute a notifiable transaction of the Company.

On March 18, 2021, JNBY Finery subscribed for the short-term financial products of Agricultural Bank of China with a principal of RMB40,000,000. The subscription mentioned above does not constitute a notifiable transaction of the Company.

On March 25, 2021, JNBY Finery subscribed for the short-term financial products of Industrial and Commercial Bank of China with a principal of RMB50,000,000. The subscription mentioned above does not constitute a notifiable transaction of the Company.

On May 14, 2021, JNBY Finery subscribed for the short-term financial products of Hangzhou United Bank with a principal of RMB40,000,000. The subscription mentioned above does not constitute a notifiable transaction of the Company.

INVESTMENT FUNDS

On June 10, 2021, Grand Vantage (China) Limited, a subsidiary of the Company, signed the subscription agreement of a venture capital fund as a limited partner for a total capital commitment of USD10,000,000, and USD8,514,000 was paid on June 17, 2021. 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 has increased to 1,397 as of June 30, 2021 (June 30, 2020: 1,128). The total staff costs for Fiscal Year 2021 (including basic salaries and allowances, social security insurance, discretionary bonuses and share-based compensation expenses) were RMB357.7 million (Fiscal Year 2020: RMB271.0 million), representing 8.7% of our revenue (Fiscal Year 2020: 8.7%).

EVENTS AFTER THE BALANCE SHEET DATE

In July 2021, the Group agreed to provide a loan to Huizhan Technology (Hangzhou) Co., Ltd., a related party of the Group, in the principal amount of RMB150,000,000 with an interest rate of 4.90% per annum in three installments with one-year maturity. Mr. Wu Jian and Ms. Li Lin, the controlling shareholders of the Group, agreed to provide personal guarantee to the Group. As at the date of this annual report, RMB50,000,000 has been drawn down under such loan agreement.

In July 2021, the Group signed the subscription agreements of two venture capital funds as a limited partner for a total capital commitment of RMB60,000,000. Both venture capital funds are related parties of Mr. Wei Zhe, the non-executive director of the Company. As at the date of this annual report, the Group has made capital contribution of RMB15,000,000.

Except for the events as described above, there was no other significant event occurred during the period from June 30, 2021 to the approval date of the consolidated financial statements by the Board on August 31, 2021.

PLEDGE OF ASSETS

As at June 30, 2021, the Group did not have any secured bank borrowings.

CONTINGENT LIABILITIES

As at June 30, 2021, 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, 2021, the proceeds amounting to a total of RMB574.0 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, 2021 The actual used amount (RMB million)	For the year ended June 30, 2021 The actual used amount (RMB million)	As at June 30, 2021 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	156.7	25.4	22.6
To establish a new logistics center	220.1	220.1	—	—
For general purposes	29.8	29.8	—	—
Total	596.6	574.0	25.4	22.6

As at June 30, 2021, the balance of proceeds of approximately RMB22.6 million would continue to be used for the purposes as stated in the Prospectus. It is also expected to be fully utilised within next 6 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

In the post-pandemic era, China will continue to serve as the driving force for global consumption growth. With consumption upgrade and a younger consumer base, the number of people who pursue distinguished lifestyles increases rapidly. As the demand of consumers for personalized and fashionable products continues to rise and the younger consumers' favorability for products and brands with strong brand awareness is increasing, the segmented market where the designer brands operate has great potential. In addition, the pandemic not only speeds up the shift of customers from traditional retail sales to diversified new consumption scenarios, but also makes the customers turn to brands they think more trustworthy, therefore, the segmented market where the designer brands operate is showing a competition trend of inclining to the leading brands.

As a 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 strengthen and enhance 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 continue to attract and cultivate new JNBY fans through further optimization of designer brand portfolio and product offerings by way of self-incubation or mergers, through comprehensive enhancement of forward-looking design and R&D capabilities as well as through continuous strengthening of brand influence;

- Adopting internet thinking and technology to further enhance our domestic and foreign retail network, increase our strategic investments in store visual merchandising and image development and proactively plan for new consumption scenarios such as diversified social channels/retail, in order to optimize our omni-channel interactive marketing platform and intelligent quick response supply chain management capability, as well as being capable to establish an appropriate scaled operation in each sub-segment;

- To enhance fans' experience in diversified omni-channel retail network by adhering to the strategy with data as the driver, technology as the carrier and fans economy as the core, encouraging operational innovation, constantly creating and providing scenarios for value-added services and customer touchpoints to our fans;

- To establish a corporate governance structure integrated with Environment, Social and Governance ("**ESG**") to facilitate the implementation of ESG practices and gradually fulfill its commitment in the ESG sector in 2025, thus ensuring the sustainable, healthy and high-quality development of the Company's business in a long run.

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

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

EXECUTIVE DIRECTORS

Mr. Wu Jian (吳健), aged 53, 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 50, 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 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 46, is the chief executive officer and an executive Director of the Company. Ms. Wu is primarily responsible for the Group's overall strategy development, business planning and development. Ms. Wu has over 20 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 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 50, joined our Group on June 24, 2013 when he was appointed as a non-executive Director. 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 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 44, is an independent non-executive Director. 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. Mr. Lam has also served as the chief financial officer and joint company secretary of Dingdang Health Technology Group Ltd. since January 2021, and as an independent non-executive director of Tian Ge Interactive Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 01980), since January 2021.

Prior to joining the Group, he served as the vice president and chief financial officer of L'sea Resources International Holdings Limited, a company listed on the Stock Exchange (stock code: 00195), from November 2013 to July 2020.

From June 2012 to February 2014, he was an independent non-executive director and chairman of the audit committee of GR Properties Limited (stock code: 00108, formerly known as Buildmore International Limited). From December 2014 to March 2016, Mr. Lin served as an independent non-executive director of Yat Sing Holdings Limited (stock code: 03708). From April 2015 to May 2017, Mr. Lin served as a non-executive director of Zhong Ao Home Group Limited (stock code: 01538). From November 2015 to June 2020, Mr. Lin served as an independent non-executive director of Denox Environmental & Technology Holdings Limited (stock code: 01452). From November 2016 to November 2018, Mr. Lin served as an independent non-executive director of China Tontine Wines Group Limited (stock code: 00389).

Mr. Lam received his bachelor's 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 Chartered Governance Institute (formerly known as 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 47, is an independent non-executive Director. 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 53, is an independent non-executive Director. 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 founded Wuxi Baoding Jiafeng Private Equity Fund Management Partnership (Limited Partnership) and is the executive partner of the company.

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 40, was appointed as chief financial officer when he joined our Group in November 2013, and was appointed as the chief strategy officer in August 2021. 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, merger and acquisition, capital market and risk management matters of the Group.

Mr. Zhu has over 15 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's 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 46, 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. Guan Hongchun (管宏春), aged 41, joined the Group in May 2021 and was appointed as the chief operating officer. He is mainly responsible for the Group's data center, R&D center, APN business, POMME DE TERRE (蓬馬) business and the business and operation management of overseas business division, and is also responsible for the distribution business management of JNBY, CROQUIS (速寫), LESS and jnby by JNBY brands.

Mr. Guan has nearly 20 years of experience in the operation and management of the apparel industry. Prior to joining the Group, Mr. Guan served as the general manager of edition and the group vice president of EPO Fashion Group from July 2015 to April 2021 respectively, mainly responsible for the offline self-operated retail and national franchise business of the three brands of EPO Group (MO&Co./edition/little MO&Co.), all brand and product management and the BI analysis management of the group.

Mr. Guan graduated from Shanghai University of Engineering Science in March 2002, majoring in fashion design.

Mr. Nie Yanlu (聶延路), aged 50, joined our Group in August 2002 and was appointed as the vice president of the Group from April 2019. Mr. Nie has over 20 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 58, 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 15 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 an executive Director.

Mr. Fan Yongkui (範永奎), aged 37, was appointed as the financial director of our Group when he joined our Group in September 2015, and was appointed as the vice president of the Group in August 2021. He is primarily responsible for accounting, financial management, logistics center operation, legal affairs, internal audit works 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. He obtained a lawyer's practice certificate issued by the Ministry of Justice of the People's Republic of China in April 2021. Mr. Fan graduated from Zhejiang University (浙江大學), with a bachelor's degree in landscape architecture in June 2006.

Mr. Xie Peiwang (謝培旺), aged 39, 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 in July 2004.

Mr. Fang Lei (方磊), aged 39, was appointed as the project manager of the information center when joining the Group in March 2014, and was appointed as the director of the information center in March 2017. He was appointed as the chief information officer in August 2021, and is primarily responsible for the formulation of information planning, the establishment of information and technology platform as well as the design and research and development of Internet products of the Group.

Mr. Fang has over 15 years of experiences in the research and development and management in information system. Prior to joining our Group, Mr. Fang served as the development manager of Shiji Dashang Information Technology Co., Ltd. (石基大商信息技術有限公司) (formerly known as Beijing Fuji Rongtong Technology Co., Ltd. (北京富基融通科技有限公司)) from July 2005 to March 2014, and was responsible for the research and development as well as project management works for ERP management system and CRM system of shopping centers and department stores.

Mr. Fang graduated from Wuhan Polytechnic University (武漢輕工業大學(formerly known as Wuhan Industrial College (武漢工業學院))) with a bachelor's degree in engineering in June 2005, majoring in computer science and technology. He also obtained a master's degree in engineering from Huazhong University of Science and Technology in December 2011, majoring in computer technology.

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, 2021.

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, 2021 is set out in note 5 of the consolidated financial statements.

RESULTS

The results of the Group for the year ended June 30, 2021 are set out in the consolidated statement of comprehensive income on page 86 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 AND SPECIAL DIVIDEND

The Board has recommended the payment of a final dividend of HK$0.72 per ordinary share (equivalent to approximately RMB0.61 per ordinary share) and a special dividend of HK$0.39 per ordinary share (equivalent to approximately RMB0.33 per ordinary share) for the year ended June 30, 2021, representing a total payout of HK$1.11 per ordinary share. The special dividend will be paid out of the share premium of the Company.

The final dividend and special dividend are subject to the approval of the shareholders of the Company (the "**Shareholders**") at the annual general meeting (the "**AGM**") to be held on October 22, 2021, and will be paid on November 15, 2021 to those Shareholders whose names appear on the Company's register of members on October 29, 2021.

BUSINESS REVIEW

In recent years, although the COVID-19 pandemic is still spreading globally, benefiting from the relatively optimistic pandemic prevention and control situation in China, the domestic consumer market and the apparel industry have recovered and recorded a strong rebound. Meanwhile, the COVID-19 pandemic has also accelerated changes in the business environment and consumer behavior. In the post-pandemic era, China will retain its role as the engine of global consumption growth. With consumption upgrades and a younger consumer base, the number of people pursuing good lifestyles is growing rapidly, the demand of consumers for personalized and fashionable products continues to rise and young consumers have a growing preference for products and brands with strong brand strength, hence a huge potential for the market segment where the designer brands operate. Besides, the pandemic has not only accelerated the transition of consumers from traditional retails to diversified new consumption scenarios, but also prompted consumers to turn to brands they trust more. Therefore, the market segment where the designer brands operate has shown a centralized competition trend.

As a leading designer brand fashion group in China, the Group adapts to market changes and seizes market opportunities in an actively manner. In addition to further adherence to the strategies of "design-driven", "multi-brand large-scale development" and "fans economy", the Group has further increased investment in brand strength, strengthened the comprehensive capacity building to support the sustainable and large-scale development of multi-brands, and continued to optimize the construction of a fan-focused global retail network. Thanks to the efforts of all employees, the Group's performance has once again made a huge breakthrough against the backdrop of greater uncertainty in the post-pandemic era. Details of business review and prospect of the Company are disclosed in the section headed "Management Discussion and Analysis" on pages 11 to 21 of this Annual Report. Details of the key financial performance indicators are set out in the section headed "Financial Summary" on pages 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 appliances. 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 5.6% of the Group's total revenues (Fiscal Year 2020: 4.9%) for the Fiscal Year 2021 while the transaction amounts of our single largest customer accounted for 2.2% of the Group's total revenues (Fiscal Year 2020: 1.6%).

MAJOR SUPPLIERS

The transaction amounts of our Group's top five suppliers accounted for 13.8% of the total purchases (Fiscal Year 2020: 12.0%) for the Fiscal Year 2021 while the transaction amounts of our single largest supplier accounted for 4.0% of the Group's total purchases (Fiscal Year 2020: 3.3%).

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 2021.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Company and the Group during the Fiscal Year 2021 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 2021 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 2021 are set out in note 24 to the consolidated financial statements.

RESERVES AVAILABLE FOR DISTRIBUTION

As at June 30, 2021, the Company's reserves available for distribution amounted to approximately RMB897.6 million (June 30, 2020: RMB924.9 million).

BANK AND OTHER BORROWINGS

Details of the bank and other borrowings of the Company and the Group during the Fiscal Year 2021 are set out in note 28 to the consolidated financial statements.

DIRECTORS

The Directors during the Fiscal Year 2021 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, Ms. Wu Huating, Mr. Wei Zhe and Mr. Lam Yiu Por, will retire from office at the AGM and, being eligible, will offer themselves for re-election at the AGM.

The particulars of Directors who are subject to re-election at the AGM are set out in the circular to Shareholders to be dated September 20, 2021.

DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the Directors and senior management of the Company are set out on pages 22 to 26 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 2021.

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 2021 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 2021.

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 2021 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.

CHANGES IN INFORMATION OF DIRECTORS

During Fiscal Year 2021, no change in the information of the Directors need to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

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

As at June 30, 2021, 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 its 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 is 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, is 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 its 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, 2021, 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 2021 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 debentures 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, 2021, 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	38,656,100	7.45	Long position
The Core Trust Company Limited[(3)]	Trustee	38,656,100	7.45	Long position
Energetic Design Limited[(4)]	Nominee for another person	26,656,100	5.14	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 38,656,100 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 26,656,100 shares held by Energetic Design Limited.

Save as disclosed above, as at June 30, 2021, the Directors were not aware of any persons (who were not Directors or chief executives 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 7 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, 2021, had been granted to 89 RSU participants of the Group 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, 2021, no RSUs have been granted, forfeited and lapsed. As at June 30, 2021, there were a total of 16,842,122 RSUs outstanding.

The following is a summary table showing details of the RSUs granted under the RSU Scheme as at June 30, 2021. As of June 30, 2021, 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, 2021			
Shares Represented by RSUs	**Date of Grant**	**As at July 1, 2020 Outstanding**	**Granted**	**Exercised**	**Cancelled**	**Forfeited**	**As at June 30, 2021 Outstanding**
9,764,560	June 30, 2014	6,741,241	—	910,525	—	—	**5,830,716**
711,480	November 20, 2014	6	—	—	—	—	**6**
10,000	March 9, 2015	2,500	—	2,500	—	—	**—**
280,000	September 10, 2015	500	—	—	—	—	**500**
50,000	November 23, 2015	21,875	—	12,375	—	—	**9,500**
500,000	December 7, 2015	150,000	—	50,000	—	—	**100,000**
80,000	December 15, 2016	20,000	—	20,000	—	—	**—**
680,000	February 25, 2017	588,000	—	25,000	—	—	**563,000**
30,000	August 29, 2017	15,000	—	7,500	—	—	**7,500**
15,000,000	February 3, 2018	5,565,000	—	1,572,100	—	—	**3,992,900**
1,240,000	May 14, 2018	320,000	—	40,000	—	—	**280,000**
180,000	August 28, 2018	140,000	—	—	—	—	**140,000**
10,000,000	May 8, 2019	5,000,000	—	—	—	—	**5,000,000**
492,500	July 9, 2019	292,500	—	11,000	—	—	**281,500**
2,755,000	October 17, 2019	670,000	—	33,500	—	—	**636,500**
Total		19,526,622	—	2,684,500	—	—	**16,842,122**

Note:

(1) 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 2021 was approximately HK$10.9.

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 2021 or subsisted at the end of the year.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During Fiscal Year 2021, save as the trustee of the RSU Scheme purchased a total of 804,500 shares of the Company with HK$7.0 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 2021, 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 2021.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

For the year ended June 30, 2021, 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 ended on December 31, 2020.

The Group, as lessee, entered into a new lease agreement on August 30, 2017 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. The term of above lease was renewed on May 28, 2020 for a term commencing from July 1, 2020 and ended on December 31, 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.

The Group, as lessee, entered into a lease agreement on February 27, 2019 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 Group entered into several lease agreements with Lessors, Huizhan Technology, Hangzhou JNBY, and Huikang Industrial before the adoption of HKFRS 16. The Group recognized such leases as right-of-use assets and lease liabilities under HKFRS 16 in the consolidated financial statements for the year ended June 30, 2021. Such leases have been classified as continuing connected transactions, therefore the Group will continue to comply with the relevant listing rule requirements, including ensuring the transactions do not exceed the pre-set annual caps which should be based on the annual lease expenses.

The Group, as lessee, entered into a lease agreement on April 8, 2021 with Huikang Industrial, pursuant to which Huikang Industrial agreed to lease premises in Hangzhou to us for holding products ordering fair purpose with a term of one year commencing from April 8, 2021.

The annual caps for our continuing connected lease transactions are approximately RMB54.1 million, RMB54.1 million and RMB18.6 million for the years ended/ending June 30, 2021, 2022 and 2023, respectively. For more details, please refer to the announcements of the Company dated November 23, 2018, February 27, 2019, October 17, 2019, May 28, 2020 and April 8, 2021 in relation to the connected transactions and continuing connected transactions. For the year ended June 30, 2021, the Group's total lease payment paid or payable was RMB32.5 million without exceeding the annual caps for such transactions.

APPAREL MANUFACTURING AGREEMENT

Hangzhou Shangwei Apparel Co., Ltd. ("**Shangwei Apparel**") is an entity controlled by the Founders, 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 for the years ended/ending June 30, 2021, 2022, respectively. For the year ended June 30, 2021, 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 RMB21.9 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 for the years ended/ending June 30, 2021 and 2022, respectively. For the year ended June 30, 2021, the total fees for outsourcing service actually paid or payable was RMB32.5 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.

CONCESSION AGREEMENT

On September 29, 2020, we entered into three concession agreements with Huizhan Technology, pursuant to which Huizhan Technology granted to us the sole and exclusive right to operate business of retail of clothes under specified brands owned by us at specified premises under the proprietary rights owned by Huizhan Technology for retail stores purpose with a term of three years commencing from October 18, 2020 or the actual business commencement date after decoration as agreed between parties, whichever is earlier.

The annual caps for such transactions are approximately RMB15.0 million, RMB20.0 million and RMB20.0 million for the years ended/ending June 30, 2021, 2022 and 2023, respectively. For the year ended June 30, 2021, the total concession fees actually paid or payable was RMB1.7 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 September 29, 2020.

NON-CONTINUING CONNECTED TRANSACTIONS

For the year ended June 30, 2021, 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.

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.

The Group, as lessee, entered into a lease agreement on September 29, 2020 with Huikang Industrial, pursuant to which Huikang Industrial agreed to lease the properties in Hangzhou to us for office purpose for a term of one year and nine months commencing from October 1, 2020.

The Group, as lessee, entered into certain lease agreements on April 8, 2021 with Huizhan Technology, pursuant to which Huizhan Technology agreed to lease to the Group (i) the premise in Hangzhou for office purpose with a term of approximately one year and eight months commencing from April 8, 2021; and (ii) the premise in Hangzhou for car-parking purpose with a term of approximately one year and eight months commencing from April 8, 2021.

For more details, please refer to the announcements of the Company dated October 17, 2019, May 28, 2020, September 29, 2020 and April 8, 2021 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 2021, 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, 2021, 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, September 29, 2020 and April 8, 2021.

The related party transactions mentioned in note 32 to the consolidated financial statements constitute 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 2021 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 RMB1.3 million during the Fiscal Year 2021.

MATERIAL LEGAL PROCEEDINGS

During the Fiscal Year 2021, 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 2021 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 2021.

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 43 to 56 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 2021 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, 2021. 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 AGM. A resolution for reappointment of PwC as auditor of the Company will be proposed at the AGM.

By Order of the Board
Wu Jian
Chairman
Hong Kong, August 31, 2021

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 2021.

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 2021, 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 "**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, 2021 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 2021, 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, 2021, 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.

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 2021, five Board meetings and one general meeting were held, and the attendance of the individual Directors at the Board meetings and general meeting 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	5/5	1/1
Ms. Li Lin	5/5	1/1
Ms. Wu Huating	5/5	1/1
Mr. Wei Zhe	5/5	1/1
Mr. Lam Yiu Por	5/5	1/1
Ms. Han Min	5/5	1/1
Mr. Hu Huanxin	5/5	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 2021.

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 2021, 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 auditor; 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 auditor.

(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 2021, the Audit Committee held three meetings to discuss and consider the following:

- review the annual results for the year ended June 30, 2020 of the Company and its subsidiaries;
- review the interim results for the six months ended December 31, 2020 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 articles of association 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 2021, 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 recognizes 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 Board diversity policy 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 Board diversity policy to ensure the implementation of such policy, 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 consists 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 2021, 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 22 to 26 of this Annual Report) for the Fiscal Year 2021 falls under the following bands:

Band of remuneration	Number of individuals
Below RMB1,000,000	5
RMB1,000,000 to RMB2,000,000	1
RMB2,000,000 to RMB3,000,000	3
Above RMB3,000,000	6

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, 2021 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 84 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 2021, 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, 2021, 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 2021 is as follows:

Type of services	Amount (RMB'000)
Audit services	2,448
Non-audit services	228
Total	2,676

JOINT COMPANY SECRETARIES

Ms. Qian Xiaoping was appointed as the joint company secretary of the Company with effective from February 25, 2021 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. Qian Xiaoping with the duties of the Company's company secretary. Ms. Qian Xiaoping is the primary contact person of Ms. Ng Sau Mei in the Company.

During the Fiscal Year 2021, Ms. Qian Xiaoping 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 2021.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

INTRODUCTION

ABOUT JNBY

The Group, the most influential designer brand fashion house in China, was founded in 1994 with its headquarters located in Hangzhou, China focusing on creative design, research and development of process and technology to produce and sell branded apparel. JNBY Group houses a strong design team and a professional management team, supported by sophisticated operations as well as a global sales network. Operating under the core values of "Better Design, Better Life", JNBY is devoted to building China's the best platform for design, while implementing a multi-brand strategy, to actively and continuously shape our brand image, and offer meaningful and quality lifestyles to the multi-dimensional retail market. JNBY adheres to superb quality, pursues uniqueness, strives to be a constructive market disrupter and seeks unceasing innovation. We care about the cultural expression behind clothing, but also the novelty of life. We embrace independent thinking, personalized expression, and distinctive trends. We apply our observations and experiences from daily life to define novelty for consumers, and communicate with the public our concept of "new". We allow consumers to derive greater joy from their attire, which stems not only from having a unique appearance, but also in discovering the delight brought about by "design" in our lives, and in demonstrating a kind of approach to clothes and to life that we believe are uniquely pure and independent.

As at June 30, 2021, our brand portfolio comprises multiple brands in three stages — mature brand, JNBY; younger brands, include (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 brand targeting a distinct market segment and having a uniquely defined design identity based on our Group's universal brand philosophy — "Just Naturally Be Yourself". 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 under different scenarios of their lives, which in turn allows us to build a large, diversified and loyal customer base. Meanwhile, we have launched such new consumption scenarios or products as "Box Project" and "JNBY Group +" multi-brand collection stores to provide consumers with more value-added services. To experience life we use design, with practicality-rather than extravagance or ornateness-as its core. We interpret life with a simple attitude, emphasizing visual language to express different styles, having the qualities of both affinity and distinctive personality. We pursue styles with freedom that are more casual, more relaxed and reflect personal taste. We provide a platform for individuals to collaborate, to express their attitude of life, to accommodate different cultures and traits. We strive to diminish the perceptions over aging and traditional classifications, while affirming acknowledgement of differentiated lifestyles and similar tastes, and build JNBY Group's designer brand ecosystem on this basis.

We believe that sustainability is critical for 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 desire and work thoroughly. We believe it is fun and happy to have a group of exceptional dream chasers work together for a mutual goal.

REPORTING SCOPE

Pursuant to the Environmental, Social and Governance Reporting Guide (the "**ESG 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**") for the period from July 1, 2020 to June 30, 2021 ("**Fiscal Year 2021**", the "**Reporting Period**"). 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. No significant change is made to the disclosure scope from the previous year's report.

REPORTING PRINCIPLES

The basic reporting principles set out in the ESG Reporting Guide, i.e., the reporting principles of "Materiality", "Quantitative", "Balance" and "Consistency", have been followed in the preparation of this ESG Report to determine, sort out and disclose ESG issues.

Materiality: Through materiality assessment with the stakeholders engagement, 20 issues related to the Group's sustainable development were identified and prioritized. Those material environmental and social issues are highlighted in this report.

Quantitative: Measurable environmental and social key performance indicators (KPIs) are reported. And to ensure the accuracy and traceability of these KPIs, the used standards, methodologies and emission factors for each indicator are also disclosed.

Balance: This ESG Report provides an unbiased picture of the Group's performance following the principle of balance.

Consistency: The Group adopts consistent reporting principles and methodologies to allow for meaningful comparisons of ESG data over time by stakeholders. Any changes that may affect such comparisons are explained.

SUSTAINABILITY MANAGEMENT

ESG VISION AND STRATEGY

With the growing attention to sustainable development worldwide, great efforts have been made by the fashion industry in multiple aspects to achieve commercial, socio-cultural and environmental sustainability. As the most influential fashion house of designer brands in China, JNBY believes that creating a harmonious and beautiful environment is the expression of corporate social responsibility. More elements of sustainable development have been included in the operation of the Group. Adhering to the philosophy of "people- and nature-oriented", the Group pays constant attention to the environmental sustainability, and regards the corporate social responsibility as our intrinsic duty and an extension of our corporate value.

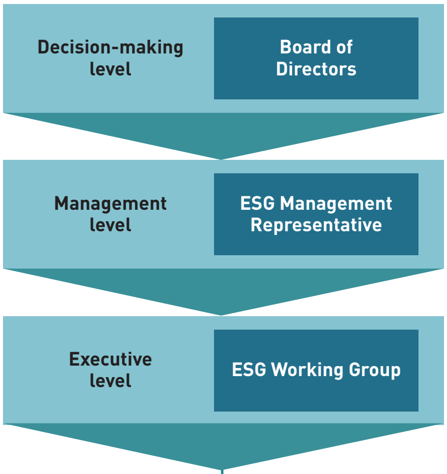
Our vision for sustainable development is "Sustainable Fashion By JNBY", which contributes to the global sustainable development in the areas of environmental, product, talent and community sustainability. The Group has been advocating the concept of waste reduction and resources saving, and has responded actively to the waste sorting program. Especially, regarding "fabric scraps" and "fabric stocks", wastes specific to fashion industry, we have taken measures to reduce or reuse the waste of resources to the maximum extent. We aim to incorporate the concept of going green and environmental-friendly in every aspect of our operations in such a way. In addition, the Group is highly concerned on the sustainability of the society. It always insists on being circular in its daily operations, such as staff relationship management, supply chain management, product and service management, anti-corruption, delivering social care and so on. While ensuring stable business development, the Group strives to build a good corporate image.

Vision: Sustainable Fashion By JNBY			
Product sustainability	**Talent sustainability**	**Environmental sustainability**	**Community sustainability**
Sustainable materials	Talent engagement and development	Resource recycling	Coordinated development within industries
Product quality and safety	Employee health and safety	Energy saving and emission reduction	Contribution to local development
R&D and innovation			
Brand power building			
All-domain fan relationship			
Sustainable supply chain			

Sustainable Development Goals	
✓	By the end of Fiscal Year 2024, the percentage of sustainable fabrics in the total purchased fabrics will reach no less than 30% by weight
✓	Improve the utilization rate of fabrics and reduce resource waste to the greatest extent

ESG GOVERNANCE FRAMEWORK

To realize our vision of sustainable development, we have included ESG factors into our business strategy and build a governance framework for ESG issues with the board of directors (the "**Board**") as the top-level decision-making body. The Group's sustainable development strategy is implemented in a top-down manner.



As the top-level decision-making body, the responsibilities of the Board include but are not limited to:

✓ Overseeing ESG affairs and reviewing ESG information disclosure
✓ Holding meeting at least once annually, listening to the reports from ESG management, supervising ESG risk management and achievement of goals, and reviewing annual ESG reports

With CFO as the management representative, its responsibilities include but are not limited to:

✓ Developing medium- and long-term ESG strategy
✓ Deciding on the development direction of ESG
✓ Evaluating ESG strategy, objectives and performance, deciding on the management direction, and reporting to the Board and CEO annually

The ESG working group is composed of Design Center, R&D Center, Production and Procurement Center, Lab about Nothing, Internal Audit Department, Administration Center, Logistics Center, Human Resource Center, Brand Business Center, E-commerce Operation Center, Retail Operation Center, Group Affairs Department, Information Center and other departments. Its responsibilities include but are not limited to:

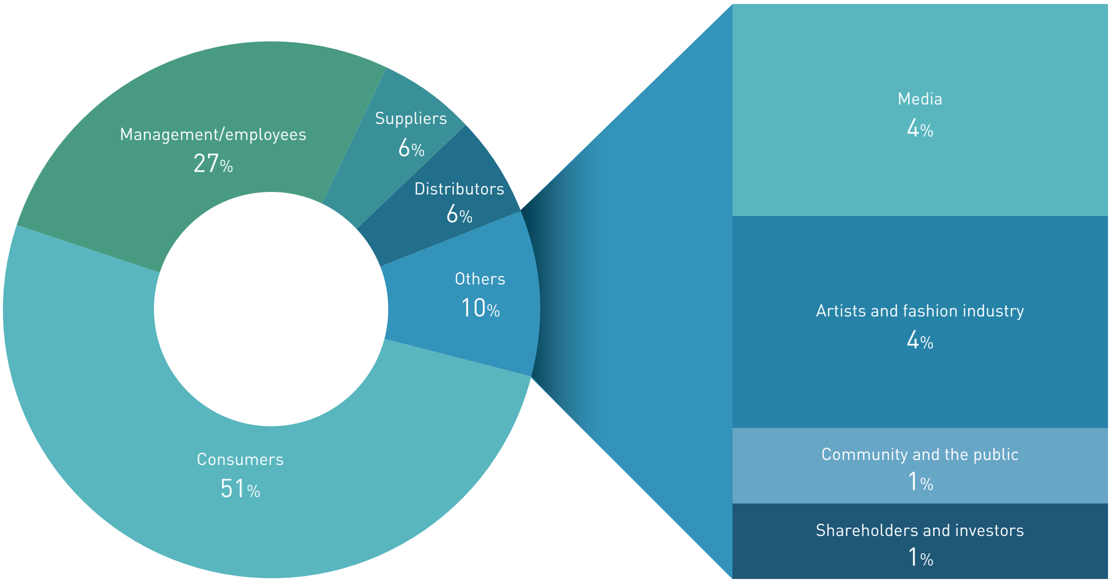
✓ Carrying out ESG work, including establishing systems, objectives, measures and risk management system
✓ Ensuring smooth progression of ESG work

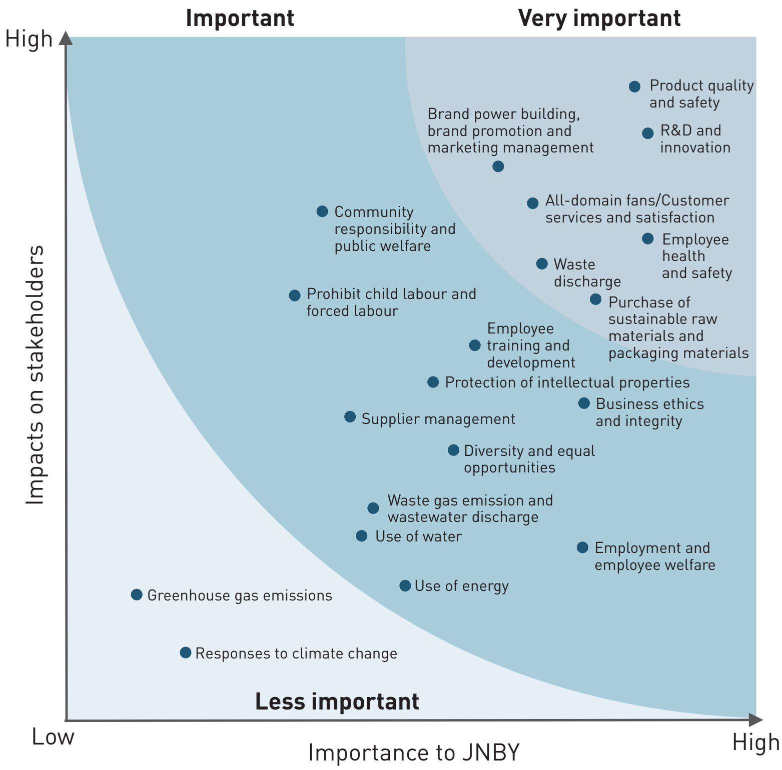
MATERIALITY ASSESSMENT

In this Fiscal Year, we re-examined the material ESG issues and prioritized them to identify those relevant to the Group. The materiality assessment was conducted in the following manner:

Step 1	Step 2	Step 3
• **ESG topics identification:** In accordance with the ESG Reporting Guide, 20 ESG issues were identified by taking into consideration of the status of the Group and peer cases in the fashion industry, and further reviewed and discussed by the management.	• **Analysis and prioritization:** Nearly 200 internal and external stakeholders were invited to complete questionnaires to assess each issue based on "importance to JNBY" and "impact on stakeholders", and a preliminary matrix was produced.	• **Assessment results validation:** The assessment results were reviewed and confirmed by the management and the ESG working group. The final results are shown in the following materiality matrix.

Proportion of Stakeholders





Materiality Assessment Matrix

STAKEHOLDER ENGAGEMENT

The Group places a high value on the expectations and needs of its stakeholders. The communication channels and methods between the Group and stakeholders are being improved. The issues important to stakeholders always get a great deal of attention and are dealt with actively. The Group hopes to share the opportunities of development and meet the challenges of sustainable development with its stakeholders.

Stakeholders	Communication channels	Concerned ESG issues	Actions taken by the Group
Government and regulatory authorities	Policy guideline Regulatory documents Industrial meetings On-site inspection Off-site supervision	Product quality and safety Compliance 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 and safety Business strategy Investment returns R&D and innovation	Maintain our brand value Publish results announcements on a regular basis Promote internal risk control
Employees	Labor union Workers' congress Intranet email Corporate events	Employment and employee welfare Employee health and safety Employee training and development Business ethics and integrity Diversity and equal opportunities	Utilize the functions of labor union Enrich employees' lives Establish learning platform Protect employees' rights
Distributors and suppliers	Regular meetings Daily interactions and visits Partnering agreements Strategy negotiations	Supplier management Procurement of sustainable raw materials and packaging materials	Establish a transparent and fair procurement system Increase awareness on environmental and social risks Build positive business cooperative relationships
Media	News release Media platforms On-site interviews	Brand power building, brand promotion and marketing management Advertising Transparent disclosures	Organize open day for media agencies on a regular basis Publish news in a real-time manner Disclose information timely and objectively
Consumers	Customer hotline Satisfaction survey Marketing events Official websites	All-domain fans/Customer services and satisfaction Product quality and safety Privacy protection	Establish a comprehensive quality control system Enhance service quality Protect consumers' rights
Community and the public	Charity activities Volunteer activities Community events	Community and charity Environmental protection	Increase donations to the society Organize volunteer activities on a regular basis Promote cultural knowledge
Artists and the fashion industry	Sponsored events Communication activities	Fashion trends Artistic communication Artistic exchanges Protection of intellectual properties	Collaboration with designers Patronage of art exhibitions

STATEMENT FROM THE BOARD

The Board and all directors of the Company warrant that there are no false representations, misleading statements contained in, or material omissions from, this report. And the Board makes a statement regarding its oversight and management of ESG issues as follows:

The Board is the top-level body responsible for the Company's ESG strategy and management. The Company's ESG management representative is responsible for assisting the Board in directing and overseeing ESG issues. The ESG working group is responsible for implementing the Company's ESG strategy and actions. For the details about the governance framework, please refer to the section headed "ESG Governance Framework" in this report.

In 2021, the Company communicated with stakeholders extensively and in depth through multiple channels and conducted a materiality assessment to identify important ESG issues. The ESG working group has actively addressed the identified important issues (including product quality and safety, procurement of sustainable raw materials and packaging materials and waste discharge). The management approaches to these issues are highlighted in this report. For details about management policy and strategy, please refer to the sections headed "ESG Vision and Strategy" and "Materiality Assessment" in this report.

The Company has established its ESG strategy and goals to review and manage its impact on environment, society and governance, and has incorporated the concept of sustainable development into its operations. The Board reviews the Group's ESG strategy, goals, progress and completion on a regular basis.

In the future, the Board will continue to oversee the Group's ESG management and drive its improvement, making continuous efforts to realize the Group's vision of Sustainable Fashion By JNBY.

PRODUCT SUSTAINABILITY

As a fashion house of designer brands integrating design, production and marketing, JNBY adheres to its core value concept of "better design, better life", implements the multi-brand strategy led by concept of "design interprets interesting and high-quality life", and is committed to building the best fashion brand design platform in China, so as to offer meaningful and quality lifestyle to the multi-dimensional retail market. As an important part of our brand value proposition, we gain nutrients from the art sector, which, in turn, help us to promote the development of art. We adhere to our artistic pursuit as a designer while assuming the social responsibility. We believe that fashion is circular instead of linear with a cycle of cause and effect.

PROCUREMENT OF SUSTAINABLE FABRICS

Percentage of sustainable fabrics in procurement
30%

Since its birth, the fashion industry has been consuming huge amounts of energy and resources, causing severe pollution. In addition, we note that a large number of traditional processes and technologies are being disregarded or obsoleted. However, their technologies and core concepts are consistent with the concept of sustainable development.

In these days of sustainable fashion, JNBY has come into contact deeply with the concepts of sustainable materials and design and is committed to making full use of innovative research and technology to achieve sustainable development in the process of product design and development. The Group has set up its goal in procuring sustainable fabrics: the percentage of sustainable fabrics in the total purchase amount of fabrics will reach no less than 30% by weight by the end of fiscal year 2024. And we will continue to increase this percentage and create fashionable and sustainable products afterwards.

❖ **Warp printed fabric made of recycled polyester**

Warp printing is a process originating from the manual rubbing process in Japan hundreds of years ago. The pattern of wooden mould is printed on the warp before weaving. Due to the uneven contact between yarn and paper in the printing process, irregular radial stripes will be produced. People see the final colouring effect only after weaving. These uncertain factors give the uniqueness of this fabric. Each garment has its unique pattern and texture.

We try to combine the traditional warp printing process with recycled polyester to realize the sustainable expression of the traditional process. This fabric is completely made of recycled polyester yarn to replace the original polyester made from non-renewable resource. Recycled polyester yarn is made from collected PET waste, which can effectively reduce plastic pollution; and the heat transfer printing used can reduce pollution and avoid excessive water use when compared with the traditional printing process. We believe that, in a time when resources become increasingly scarce, recycling polyester will be a major trend for chemical fibres in the future.

Warp printed fabric made of recycled polyester

❖ **Terry cloth ZWY0241 OE made of organic cotton**

During this Reporting Period, we used a new type of terry cloth made of organic cotton certified by GOTS. This environmentally friendly and sustainable terry cloth is manufactured with organic cotton using rotor open-end (OE) spinning process. Organic cotton is grown from non-transgenic seeds. Its planting process adopts organic cultivation methods (such as organic fertilizer and biological pest control) to increase soil fertility and control soil evaporation, thus reducing the need for irrigation water and avoiding pollution for being free of chemical fertilizers and pesticides. The fabric hairiness is fine and uniform and gives a flexible and comfortable touch. The fabric features good shape retention, is wrinkle- and pilling-resistant, and easy to clean and care for.

❖ **100% lyocell denim**

100% lyocell denim is a fabric woven from 100% lyocell yarn and processed using denim dyeing technique. Delicate and smooth, it feels and hangs like silk. Its twill texture is clear and exquisite, featuring both the rough appearance of denim and elegant feeling. Lyocell yarn is made of lyocell fibres, which is made from FSC (Forest Stewardship Council) or PEFC (Programme for the Endorsement of Forest Certification) certified sustainable wood pulp. The amine oxide, a chemical solvent, used in production is completely harmless to human body. The chemicals can be 99.8% recycled in production to form a closed loop, thus saving energy and reducing emission. The cellulose molecules contained in raw pulp do not change chemically and have no by-products, causing no wastes that should be discharged. The improved production process of lyocell allows use of less water. And when its life cycle ends, lyocell fibre can be completely decomposed in the soil. It is a green fibre with no pollution to the environment that can make contribution to environmental sustainability.

PROTECTION OF INTELLECTUAL PROPERTIES

The Group believes that intellectual property is an important indicator of the core competitiveness of an enterprise, and that the quantity and quality of an enterprise's patents and copyrights reflect its innovation and R&D level. We strictly abide by all laws and regulations related to intellectual property, such as the Trademark Law of the People's Republic of China (《中華人民共和國商標法》), the Patent Law of the People's Republic of China (《中華人民共和國專利法》), the Copyright Law of the People's Republic of China (《中華人民共和國著作權法》) and so on. JNBY has always attached great importance to the registration and protection of intellectual property rights and continues to increase its R&D investment and pays great attention to patent innovation. Standardized management of our intellectual property is conducted on division basis, and related registration and protection process is clarified to ensure the effectiveness of the company's intellectual property. Our Group Affairs Department has established clear registration procedures for trademarks, patents and copyrights. The use of trademarks is controlled by each brand's Business Center, and the right protection efforts related to trademarks and products are uniformly managed by the Group Affairs Department and the Legal Department.

As at the end of Fiscal Year 2021, the Group had a total of 337 trademarks, 19 patents (including design, invention and utility model patents), and 31 copyrights.

ENHANCING QUALITY CONTROL

❖ **Product quality management**

In strict compliance with the Product Quality Law of the People's Republic of China (《中華人民共和國產品質量法》), the Group pays close attention to product innovation and quality and constantly improves internal standards to provide customers with high-quality products and services. Being safety-oriented, JNBY has developed the Sample Access and Elimination Mechanism (《樣品准入及淘汰制度》), the Compliance Regulations for Garment Suppliers (《成衣供應商遵守規範》), the Standards of Quality Inspection (《質量檢驗標準》) and the JNBY Quality Control Process (《JNBY品控流程》) to further ensure stable product quality control and provide consumers with high-quality products. The Group has set up a quality management committee and established a quality control system co-managed by Production and Procurement Center, R&D Center, Design Center, Brand Business Center, Retail and Operation Center and Financial Center, so as to increase the awareness of quality management responsibilities in each aspect, clarify management responsibilities, enhance market satisfaction on products and user experience, and protect the reputation of our brands.

In addition, the Group implements a whole-process management approach to product quality and supervises all sections of the production process to ensure that the quality meets relevant standards:

✓ OEM suppliers are required to procure raw materials from designated raw materials suppliers based on our design and specifications. Before placing orders to suppliers, we will specify in contracts the quality control standards of fabrics, which are consistent with or stricter than national standards;

✓ When a fabric is being developed, its colour fastness, slippage, pilling, bursting strength, breaking strength, shrinkage and other physical properties will be strictly tested in the internal laboratory of the Group;

✓ Before proceeding with mass production, the internal laboratory will examine the colour consistency of all fabrics and simulate the wearing and washing habits of consumers with samples to see the deformity or pilling of fabric after a dozen times of washing;

✓ In addition, as per national and industrial standards, the Group will engage third-party testing agency to test the content, colour fastness, harmful substance (incl. formaldehyde, azo dyestuffs, PH value and odour) to ensure internal standards are met;

✓ When the garments are stored in the warehouse, the Group will arrange staff from Quality Control (QC) Department to spot-check the forepart, middle and end of the production lines and conduct on-site inspections of all raw materials, semi-finished products and parts used in the production process;

✓ Professional third-party testing agency is appointed to inspect the garments to ensure they meet related national and industrial standards. The products to be delivered by OEM suppliers are subject to strict internal and external inspection, to ensure their safety and quality.

In addition, the Group regularly communicates the feedback on product quality from the distributors and consumers to the QC personnel to enable them to rectify the omissions and further improve the quality control procedure.

➢ CLEANPLUS DOWN PROGRAM

In Fiscal Year 2021, JNBY launched the Cleanplus Down Program to upgrade the cleanness and traceability of down products. Compared with ordinary down, Cleanplus down is cleaner, more environmentally friendly and safer. Its production involves 3 dust removing processes, 3 iron removing processes and 15 rinsing processes. The quality of water left after final treatment almost meets the standards for drinking water. In addition, the down will be sterilized for ≥35 minutes at a high temperature ≥125℃. In such a way, consumers can feel more reassured when using products filled with Cleanplus down that meets higher cleanness standards and have their needs for safety and health satisfied.

❖ **Product recall mechanism**

The Group has developed the Rules for Batch Recall (《貨品批量召回規則》) to standardize the management of defective product recall, to eliminate the potential harm of defective products to consumers' health and safety and protect consumers' rights. Products may be recalled due to quality and non-quality reasons. The Rules for Batch Recall (《貨品批量召回規則》) specified the different methods for handling these two types of product recall. In addition, we have established an accountability mechanism. In the event of a product recall, the corresponding department shall provide a statement of responsibility within 2–4 weeks, the specific person or team will be held accountable, and results will be timely submitted to the Data Center and Human Resources Center, which will discuss remedial measures with relevant departments. The Standard Department of the R&D Center is responsible for reviewing the previous quality problems every quarter to correct them in time and improve relevant management. During this Fiscal Year, no products were recalled due to health and safety problems.

❖ **Standardized label management**

The Group continues to strengthen label management and has established a label confirmation system co-managed by the Brand Center, Designing Center, Production and Procurement Center, Information Center, R&D Center and other departments. The Brand Center is responsible for reviewing the brand tags, certificate of repair, replacement and return warranties ("3R Warranties"), and labels, marks and drawings on inner and external packages every quarter, and preparing the drawings of marking according to the Guidelines on Tags, Special Washing and Caring Instructions and 3R Warranties (《掛牌、特殊洗滌保養説明、三包標準指導》). The drawings of marking will be further reviewed and sorted by the Standard Department, and then submitted to the Production and Procurement Center for production after the accuracy of relevant contents is confirmed.

PROVIDING HIGH-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, is committed to providing customers with efficient and high-quality services, and make customers who agree with our brand concept, lifestyle and vision our loyal fans.

❖ **Considerate sale services**

To build a uniform operating model for direct-sale stores and ensure service quality, the Group has prepared the Manual for Operating Direct-sale Stores (《直營店鋪運營手冊》), which clarifies the standards for employee behaviours, image of goods, six-step service and other aspects. Sales assistants in direct-sale stores are required to proactively welcome customers, understand their needs and introduce products to them. And the Manual also specifies how to improve the teamwork of shop assistants.

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 assistant to provide professional styling advices and comfortable experience to customers. In Fiscal Year 2021, we applied "Super Shopping Guide" App to realize refined retail operation and provided customized training for employees.

➢ Mystery Shopping Program (MSP)

In May 2021, the Group launched the Mystery Shopping Program to assess 102 stores nationwide with indicators including store image, employee quality, service quality and so on, in order to objectively evaluate the service of JNBY stores from the perspective of customers. According to the scores given by mysterious shoppers, the final national average score was good and reached 85.45%, 2.25% higher than that of previous assessment.

❖ **Thoughtful after-sales services**

The channels to receive customers' feedbacks are being optimized. The Group captures the customers' suggestions and requirements efficiently and conveniently through customer service hotline (400-), online chat windows of online sales platforms and customer feedback portal of WeChat Mall. To enhance its 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 relevant systems to address complaints from different platforms and specify corresponding handling departments and procedures.

For customers' complaints, the Group requires the online customer service staff to handle them with patience and sincerity and keep detailed records, and these service staff will be assessed by the E-commerce Operation Center according to relevant criteria; for complains about product quality, the Group requires offline shopping guide to take follow-up actions and keep customers informed of the progress. In Fiscal Year 2021, the Group received 1,472 cases of 400-hotline complaints, 100% of them were responded and resolved.

In addition, to improve the professional ability of customer service staff, we have joined the Alliance College of Millions of Customer Service Staff. Through this platform, our customer service staff can obtain official explanations of platform rules, improve their service skills, learn how to deal with customers safeguarding their rights and how to use various official tools, so as to continuously improve their competence and service quality.

❖ **Distributor management**

We have established a standardized distributor approval and assessment system to provide fans with more convenient shopping experience. JNBY owns many loyal fans/members. We encourage every distributor partner to actively innovate, jointly and continuously create and provide more scenarios for value-added services for fans/members and make full use of the omni-channel interactive platform to serve every fan/member of JNBY.

In addition, we organize a series of distributor training, such as training for the beginning of a new season and OGSM[1] training, so as to improve their professional ability to the greatest extent. In the context of COVID-19 pandemic, we also adopted a series of favorable policies to help our distributors, such as policies on rebates and additional returns, so as to build a partnership of helping each other and overcoming difficulties together.

Training for the beginning of Spring/Summer 2021

Training for the beginning of Autumn/Winter 2020

[1] OGSM stands for objective, goals, strategies and measures.

❖ **Diverse benefits for fans**

JNBY adheres to the fan economy as the core, encourages operational innovation, and continuously provides value-added service scenes and contact points for its members, so as to create diverse exclusive services and activities for them and improve member experience. In Fiscal Year 2021, the customer satisfaction rate reached 94.30%.

The membership benefits are being upgraded constantly, including but not limited to point exchange, membership gift package, season-end special offer, rebates and gifts for certain-amount purchase, birthday gifts and "BOX+ Box Project" exclusive professional styling and delivery services to gold card users (including experience of pre-sale new products in advance, ingenious styling advices from professional stylists, delivery to home, try-on before purchase). In addition, to improve the satisfaction of our core VIP customers, exclusive customer services are provided to them by the Customer Satisfaction Center. At the same time, the Group holds member's festivals every year to provide more benefits to our members in the form of coupons to be exchanged using points, free gifts, discount purchase using points, interactive fission games, live broadcast and so on.

❖ **Innovative marketing events**

In Fiscal Year 2021, we carried out a series of innovative marketing activities to bring different experiences to our members.

- During the Christmas holidays in December 2020, JNBY held "Renewable Art Workshops" and invited JNBY members to experience renewable art in its stores. These activities made participants realize that plastics cannot only be used to create works of art, but also can be processed into clothes;

- To highlight the value of yak cashmere fabric and the ingenuity of our products, and enhance the Group's brand image, we cooperated with relevant governmental departments to shoot a documentary on Tibetan yak cashmere fabric brand. We hope to convey the Group's original intention and persistence in product development through the display and analysis of the whole production process of yak cashmere fabric.

PRIVACY PROTECTION

The Group tries its best to protect the privacy safety of customers and strives to establish long-term cooperative relationships of mutual trust with customers. We manage account permissions strictly in the member management system and customer relationship management system. SkyGuard background policy is adopted and SkyGuard client-side is installed to limit access to authorized personnel. Customer-related data are collected and processed in a fair and legal way and on a necessary basis, and measures are taken to ensure such data will not be viewed, processed, deleted or used without authorization. Any unauthorized or accidental use, deletion, disclosure or transfer of such information to a third party without authorization will be addressed seriously. In addition, we arrange routine inspections of the machine room and make use of various technologies and means to monitor and record the operation and maintenance personnel's operations on servers, network equipment, databases and other equipment. To ensure network information security, the Group implemented its network access management system in May 2021 to strictly control the Group's network access. Relevant personnel can connect to the Group's network only after being authorized by the Information Center.

We also require all employees to sign the Integrity Undertakings (《誠信承諾書》) before onboarding, and to strictly abide by the relevant confidentiality obligations in the Code of Conduct for Employees (《員工行為準則》) and the Credibility and Integrity System (《誠信與廉潔制度》). The importance of information security is emphasized repeatedly in employee training and internal meetings. The Online Customer Regulations (《在線客戶規範》) requires all service personnel to strictly protect customer privacy, and the Customer Satisfaction Center has set up rules to specify dos and don'ts for its posts to prevent the disclosure of the Group's trade secrets and customer information. In the past three years, no events related to privacy disclosure occurred in the Group.

SUSTAINABLE SUPPLY CHAIN

JNBY follows the principle of fair and impartial procurement, respects the independence of suppliers, continuously deepens the cooperative relationship with suppliers, strengthens the suppliers' awareness of sustainable development, guides suppliers to fulfill their environmental and social responsibilities through evaluation and incentive mechanism, continuously transmits advanced business philosophy to suppliers, provides support and help to suppliers, so as to jointly provide customers with safe and reliable products.

❖ **Grading Access System**

The Group has established the Access and Periodic Evaluation System for Supplier (《供應商的准入與定期考評制度》). Strict standards and procedures are applied to the approval of suppliers, and regular evaluations are conducted on approved suppliers. Production suppliers (including fabric suppliers, accessory supplies, finished product suppliers, processing service suppliers) are subject to our graded approval system consisting of "temporary approval" and "formal approval". The Group only places small orders to "temporarily approved" suppliers, who can become "formally approved" suppliers upon completion of small orders and our regular assessments. In addition, when reviewing suppliers, the Group's on-site investigators will advise on whether to approve a supplier or not according to their on-site investigation. The Production and Procurement Center also sets up an evaluation team with relevant departments to grade suppliers based on contract performance (contract amount, contract performance rate, defective product rate, deduction, etc.), manual evaluation results (supplier's development and innovation ability, daily completed the Form of Supplier Accident Records, cooperation degree, etc.) and objective data (information from Tianyancha.com, factory audit results, ESG indicators, etc.). Information about legal disputes, business and other cooperation risks is considered to ensure that the approved new supplier is safe and reliable. Upon strict review, we will sign the Statement of Undertaking for Organizations (《組織機構認證承諾書》) with the approved suppliers, include them in the list of qualified suppliers and cooperate according to the quota requirements.

As at the end of Fiscal Year 2021, the Group had 2,692 fabric suppliers, 204 of which were newly approved in this Fiscal Year.

Key performance indicators	Number of suppliers
Mainland China	2,667
Hong Kong, Macao and Taiwan	1
Overseas	24

❖ **Assessment and evaluation**

To effectively obtain the first-hand information about each supplier's integrity, quality, delivery date, degree of cooperation and after-sales service, control the supplier's capacity and business matching and ensure the quality and timeliness of completion of orders, the Production and Procurement Center has set up an evaluation team with relevant departments to grade suppliers taking into consideration information from Tianyancha.com, daily completed the Form of Supplier Accident Records and annual amount of orders. Furthermore, to enhance the procurement managers' awareness of their responsibility, the management of suppliers is included in the annual performance evaluation of these managers. They are responsible for grading supplies, approving suppliers accordingly, determining cooperation priority and making necessary adjustments to orders.

❖ **Management of environmental and social risks**

The Group has established the Code of Conduct for Suppliers (《供應商行為準則》), which specifies multiple environmental and social indicators and requires suppliers to comply with all applicable laws and regulations related to environment, social and working conditions, health and safety, and labor issues.

We have incorporated ISO 14001 and ISO 9001 performance indicators into the supplier management and evaluation system to examine the employment of suppliers (such as whether they use child labor or forced labor) and environmental protection, so as to avoid relevant risks.

In the selection and investigation of sustainable fabric suppliers, we pay attention to the relevant environmental protection certification of suppliers, including Global Organic Textile Standard (GOTS), Bluesign Certificate, Oeko-Tex label, Global Recycle Standard Certification (GRS), etc. A unified management system of sustainable supplier list has been established to reduce the environmental and social risks in the process of sustainable procurement.

In addition, we require suppliers to give priority to the use of pollution-free production processes and equipment, not to use production processes that have a serious impact on the environment and have been prohibited nationally or locally, and to continue to protect environment during the cooperation with us, so as to achieve a mutually beneficial and win-win sustainable development.

TALENT SUSTAINABILITY

In JNBY, we respect the initiative and creativity of every employee and strive to build a harmonious employer-employee relationship. The Group believes that employees are one of the core competitiveness of an enterprise. We adhere to the people-oriented development business philosophy and is devoted to protecting the employees' rights and interests. These practices are prerequisites for the Group's sustainable development. The Group strives to establish good cooperative relationships with its employees, adopts a people-oriented approach, is committed to providing employees with a safe, healthy and comfortable working environment and protecting the legitimate rights and interests of employees, cares for employees' health and safety, and pays attention to employees' sustainable development. We believe that good employer-employee relationship will bring incredible value to the Company.

A PEOPLE-ORIENTED APPROACH

The Group strictly complies with the laws and regulations related to labor, including but not limited to the Labor Law of the People's Republic of China (《中華人民共和國勞動法》), the Labor Contract Law of the People's Republic of China (《中華人民共和國勞動合同法》) and the Provisions on the Prohibition of Using Child Labor (《禁止使用童工規定》), and takes practical and effective measures to protect employees' rights.

❖ **Talent engagement**

The Group has established the Headquarters' Recruitment Management Policy (《總部招聘管理制度》) and the Administrative Measures for Overseas Recruitment in Direct-sale Stores (《駐外直營招聘管理辦法》). It adheres to the principle of "impartiality and openness" and "recommendation of talents regardless of whether they are relatives or not" in recruitment, and strives to make the recruitment process open and transparent. The Group recruits talents from various sources, including internal recruitment, social recruitment and campus recruitment, constantly attracting internal and external talents. To improve the recruitment efficiency, the Group has introduced Moka Intelligent Recruitment Management System to further optimize the recruitment process and improve the conversion rate at each point and coordination efficiency. During the COVID-19 pandemic, the "Contactless Recruitment" solution from Moka played an important role in ensuring the Group's talent supply and supporting business development.

➢ Targeted Campus Recruitment

In this Fiscal Year, we carried out targeted campus recruitment in Zhejiang University, Zhejiang Sci-Tech University, China Academy of Art and Beijing Institute of Fashion Technology to recruit excellent talents to expand the Group's talent reserve and support its business development.

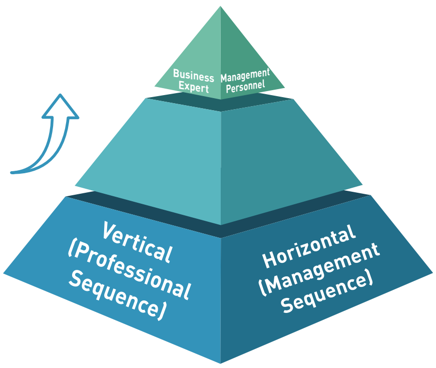
We have established the resignation management system to standardize the resignation process and relevant authority at each point, and prohibit unfair or unreasonable dismissal in any form, so as to protect the legitimate rights of the Group and resigning employees. The Group's turnover rate[2] in this Fiscal Year is listed in the following table:

Key performance indicator — turnover rate		Employee
Gender	Male	18%
	Female	22%
Age group	Under 30 years old	30%
	30–50 years old	17%
	Above 50 years old	13%
Total		21%

[2] Note: Turnover rate = the cumulative number of resigned employees of a category in the year (L)/(the number of finally retained employees of this category in the year + L)* 100%.

❖ **Remuneration and promotion**

The Group has established a series of standardized documents, such as the Remuneration Management System (《薪酬管理制度》), the Headquarters' Promotion/Demotion Management System (《總部員工晉升(降職)管理制度》) and the Employee Turnover Management System (《員工異動管理制度》), to establish a remuneration system with competitiveness in the market, expand the space for employee's development and effectively attract, retain and motivate talents. The Group's remuneration system is based on post value, employee ability, employee performance and salary level in the market, and takes into consideration of employee performance in salary distribution. The Group adheres to the principle of "equal emphasis on morality and talent and equal opportunities", provides employees with dual-channel development opportunities and opens the horizontal and vertical promotion channels to provide diverse career development paths.



❖ **Benefits and welfare**

Our employees are entitled to statutory benefits, including social insurance, housing provident fund, subsidy for high temperature, paid leave, etc. Employees are entitled to personal leave, sick leave, leave for injury at work, maternity inspection leave, maternity leave, nursing leave, marriage leave, funeral leave, annual vacation and other holidays. These holidays are provided to improve employees' sense of happiness and satisfaction. In addition to legal holidays, employees can have Jiangnan Filial Holiday, Women's Day Holiday and other special holidays with JNBY characteristics.

The Group provides employees with various supplementary benefits, such as holiday gifts, physical examinations, mutual healthcare insurance, cultural and entertainment benefits, living benefits (canteen, commercial insurance, annual travels, etc.), training, travel subsidies, events, care from the Group (newcomer gifts, newborn gifts, retirement gifts, etc.) and internal discounts.

During the Spring Festival in 2021, in response to the government's initiative to stay put, we gave "We Care" gift packages to employees who could not go back hometown but stayed in Hangzhou, including shopping vouchers and family leave. In addition, to enrich employees' spare-time life, diversified activities such as annual meeting, Christmas and birthday party are held to improve employees' sense of belonging.

Annual Meeting

Christmas

Baby Care Room

Birthday Party

❖ **Equal opportunities, diversity and anti-discrimination**

The Group strictly abides by applicable national and local laws and regulations, advocates fair competition, and does not discriminate against any employee due to personal characteristics such as race, gender, skin colour, age, family background, ethnic tradition, religion, physical quality and original nationality, and ensure fairness in every employee's remuneration, dismissal, recruitment, promotion, working hours, holidays, benefits and other treatment.

As at the end of this Fiscal Year, we had 1,397 employees in China. The composition of employees is shown in the table below:

Key performance indicators		Employees
Gender	Male	455
	Female	942
Age group	Under 30 years old	392
	30–50 years old	890
	Above 50 years old	115
Employment type	Senior management (responsible for strategies)	37
	Middle-level management (responsible for planning)	114
	Junior-level employee (responsible for implementation)	1,246

❖ **Labor standards**

We strictly abide by the Labor Law of the People's Republic of China (《中華人民共和國勞動法》), the Provisions on the Prohibition of Using Child Labor (《禁止使用童工規定》) and other relevant laws and regulations, and have no child labor or forced labor. Before confirming employment, the Human Resources Center will require the applicant to provide valid identity certificates and academic certificates to ensure the applicant's legal employment and prevent the risk of child labor. In case of misusing child labor, we will strictly abide by laws and regulations, immediately terminate the labor contract with such labor and take proper follow-up measures.

The Group adopts standard working hour system, integrated working hour system and irregular working hour system, and has obtained the permission from the competent administrative department. In addition, if an employee needs to work overtime due to work needs, he/she is required to apply for overtime work in advance to obtain approval from his/her superior. To avoid violation of labor standards, the Human Resources Center has set limits on overtime hours for each business department and carries out supervision and inspection.

During the Fiscal Year 2021, no violations related to the employment of child labor and forced labor occurred in the Group.

SAFEGUARDING HEALTH AND SAFETY

The Group strictly abides by the requirements of national laws and regulations such as the Work Safety Law of the People's Republic of China (《中華人民共和國安全生產法》), the Law of the People's Republic of China on the Prevention and Control of Occupational Diseases (《中華人民共和國職業病防治法》), the Fire Protection Law of the People's Republic of China (《中華人民共和國消防法》) and the Measures for the Administration of Contingency Plans for Work Safety Accidents (《生產安全事故應急預案管理辦法》), and has established a series of institutionalized documents such as the Headquarters' Work Safety Management Policy (《總部安全生產管理制度》), the Comprehensive Contingency Plans for Work Safety Accidents (《安全生產綜合應急預案》), the Employees Occupational Injury Management Regime ((《員工工傷管理制度》), the Security Management Policy (《保安管理制度》), the Emergency Rescue Policy for Accident (《事故應急救援制度》) and the Safety Education and Training Management Policy (《安全教育培訓管理制度》). It implements the policy of "safety-first, prevention-focused and comprehensive management" and has established a long-term effective mechanism of identifying and eliminating the potential risks of safety production accidents. And employees are trained to deal with risks and prevent accidents. Each department is required to sign a statement of responsibility for achieving safe (healthy) production objectives. Relevant safety training and drills are carried out regularly to ensure the health and safety of employees.

The Group deployed fire-fighting equipment according to the requirements of fire-fighting specifications, posted safety warning signs such as "Safe power use" and "No stacking", carried out fire linkage tests, and identified the potential fire safety hazards of all offices. We have installed electrical remote fire monitor and wireless smoke detectors in all offices to monitor fire safety hazards 24 hours a day, further strengthen fire safety management and ensure fire safety in the office area.

The Group attaches great importance to the physical condition of employees and organizes physical examination for all employees every year to prevent and control diseases. We regularly organize various lectures on health knowledge and sports activities to enhance employees' sense of belonging and organizational cohesion. In Fiscal Year 2021, we held a series of activities, such as fire evacuation drill, elevator emergency drill and production safety month, to continuously strengthen employees' awareness of safety and ability to respond to accidents/emergency. In addition, during the COVID-19 pandemic, we actively publicized and encouraged employees to strengthen exercise and develop good personal hygiene and living habits. We also regularly disinfected the office spaces and gathering areas to clean the environment.

Elevator emergency drill

Fire drill

The Group's key performance indicators related to health and safety during the Reporting Period are shown in the table below:

Key performance indicators	Employees
Number of work-related fatalities (Fiscal Year 2021)	0
Number of work-related fatalities (Fiscal Year 2020)	0
Number of work-related fatalities (Fiscal Year 2019)	0
Lost days due to work injuries (Fiscal Year 2021)	159 days

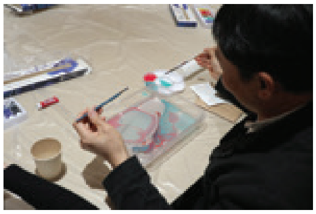
SUPPORTING EMPLOYEE DEVELOPMENT

JNBY attaches great importance to employees' comprehensive quality and career development. It provides employees with broad development space and helps them grow together with the enterprise. The Group has established the Headquarters' Administrative Measure for Training (《總部培訓管理辦法》), followed the principles of systematicness, institutionalization, initiative, diversification and efficiency, continuously and efficiently promoted the training work, so as to meet the needs of the company's strategic and human resources development. We combined training needs with resource allocation, and training objectives with enterprise strategy to continuously improve employees' knowledge level and drive their career development.

In addition, to support the Group's strategic development, we checked the post health level by examining the staffing of management posts, the competency of on-the-job managers, resignation risk and talent team and other aspects. The results showed that the management posts of the Group were well "supplied". Following the principle of diversification, the Group provided employees with various forms of training such as expatriate training, inviting external lecturers to provide training, internal training and online training. To help new employees get familiar with and adapt to the company's culture, systems and code of conduct, know about the Group and their jobs, and be competent for their work as soon as possible, we organized induction training and on-the-job training for new employees, providing information on company history, corporate culture, rules and regulations, job responsibilities, work norms, etc.

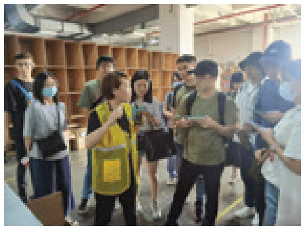
In Fiscal Year 2021, the Group launched Jiangnan FM online learning and interactive platform focusing on Jiangnan culture, professional ability and management ability, which enabled employees to learn, develop relevant skills and acquire knowledge online and achieve rapid development. In addition, we carried out a series of training programs with JNBY's characteristics, such as "Lab about Nothing" Classroom, Leadership M'golf Training, new manager training and management and technical training, to improve the comprehensive quality and professional level of employees and fully tap their potential.

Leadership M'golf Training



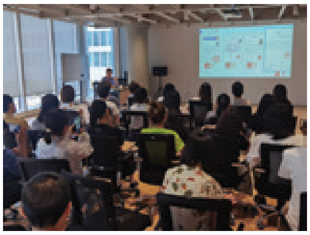
"Lab about Nothing" Classroom

Training for new managers



Training for new employees

Management and technical training



Training provided by external lecturers

During the Reporting Period, about 87.9% of employees in the Group received training and the average training duration per employee was 8.4 hours. The details about training are shown in the following table:

Key performance indicators		Percentage of employees trained	Average training hours completed
Gender	Male	29.8%	6.6
	Female	70.2%	9.3
Employment type	Senior management (responsible for strategies)	2.8%	6.7
	Middle-level management (responsible for planning)	8.3%	15.0
	Junior-level employee (responsible for implementation)	88.9%	7.8

ADHERING TO BUSINESS ETHICS

We strictly abide by all laws and regulations related to business ethics, such as the Company Law of the People's Republic of China (《中華人民共和國公司法》), the 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》), and the Interim Provisions on Banning Commercial Bribery (《關於禁止商業賄賂行為的暫行規定》), to ensure the operational compliance of the Group. To prevent, control and eliminate the risks that the Group may be exposed to in the complex and changeable business environment, and ensure the realization of the Group's strategic objectives and sustainable, stable and healthy business development, the Group has established an effective internal control system, and developed relevant regulations such as Internal Audit Policy (《內部審計制度》), the Anti-fraud Policy (《反舞弊制度》), the Credibility and Integrity System (《誠信與廉潔制度》), the Code of Conduct for Employee (《員工行為準則》) and the Employees' Reward and Punishment Policy (《員工獎懲制度》). We also required key positions in major business departments, customers and suppliers to sign the Integrity Undertakings (《誠信承諾書》), continuously strengthened the integrity management of the Group and did our best to eliminate illegal acts such as bribery, extortion, fraud and money laundering.

The Group takes a zero-tolerance attitude towards corruption. Any violations against laws and regulations are dealt with seriously. Whistle-blowing procedures and handling methods for reports are detailed in the Credibility and Integrity System (《誠信與廉潔制度》). The 24-hour reporting hotline, integrity mailbox, DingTalk reporting channel, mailing address and direct submission channel for integrity complaints are listed on the official website (http://www.jnbygroup.com/index.do), allowing employees at all levels and other parties with direct or indirect business relations with the Group to report fraud to the Internal Audit Department of the Group. The Internal Audit Department is responsible for accepting and evaluating all kinds of complaints, and transferring, assigning or supervising these cases according to the actual situations. Employees who are proved to have committed fraud will be punished in accordance with relevant regulations; if any law is violated, the case will be transferred to the judicial organ. Involved staff are required to keep confidential anonymous complaints and reporters. The legitimate rights of real-name and anonymous reporters are protected, and it is ensured that they will not suffer unfair treatment due to reporting.

➢ Integrity mail-box: LZ@jnby.com

➢ Reporting hotline: 0571-88496199

➢ Mailing address: JNBY Group Internal Audit Department, 3rd Floor, O õ ELi No.2 Building , 398 Tianmushan Road, Xihu District, Hangzhou, Zhejiang

We publicized compliance to the Board and regularly provided training, propaganda and education to employees, so as to ensure that directors and employees could understand all relevant contents of the Group's integrity policy and their responsibilities in complying with the Group's anti-fraud policy. Employees who are proved to have committed fraud will be punished in accordance with relevant regulations; if any law is violated, the case will be transferred to the judicial organ. In addition, the Group regularly conducted special audits to evaluate and update the Group's internal controls and implement rectification measures. The Group also required the Human Resources Center to investigate the educational background, work experience, integrity and behavior records of the applicant/employee to be recruited or promoted to important positions. It is prohibited to recruit or promote anyone with a record of fraud to an important position.

As of the end of this Fiscal Year, there was no corruption case in the Group.

ENVIRONMENTAL SUSTAINABILITY

As a leading fashion house of designer brands in China, while paying attention to product innovation and quality control, we have integrated the concept of sustainable development such as green development and ecological/environmental protection into our product design and daily operations. The Group continues to pay attention to its possible impact on the natural environment during its operation, strictly abides by the Environmental Protection Law of the People's Republic of China (《中華人民共和國環境保護法》), 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, constantly improves environmental management measures, optimizes environmental management system, and strives to build a society of green economy where man and nature coexist harmoniously.

Environmental sustainability is one of the pillars of the Group's sustainable development strategy, and the Group's environmental protection policy includes pollution prevention, resource conservation, continuous improvement and earth protection. To create a working environment where people and the environment nourish each other, our headquarters was moved to O õ ELi, Xihu District, Hangzhou in October 2020. As the office building has just been put into operation, there are no sufficient basic data on environmental indicators to set environmental targets. In the future, we will continue to monitor the environmental indicators of the Group and set up relevant quantitative targets.

FULL UTILIZATION OF FABRICS

The Group actively adopted measures including marking optimization and recycling to deal with the specific waste of fashion industry, namely, "fabric scraps" and "fabric stocks", so as to reduce waste of fabrics and increase their reuse rate. We believe in pursuing timeless designing, respect the existence value of every spare fabric and use idle resources to create the artwork 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.

❖ **Marking optimization**

Marking is the key section for fashion companies to reduce production costs and improve production efficiency. We strive to achieve scientific, professional and correct layout by comprehensive analysis to save time and materials and improve efficiency. Firstly, we used the marking software to determine, process and optimize the geometric figures. Secondly, we further improved the utilization of fabric by adding broken seams, changing fabric width, integrated marking, changing layout direction and other flexible ways. For example, by adding broken seams, we could save 0.36 meters of fabric per garment without affecting the visual effect, saving fabrics by 36%.

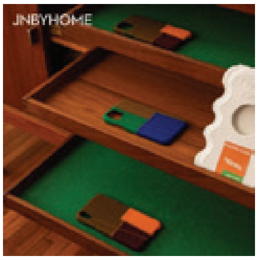
For the fabric with low utilization rate, the remaining fabrics were used to make accessories to match garments, thus improving the product value.

Before adding broken seams

After adding broken seams

❖ **Fabric reuse**

We took targeted measures to utilize fragmentary fabric stocks and fabric scraps reasonably to avoid unnecessary waste. According to the quantity, value and style characteristics of fabrics, we selected appropriate fabric varieties and made personalized recommendations for brands to promote the design and development of new products and creative peripheral products, making full use of fabric stocks. Through above measures, about 200,000 meters of fabric stocks were reused in the Reporting Period.



Creative mobile phone case

Creative shopping bag

SAVING ENERGY, WATER AND PAPER

The Group focuses on details and emphasizes energy conservation and emission reduction to avoid resource waste. We convey the concept of environmental protection to employees in the daily office area, cultivate employees' simple and appropriate working habits, and create a low-carbon and environment-friendly green office atmosphere. We continue to improve energy performance, improve the utilization of various energy, water resources and paper, and take a series of measures to reduce the consumption of various resources:

- The Group encourages 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;

- Water-saving slogans are posted in office places and induction faucets are installed to improve water utilization;

- Rules on the use of air conditioners have been made, and the temperatures and modes for all air conditioners are uniformly set by the backstage system; Personnel are assigned to control the use of air conditioners in public areas and office areas every day and record relevant information;

- Rules on the lifting of curtains have been made. The curtain height is controlled strictly according to hours considering regions and climate/ weather to reduce energy consumption and ensure the suitable temperature in the building;

- The Logistics Center continues to optimize the power devices and upgrade the illumination system to induction lighting. Four-way pallet shuttle system, KIVA order picking system, cross belt sorter and other systems and equipment are used to reduce manpower and energy consumption.

KIVA order picking robot

Cross-belt sorter

During the Reporting Period, our KPIs for use of resources are as follows:

Key performance indicators	FY 2019	FY 2020	FY 2021
Total energy consumption (MWh)	2,861.03	2,370.39	5,142.37
Including: Indirect energy consumption (MWh)	2,288.71	1,947.96	4,824.75
Direct energy consumption (MWh)	572.32	422.43	317.62
Energy consumption per square meter floor area (MWh/m^2)	0.15	0.10	0.12
Water consumption (ton)	24,205.00	31,485.40	35,825.00
Water consumption per square meter floor area (ton/m^2)	1.27	1.27	0.84
Consumption of packaging materials (ton)	/	/	869.28

Notes:

1. During the Reporting Period, the Group moved into the new office building in O ō ELi, Hangzhou, with larger areas and a better environment. In addition, the newly built national logistics center was included in the calculations. Therefore, compared with the previous fiscal years, the Group's total energy and water consumption increased to a certain extent. However, the energy consumption per square meter of floor area remained basically stable, and the water consumption per square meter of floor area decreased. In the future, the Group will continue to optimize resource utilization and fulfill its commitment to sustainable development.

2. The energy consumed by the Group included electricity, steam and motor vehicle oil used in offices and logistics center. The total energy consumption was calculated according to the electricity consumption, steam consumption, oil consumption and the default values of fossil fuel related parameters as shown in the Appendix 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.

3. Domestic water from municipal water supply accounted for the main part of the Group's water consumption. Therefore, there was no problem in obtaining appropriate water source.

4. As the Group outsourced its production process, only the logistics center used packaging materials. Therefore, this report only discloses the consumption of packaging materials in the logistics center. The proportion of packaging materials used by each production unit is not applicable here.

5. The Group had no significant impact on the environment and natural resources during its operation. Therefore, A3 (The Environment and Natural Resources) and its key performance indicator A3.1 (Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them) are not applicable, relevant information is not disclosed in this ESG Report.

ENHANCING EMISSION MANAGEMENT

JNBY continues to strengthen emission management and takes a number of measures to reasonably control waste, reduce pollution at the source, and reduce or avoid the generation and emission of pollutants during its production and operation:

- Membership information has been electronically managed. Physical cards are replaced with electronic membership cards and electronic coupons;

- Garbage classification has been strictly enforced. Recycle bins are placed at locations where the garbage is generated, and the types of recycle bins are based on the types of garbage.

Waste sorting station in logistics center

During the Reporting Period, our KPIs for emissions are as follows:

Key performance indicators	FY 2019	FY 2020	FY 2021
Wastewater amount (ton)	19,364	25,188.32	28,660.00
Total GHG emissions (Scopes 1 and 2) (tCO_2e)	1,751.19	1,336.95	3,306.60
Direct GHG emissions (Scope 1) (tCO_2e)	139.93	109.74	78.33
Energy indirect GHG emissions (Scope 2) (tCO_2e)	1,611.26	1,227.21	3,228.27
Total GHG emissions per square meter of floor area (tCO_2e/m^2)	0.09	0.05	0.08
Total amount of non-hazardous waste (tons)	40.50	48.20	59.31
Total amount of non-hazardous waste per square meter of floor area (Kg/m^2)	2.13	1.95	1.39

Notes:

1. During the Reporting Period, the Group moved into the new office building in OōELi, Hangzhou, with larger areas and a better environment. In addition, the newly built national logistics center was included in the calculations. Therefore, compared with the previous fiscal years, the amount of wastewater, greenhouse gas emissions and the total amount of non-hazardous waste of the Group increased to a certain extent. However, the greenhouse gas emissions per square meter of floor area remained stable, and the amount of non-hazardous waste per square meter showed a downward trend.

2. Based on its operations, the Group's greenhouse gas emissions mainly consist of the direct greenhouse gas emissions from the gasoline consumption of the Group's vehicles (Scope 1) and the indirect greenhouse gas emissions of energy caused by purchased power (Scope 2).

3. Greenhouse gas inventory includes carbon dioxide. GHG emissions are in carbon dioxide equivalence and is calculated based on 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.

4. The Group's operations do not involve the discharge of industrial wastewater. And the domestic wastewater generated from office space in daily operations is discharged into municipal pipelines for unified treatment.

5. The wastes generated in the Group's daily operations mainly include non-hazardous waste such as fabric scraps, office waste and a small amount of hazardous waste such as toner cartridges and ink cartridges. Domestic waste is uniformly treated by the municipal agencies, and a small amount of fabric scraps generated by sample making in the sample room are treated by qualified companies. Toner cartridges are recycled by the suppliers. Therefore, KPI A1.3 (Total hazardous waste produced (in tonnes) and, where appropriate, intensity) is not applicable.

RESPONSE TO CLIMATE CHANGE

In recent years, with the significant trend of global warming, China has stated its commitments and goals on "peak carbon dioxide emissions" and "carbon neutrality". The Group actively responds to the national call to deal with climate change. It attaches great importance to the impact of its business on climate and environment, takes measures to mitigate global warming in its operations, and actively addresses the potential operational risks that might be brought by extreme weather and natural disasters.

It has established and implemented the Emergency Plan for Extreme Weather Disasters (《極端天氣災害應急預案》), with an aim to avoid or mitigate the possible negative impacts of extreme weather on the Group's normal operation to the greatest extent, ensure the safety of the Group's property and employees' lives and property, and improve the Group's general ability in emergency. The Group has established an emergency rescue leading group and an emergency rescue team. The responsibilities of each member have been made clear, and the extreme weather is being monitored closely. In addition, the Group carries out an emergency drill for extreme weather disasters every three years to improve the handling capacity of the Group's employees in sudden extreme weather. Knowledge on emergency, self-rescue and mutual help was publicized to improve the awareness and risk avoiding ability of employees. And regular training is provided to staff engaged in emergency management to make them learn and master the workflow of the emergency plan.

COMMUNITY SUSTAINABILITY

JNBY believes that an enterprise has the responsibility to give back to the society and develop together with the society. In Fiscal Year 2021, the Group actively organized and participated in various public welfare activities, continuously invested public welfare resources in the fields of education-based poverty alleviation, rural construction and animal care, giving donations with a total value of about RMB1.33 million. In the future, the Group will continue to participate in community development, actively fulfill its social responsibilities and contribute to the construction of a harmonious society.

➢ Education-based Poverty Alleviation Efforts in Xihu District

Education support is critical to poverty alleviation. To provide children in poverty-stricken regions with better education is an important task of poverty alleviation and an important way to block the intergenerational transmission of poverty. JNBY focuses efforts to alleviate poverty through education support. It provides strong support to the development of education industry in Xihu District. In Fiscal Year 2021, we donated a total of RMB500,000 to sponsor students and teachers in need, assist teachers and students in receiving treatment of serious diseases, support campus construction of weak schools, improve running conditions of primary and secondary schools and fund other public-education-facilitating projects.

➢ Program of "Thousands of Enterprise Support Thousands of Villages for Poverty Alleviation" (千企結千村，消滅薄弱村)

In response to the call of the state to push forward the rural vitalization in an all-round way, JNBY continued to participate in the program of "Thousands of Enterprise Support Thousands of Villages for Poverty Alleviation" in Fiscal Year 2021 by pairing up with Linfeng Village, Erbadu Town, Jiangshan City, Zhejiang Province, donating cash of RMB30,000. This poverty alleviation program was not only a strong measure to accurately pair up to support poverty-stricken villages and improve their self-developing capacity, but also reflected the Group's corporate spirit of considering both interests and obligations and helping the needy.

➢ 2021 Charity Event for China Textile Elites

In June 2021, at the invitation of China Textile Information Center and as one of the co-sponsors of 2021 Charity Event for China Textile Elites, JNBY worked with Qinghai Education Development Foundation to donate 500 sets of winter cotton and down jackets to local students in need with a value of about RMB800,000. This event not only inherited the spiritual core of "responsibility, inheritance and persistence" of practitioners in textile industry, but also fully demonstrated their strong sense of social responsibility and spirit of boundless love.

➢ "Warm Recycling" Program

In the winter of 2020, JNBY worked with FEI MAYI (飛螞蟻) platform to launch the "Warm Recycling" Program, with an aim to provide warm residences to stray animals using recycled clothes. We worked with FEI MAYI (飛螞蟻) platform to transform the old clothes that customers sent to JNBY stores into warm pads for cats and dogs, which were delivered with food to the rescue bases for stray cats and dogs to bring warmth in winter.

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of JNBY Design Limited

(incorporated in the 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 86 to 139, which comprise:

- the consolidated balance sheet as at 30 June 2021;
- 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 2021, 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 judgement, 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 2.12, 4(a), and 16 to the consolidated financial statements. The Group's gross inventory balance as at 30 June 2021 was RMB1,209 million, against which an impairment provision of RMB502 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 judgement based on the consideration of key factors such as aging profile, future sales projection, estimated future selling prices and selling expenses of the respective inventories. We considered this is a key audit matter because of the significance of the impairment provision of inventories on the Group's balance sheet and the significant management judgement involved in determination 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 assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors; We understood and evaluated management's internal control and assessment process of impairment provision of inventories and tested the key controls over management's estimation of impairment provision for inventories; We evaluated the outcome of prior period assessment of impairment provision of inventories to assess the effectiveness of management's estimation process; We discussed with management and evaluated the appropriateness of the method and assumptions in the impairment provision of inventories; We assessed the reasonableness of methods and assumptions applied to the provisions by challenging management's future sales projection of quantities, estimated future selling prices and selling expenses, with reference to historical trends for the past seasons on a season-by-season basis; We tested the aging profile of inventories items on a sample basis by checking to relevant documents including the stock keeping units' records; We tested the mathematical accuracy of the calculation of the provision for inventories at the balance sheet date; We observed the physical conditions of the Group's inventories during stocktake to identify if any inventories were slow moving, damaged, or obsolete, and followed up on the management assessment and inclusion of provision on such damaged inventories in the total provision. Based on the above, we considered that management's assumptions adopted and applied in the determination of impairment provision of inventories were supportable by the evidence obtained and procedures performed.

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 judgement 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 Yuen Kwok Sun.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 31 August 2021

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(All amounts in RMB unless otherwise stated)

		Year ended 30 June	
		2021	2020
	Note	RMB'000	RMB'000
Revenue	5	**4,126,225**	3,099,431
Cost of sales	6	**(1,528,873)**	(1,249,776)
Gross profit		**2,597,352**	1,849,655
Selling and marketing expenses	6	**(1,429,158)**	(1,145,015)
Administrative expenses	6	**(328,275)**	(275,762)
Reversal of/(provision for) impairment on financial assets	6	**1,806**	(10,372)
Other income and gains, net	7	**42,136**	66,499
Operating profit		**883,861**	485,005
Finance income	9	**32,125**	17,686
Finance costs	9	**(29,396)**	(16,296)
Finance income, net		**2,729**	1,390
Profit before income tax		**886,590**	486,395
Income tax expense	10	**(239,395)**	(139,697)
Profit for the year		**647,195**	346,698
Other comprehensive (loss)/income			
Items that may not be reclassified to profit or loss:			
Currency translation differences		**(39,900)**	8,661
Total comprehensive income for the year		**607,295**	355,359
Profit attributable to:			
—Shareholders of the Company		**647,201**	346,708
— Non-controlling interests		**(6)**	(10)
Total comprehensive income attributable to:			
—Shareholders of the Company		**607,301**	355,369
— Non-controlling interests		**(6)**	(10)
Earnings per share (expressed in RMB per share)			
— Basic	11	**1.30**	0.68
— Diluted	11	**1.29**	0.67

The notes on pages 91 to 139 are an integral part of these consolidated financial statements.

CONSOLIDATED BALANCE SHEET

(All amounts in RMB unless otherwise stated)

	Note	As at 30 June 2021 RMB'000	2020 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	13	**398,299**	324,120
Right-of-use assets	14	**640,068**	196,144
Intangible assets	15	**15,698**	13,597
Prepayments, deposits and other assets	18	**20,167**	8,387
Financial assets at fair value through profit or loss	20	**54,712**	—
Deferred income tax assets	29	**200,744**	185,823
Total non-current assets		**1,329,688**	728,071
Current assets			
Inventories	16	**706,838**	904,122
Trade receivables	17	**119,105**	97,413
Prepayments, deposits and other assets	18	**240,945**	253,057
Amounts due from related parties	32(b)	**2,623**	—
Financial assets at fair value through profit or loss	20	**131,062**	263,091
Term deposits with initial term over 3 months	21	**739,370**	246,320
Restricted cash	22	**—**	5,463
Cash and cash equivalents	22	**549,012**	336,672
Total current assets		**2,488,955**	2,106,138
Total assets		**3,818,643**	2,834,209

The notes on pages 91 to 139 are an integral part of these consolidated financial statements.

	Note	As at 30 June 2021 RMB'000	2020 RMB'000
LIABILITIES			
Non-current liabilities			
Lease liability	14	**125,689**	65,860
Accruals and other current liabilities	27	**5,413**	6,977
Amounts due to related parties	32(b)	**318,912**	4,113
Deferred income tax liabilities	29	**16,404**	14,561
Total non-current liabilities		**466,418**	91,511
Current liabilities			
Trade and bills payables	26	**256,492**	181,788
Lease liabilities	14	**121,647**	116,858
Contract liabilities	5	**309,776**	326,541
Accruals and other current liabilities	27	**622,253**	429,107
Amounts due to related parties	32(b)	**44,082**	8,589
Borrowings	28	**243,619**	187,683
Current income tax liabilities		**38,105**	6,220
Total current liabilities		**1,635,974**	1,256,786
Total liabilities		**2,102,392**	1,348,297
Net assets		**1,716,251**	1,485,912
EQUITY			
Equity attributable to shareholders of the Company			
Share capital	23	**4,622**	4,622
Shares held for restricted share units ("**RSU**") scheme	23	**(164,430)**	(172,414)
Share premium	23	**668,308**	665,520
Other reserves	24	**192,057**	222,095
Retained earnings		**1,015,715**	766,104
Equity attributable to shareholders of the Company		**1,716,272**	1,485,927
Non-controlling interests		**(21)**	(15)
Total equity		**1,716,251**	1,485,912

The notes on pages 91 to 139 are an integral part of these consolidated financial statements.

The financial statements on pages 86 to 90 were approved by the board of directors (the "**Board**") on 31 August 2021 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)

		Attributable to shareholders of the Company						
	Note	Share capital RMB'000	Share Premium RMB'000	Shares held for RSU Scheme RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Non-controlling Interests RMB'000	Total equity RMB'000
Balance 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)
Transfer and exercise 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

		Attributable to shareholders of the Company						
	Note	Share capital RMB'000	Share Premium RMB'000	Shares held for RSU Scheme RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Non-controlling Interests RMB'000	Total equity RMB'000
Balance at 1 July 2020		**4,622**	**665,520**	**(172,414)**	**222,095**	**766,104**	**(15)**	**1,485,912**
Comprehensive income								
Profit for the year		**—**	**—**	**—**	**—**	**647,201**	**(6)**	**647,195**
Other comprehensive (loss)/income:								
Currency translation differences		**—**	**—**	**—**	**(39,900)**	**—**	**—**	**(39,900)**
Total comprehensive income		**—**	**—**	**—**	**(39,900)**	**647,201**	**(6)**	**607,295**
Transactions with shareholders								
Profit appropriations to statutory reserves	24(a)	**—**	**—**	**—**	**1,975**	**(1,975)**	**—**	**—**
Liquidation of a subsidiary		**—**	**—**	**—**	**(232)**	**232**	**—**	**—**
Dividend	12	**—**	**—**	**—**	**—**	**(395,847)**	**—**	**(395,847)**
Share-based compensation	25	**—**	**—**	**—**	**16,523**	**—**	**—**	**16,523**
Purchase ordinary shares for RSU scheme	23	**—**	**—**	**(5,883)**	**—**	**—**	**—**	**(5,883)**
Transfer and exercise of RSUs	24	**—**	**2,788**	**13,867**	**(8,404)**	**—**	**—**	**8,251**
Total transactions with shareholders		**—**	**2,788**	**7,984**	**9,862**	**(397,590)**	**—**	**(376,956)**
Balance at 30 June 2021		**4,622**	**668,308**	**(164,430)**	**192,057**	**1,015,715**	**(21)**	**1,716,251**

CONSOLIDATED STATEMENT OF CASH FLOWS

(All amounts in RMB unless otherwise stated)

		Year ended 30 June	
		2021	2020
	Note	RMB'000	RMB'000
Cash flows from operating activities			
Cash generated from operations	30(a)	**1,545,190**	873,503
Income tax paid		**(208,612)**	(204,736)
Net cash generated from operating activities		**1,336,578**	668,767
Cash flows from investing activities			
Purchase of property, plant and equipment		**(124,118)**	(117,182)
Purchase of intangible assets		**(4,381)**	(3,781)
Proceeds from disposals of property, plant and equipment		**359**	420
Investment income received from financial products issued by commercial banks		**7,528**	1,250
Interest received		**19,639**	17,198
Payment of term deposits with initial term over 3 months		**(1,369,991)**	(1,146,241)
Proceeds from withdrawal of term deposits with initial term over 3 months		**859,217**	1,251,563
Payment of financial products issued by commercial banks		**(310,000)**	(380,000)
Proceeds from redemption of financial products issued by commercial banks		**440,000**	120,000
Payment of venture capital funds		**(54,712)**	—
Net cash used in investing activities		**(536,459)**	(256,773)
Cash flows from financing activities			
Proceeds from exercise of RSUs		**8,251**	935
Proceeds from borrowings		**239,509**	224,641
Repayments of borrowings		**(190,000)**	(40,000)
Payment of lease liabilities		**(236,597)**	(164,947)
Dividends paid	12	**(395,847)**	(219,798)
Payment for repurchase of treasury shares	23	**(5,883)**	(95,235)
Net cash used in financing activities		**(580,567)**	(294,404)
Net increase in cash and cash equivalents		**219,552**	117,590
Cash and cash equivalents at beginning of the year	22	**336,672**	216,465
Exchange (losses)/gains on cash and cash equivalents		**(7,212)**	2,617
Cash and cash equivalents at end of the year	22	**549,012**	336,672

The notes on page 91 to 139 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021
(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 31 August 2021.

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 2021	2020	Ownership interest held by non-controlling interests As at 30 June 2021	2020	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. (a)	The PRC/ 3 September 2012	RMB2,000,000	—	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 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
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

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		Ownership interest held by non-controlling interests As at 30 June		Principal activities
			2021	2020	2021	2020	
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
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

Hang Zhou Woquan Finery Co., Ltd. was liquidated on 20 January 2021.

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 have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by HKICPA as set out below. The consolidated financial statements have 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 judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

2. Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

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 2020:

— Amendments to HKAS 1 and HKAS 8 "Definition of Material"

— Amendments to HKFRS 3 "Definition of a Business"

— Revised Conceptual framework for Financial Reporting

— Interest Rate Benchmark Reform — Amendments to HKFRS 7, HKFRS 9 and HKAS 39

— Amendments to HKFRS 16. "COVID-19-Related Rent Concessions"

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

(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 2020 and have not been applied in preparing these consolidated financial statements.

	Effective Date
Amendments to HKFRS 3 "Reference to the Conceptual Framework"	1 January 2022
Annual Improvements to HKFRS Standards 2018–2020	1 January 2022
Amendments to HKAS 37 "Onerous Contracts — Cost of Fulfilling a Contract"	1 January 2022
Amendments to HKAS 16 "Property, Plant and Equipment: Proceeds before intended use"	1 January 2022
HKFRS 17 "Insurance Contracts"	1 January 2023
Amendments to HKAS 1 "Classification of Liabilities as Current or Non-current"	1 January 2023
Amendments to HKFRS 10 and HKAS 28 "Sale or contribution of assets between an investor and its associate or joint venture"	To be determined

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.

2.2 Subsidiaries

2.2.1 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.

2. Summary of significant accounting policies (continued)

2.2 Subsidiaries (continued)

2.2.1 Consolidation (continued)

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.

2.2.2 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.

2.3 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.

2.4 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. Summary of significant accounting policies (continued)

2.5 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'.

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.

2.6 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.

2. Summary of significant accounting policies (continued)

2.6 Property, plant and equipment (continued)

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.

2.7 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.

2.8 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.

2.9 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.

2.10 Investments and other financial assets

2.10.1 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. Summary of significant accounting policies (continued)

2.10 Investments and other financial assets (continued)

2.10.2 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.

2.10.3 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.

2.10.4 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.

2. Summary of significant accounting policies (continued)

2.10 Investments and other financial assets (continued)

2.10.4 Impairment (continued)

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.

2.11 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.

2.12 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.

2.13 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 2.10 for description of the Group's impairment policies.

2.14 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.

2.15 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.

2.16 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. Summary of significant accounting policies (continued)

2.17 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.

2.18 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. Summary of significant accounting policies (continued)

2.19 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.

(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.

2.20 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.

2. Summary of significant accounting policies (continued)

2.20 Share-based payments (continued)

(a) Equity-settled share-based payments transactions (continued)

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.

(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.

2.21 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.

2.22 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.

2. Summary of significant accounting policies (continued)

2.22 Revenue recognition (continued)

(a) Sales of goods — distributors (continued)

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, i.e., when the goods are delivered to the distributors or the third party forwarders 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.

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.

2.23 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).

2.24 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. Summary of significant accounting policies (continued)

2.25 Leases

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.

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.

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)

2.26 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.

2.27 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 foreign exchange risk, fair value interest rate risk and price 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

Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities of a Group entity are denominated in a currency that is not the entity's functional currency. The Group manages its foreign exchange risk by performing regular reviews of the Group's net foreign exchange exposures.

The Group operates in the PRC with most of the Group's transactions denominated and settled in RMB. The Group's assets and liabilities, and transactions arising from its operations do not expose the Group to material foreign exchange risk as the Group's most recognised assets and liabilities in the consolidated balance sheet as at 30 June 2021 are denominated in the respective Group companies' functional currencies.

(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, the term deposits with initial term over 3 months held by the Group, and the factoring loans 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 RMB4,347,000 for the year ended 30 June 2021 (during the year ended 30 June 2020: RMB2,532,000).

(iii) Price risk

The Group's exposure to equity securities price risk arises from investments held by the Group and classified as financial assets at fair value through profit or loss. To manage its price risk arising from the investments, the Group diversifies its portfolio. The investments made by the Group are either for the purpose of improving investment yield and for strategic purpose.

3. Financial risk management (continued)

3.1 Financial risk factors (continued)

(b) Credit risk

(i) Risk management

Credit risk is managed on a group basis. Credit risk arises from restricted cash, cash and cash equivalents, term deposits with initial term over 3 months with banks, and financial assets at fair value through profit or loss, as well as credit exposures to customers, including trade and bills receivables and other receivables.

As at 30 June 2021 and 2020, most of the Group's restricted cash, cash and cash equivalents, term deposits with initial term over 3 months and financial assets at fair value through profit or loss were deposited in the major financial institutions in the PRC with good credit rating.

Sales to retail customers are required to be settled in cash or using major credit cards, mitigating credit risk. There are no significant concentrations of credit risk, whether through exposure to individual customers, specific industry sectors and/or regions.

(ii) Impairment of financial assets

The group has two types of financial assets that are subject to the expected credit loss model:

- trade receivables
- other receivables

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

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.

The group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a 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 lifetime 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. The group has identified the GDP and price index of industries in which it sells its goods and services to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

On that basis, the loss allowance as at 30 June 2021 and 30 June 2020 was determined as follows for trade receivables:

	As at 30 June 2021		
	RMB'000 Gross carrying amount	RMB'000 Loss allowance	Expected loss rate
Within 3 months	**114,991**	**4,128**	**3.59%**
3 months to 6 months	**8,186**	**1,426**	**17.42%**
6 months to 1 year	**4,014**	**2,532**	**63.08%**
1 year to 2 years	**4,731**	**4,731**	**100.00%**
more than 2 years	**13,405**	**13,405**	**100.00%**
	145,327	**26,222**	**18.04%**

	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%

Net impairments losses on financial assets is provided as follows:

	Year ended 30 June	
	2021 RMB'000	2020 RMB'000
(Reversal of)/provision for impairment on trade receivables	**(2,616)**	6,202
Impairments losses on other receivables	**810**	4,170
	(1,806)	10,372

3. Financial risk management (continued)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

(ii) Impairment of financial assets (continued)

Trade receivables are written off where there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group.

Impairment losses on trade receivables are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

(iii) Financial assets at fair value through profit or loss

The Group is also exposed to credit risk in relation to investments that are measured at fair value through profit or loss. The maximum exposure at the end of the reporting period is the carrying amount of these investments amounting to RMB185,774,000 (during the year ended 30 June 2020: RMB263,091,000).

(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 2021		
Trade payables	**256,492**	**—**
Amounts due to related parties	**61,423**	**386,996**
Accruals and other current liabilities	**397,693**	**5,413**
Borrowings	**246,000**	**—**
Lease liabilities	**130,851**	**131,562**
	1,092,459	**523,971**
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

3. Financial risk management (continued)

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.

3.3 Fair value estimation

(i) Fair value hierarchy

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 2021.

	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					
— venture capital funds	Net asset value, determined by the fair value of the investees of the funds mainly based on the latest round financing	**—**	**—**	**54,712**	**54,712**
— financial products issued by commercial banks	Bank quoted expected return	**—**	**131,062**	**—**	**131,062**
		—	**131,062**	**54,712**	**185,774**

3. Financial risk management (continued)

3.3 Fair value estimation (continued)

(i) Fair value hierarchy (continued)

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.

3. Financial risk management (continued)

3.3 Fair value estimation (continued)

(ii) Fair value measurements using significant unobservable inputs (level 3)

The following table presents the changes in level 3 items for the periods ended 30 June 2021.

	Venture capital funds RMB'000
Opening balance as at 1 July 2020	—
Acquisition	54,712
Closing balance as at 30 June 2021	54,712

There were no financial assets in level 3 during the year ended 30 June 2020.

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 realisable value of the inventories as well as the required amount of impairment of inventory provision at each balance sheet date, which involves significant judgement on determination of the estimated residual value of the inventory based on the consideration of key factors such as aging profile, future sales projection, estimated future selling prices and selling expenses of the respective inventories. 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 type, which are reassessed at each balance sheet date as they could change significantly as a result of changes in customer taste and competitors actions in response to severe industry cycle.

(b) Income taxes and deferred income tax

There are certain transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities 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 be reflected in the income tax expense and deferred tax provisions in the period in which such determination is made. In addition, the realisation of future income tax assets is dependent on the Group's ability to generate sufficient taxable income in future years to utilize income tax benefits and tax loss carry-forwards. Deviations of future profitability from estimates or in the income tax rate would result in adjustments to the value of future income tax assets and liabilities that could have a significant effect on the income tax expenses.

Dividends derived from the Company's subsidiaries in mainland China to foreign investors are subject to withholding tax at the rate of 5%. The Group regularly assesses its needs to make distributions out of its subsidiaries in mainland China. In this regard, withholding tax will be provided in the period on the undistributed profits to the extent they are expected to be distributed in future.

4. Critical accounting estimates and judgements (continued)

(c) Right of return

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

(d) Membership-based customer loyalty program

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

(e) 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.

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 2021			
	Mature brand RMB'000	Younger brands RMB'000	Emerging brands RMB'000	Total RMB'000
Revenue				
Mainland China	**2,276,487**	**1,732,432**	**86,911**	**4,095,830**
Outside mainland China	**22,303**	**7,907**	**185**	**30,395**
Revenue from external customers	**2,298,790**	**1,740,339**	**87,096**	**4,126,225**
Segment gross profit	**1,459,840**	**1,093,098**	**44,414**	**2,597,352**
Segment operating profit/(loss)	**802,072**	**476,527**	**(706)**	**1,277,893**
Unallocated selling and marketing expenses, administrative expenses and net impairment losses on financial assets				**(436,168)**
Other income and gains, net				**42,136**
Total operating profit				**883,861**

	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

5. Segment information (continued)

Assets and liabilities related to contracts with customers

(i) Right of return assets and refund liabilities

	30 June 2021 RMB'000	30 June 2020 RMB'000
Right of return assets (Note 18)	**53,279**	52,957
Refund liabilities		
Rights of return (Note 27)	**138,628**	136,830
Sales rebates (Note 27)	**61,647**	35,283
	200,275	172,113

(ii) Liabilities related to contracts with customers

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

	30 June 2021 RMB'000	30 June 2020 RMB'000
Advances from distributors	**290,362**	310,819
Customer loyalty programme	**19,414**	15,722
Total current contract liabilities	**309,776**	326,541

(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	
	2021 RMB'000	2020 RMB'000
Revenue recognised that was included in the contract liabilities balance at the beginning of the year	**326,541**	289,990

(iv) Unsatisfied performance obligations

The following table shows the unsatisfied performance obligations as at 30 June 2021 and 30 June 2020.

	30 June 2021 RMB'000	30 June 2020 RMB'000
Advances from distributors	**290,362**	310,819
Customer loyalty programme	**19,414**	15,722
	309,776	326,541

6. Expenses by nature

	Year ended 30 June 2021 RMB'000	Year ended 30 June 2020 RMB'000
Cost of inventories sold	**1,381,018**	1,052,228
Workforce contracting expenses	**333,077**	297,870
Expenses relating to short-term leases and variable lease payments	**306,344**	273,281
Employee benefit expenses (including share-based compensation expenses) (Note 8)	**357,732**	271,006
Depreciation and amortisation (Notes 13, 14 &15)	**253,892**	240,164
— Right-of-use assets	**183,032**	177,397
— Property, plant and equipment	**68,580**	60,972
— Intangible assets	**2,280**	1,795
Provision for inventories (Note 16)	**118,921**	176,594
Promotion and marketing expense	**286,361**	143,400
Utilities charges and office expenses	**50,088**	46,373
Commission expenses to online platforms	**48,441**	35,689
Transportation and warehouse expense	**46,469**	34,053
Apparel design fee	**23,907**	32,680
Stamp duty, property tax and other surcharges	**29,829**	21,899
Other professional service expenses	**16,155**	12,773
Entertainment and travelling expenses	**12,317**	12,252
(Reversal of)/provision for impairment losses on financial assets	**(1,806)**	10,372
Auditors' remuneration	**2,448**	2,400
Others	**19,307**	17,891
Total cost of sales, selling and marketing expenses, net impairment losses on financial assets and administrative expenses	**3,284,500**	2,680,925

7. Other income and gains, net

	Year ended 30 June 2021 RMB'000	Year ended 30 June 2020 RMB'000
Government grants (i)	**34,465**	57,885
Fair value gains (ii)	**5,499**	4,341
Gains on disposal of right-of-use assets (Note 14)	**1,106**	837
Losses on disposal of property, plant and equipment	**(641)**	(386)
Provision for impairment of leasehold improvements (Note 13)	**—**	(890)
Others	**1,707**	4,712
	42,136	66,499

(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).

8. Employee benefit expenses

	Year ended 30 June 2021 RMB'000	Year ended 30 June 2020 RMB'000
Salaries, bonus and other welfares	**320,881**	212,967
Social security contribution (a)	**13,156**	12,912
Housing fund	**7,172**	6,517
Share-based compensation (Note 25)	**16,523**	38,610
	357,732	271,006

(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.

8. Employee benefit expenses (continued)

(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 (during the year ended 30 June 2020: one) director whose emoluments are reflected in the analysis presented in Note 34. The emoluments paid and payable to the remaining four individuals (during the year ended 30 June 2020: four) were as follows:

	Year ended 30 June	
	2021	2020
	RMB'000	RMB'000
Basic salaries and allowances	**4,714**	3,855
Discretionary bonuses	**10,767**	5,599
Social security contribution	**369**	298
Share-based compensation	**3,807**	8,835
	19,657	18,587

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

	Year ended 30 June	
	2021	2020
Emolument band:		
HK$3,000,001 to HK$3,500,000	**—**	1
HK$3,500,001 to HK$4,000,000	**—**	1
HK$5,000,001 to HK$5,500,000	**1**	—
HK$5,500,001 to HK$6,000,000	**2**	—
HK$6,000,001 to HK$6,500,000	**—**	1
HK$6,500,001 to HK$7,000,000	**1**	—
HK$7,000,001 to HK$7,500,000	**—**	1
	4	4

9. Finance income, net

	Year ended 30 June	
	2021	2020
	RMB'000	RMB'000
Finance income		
Interest income on cash and cash equivalents, restricted cash and term deposits with initial term over 3 months	**26,424**	17,387
Net foreign exchange gains on financing activities	**5,701**	299
	32,125	17,686
Finance costs		
Interest expenses on lease liabilities	**(22,969)**	(13,254)
Interest expenses on bank borrowings	**(6,427)**	(3,042)
	(29,396)	(16,296)
Finance income, net	**2,729**	1,390

10. Tax expense

(a) Income tax expense

The income tax expense of the Group for the years ended 30 June 2021 and 2020 are analysed as follows:

	Year ended 30 June	
	2021	2020
	RMB'000	RMB'000
Current income tax expense		
— Enterprise income tax expense	**229,973**	182,088
Deferred income tax charge/(benefit) (Note 29)	**9,422**	(42,391)
	239,395	139,697

(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 2021 and 2020.

(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 2022.

(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	
	2021 RMB'000	2020 RMB'000
Profit before income tax	**886,590**	486,395
Tax calculated at domestic tax rate applicable to profits in PRC (25%)	**221,648**	121,599
Preferential income tax benefits	**(3,327)**	(2,905)
Different tax jurisdiction	**304**	914
Interest income not subject to taxation	**(911)**	(381)
PRC withholding income tax on the retained earnings intended to be distributed (Note 29)	**24,343**	13,456
Research and development tax credit	**(3,572)**	—
Tax losses for which no deferred income tax asset was recognised	**636**	2,032
Tax differences related to the RSUs	**726**	4,868
Expenses not deductible for tax purpose	**157**	114
Utilisation of previously unrecognised deferred taxes	**(609)**	—
Income tax expense	**239,395**	139,697
Effective tax rate	**27.00%**	28.72%

(c) Tax losses

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 2021, the Group did not recognise deferred income tax asset of RMB9,069,000(30 June 2020: RMB9,042,000) in respect of accumulated tax losses amounting to RMB54,982,000(30 June 2020: RMB53,564,000).

(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	
	2021 RMB'000	2020 RMB'000
Profit attributable to shareholders of the Company	**647,201**	346,708
Weighted average number of ordinary shares in issue excluding shares held under the RSU scheme in issue (thousands of shares)	**498,068**	508,953
Basic earnings per share (expressed in RMB per share)	**1.30**	0.68

11. Earnings per share (continued)

(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	
	2021	2020
	RMB'000	RMB'000
Profit attributable to shareholders of the Company	**647,201**	346,708
Weighted average number of ordinary shares in issue excluding shares held under the RSU scheme in issue (thousands of shares)	**498,068**	508,953
Adjustments for share based compensation — RSUs (thousands of shares)	**3,980**	4,709
Weighted average number of ordinary shares for the calculation of diluted EPS (thousands of shares)	**502,048**	513,662
Diluted earnings per share (expressed in RMB per share)	**1.29**	0.67

12. Dividends

	Year ended 30 June	
	2021	2020
	RMB'000	RMB'000
Dividends paid by the Company	**395,847**	219,798

A dividend of RMB234,048,000 that related to the year ended 30 June 2020 and an interim dividend of RMB161,799,000 that related to the six months ended December 31, 2020 were paid during the year ended 30 June 2021 (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 in respect of the year ended 30 June 2021 of HK$0.72 (equivalent to approximately RMB0.61) per ordinary share, totaling approximately RMB304,084,000, and a special dividend of HK$0.39 (equivalent to approximately RMB0.33) per ordinary share, totaling approximately RMB164,505,000, have been proposed by the Board and are to be approved at the annual general meeting on 22 October 2021. These financial statements do not reflect these dividend payables.

13. Property, plant and equipment

	Office equipment and others RMB'000	Machinery RMB'000	Motor vehicles RMB'000	Leasehold improvements RMB'000	Buildings of logistics center RMB'000	Construction-in-progress RMB'000	Total RMB'000
Year ended 30 June 2020							
Opening net book value	17,716	28,742	1,410	38,584	192,353	493	279,298
Additions	8,279	28,742	—	24,420	9,998	36,051	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	192,776	34,069	324,120
As at 30 June 2020							
Cost	41,522	60,341	5,543	136,213	203,861	34,069	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	192,776	34,069	324,120
Year ended 30 June 2021							
Opening net book value	**19,478**	**52,356**	**1,057**	**24,384**	**192,776**	**34,069**	**324,120**
Additions	**19,003**	**8,425**	**2,034**	**42,272**	**2,324**	**69,701**	**143,759**
Transfer from Construction-in-progress	**—**	**—**	**—**	**103,667**	**—**	**(103,667)**	**—**
Depreciation	**(8,159)**	**(6,569)**	**(448)**	**(44,024)**	**(9,380)**	**—**	**(68,580)**
Disposals	**(413)**	**(562)**	**(25)**	**—**	**—**	**—**	**(1,000)**
Closing net book value	**29,909**	**53,650**	**2,618**	**126,299**	**185,720**	**103**	**398,299**
As at 30 June 2021							
Cost	**57,717**	**67,837**	**7,327**	**253,261**	**206,185**	**103**	**592,430**
Accumulated depreciation	**(27,808)**	**(14,187)**	**(4,709)**	**(126,962)**	**(20,465)**	**—**	**(194,131)**
Net book value	**29,909**	**53,650**	**2,618**	**126,299**	**185,720**	**103**	**398,299**

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

	Year ended 30 June 2021 RMB'000	2020 RMB'000
Selling and marketing expenses	**53,355**	50,263
Administrative expenses	**15,225**	10,709
	68,580	60,972

14. Leases

(a) Amounts recognised in the consolidated balance sheet

The balance sheet shows the following amounts relating to leases:

Right-of-use assets

	Offices RMB'000	Rented premises for stores RMB'000	Land use right RMB'000	Total RMB'000
Year ended 30 June 2021				
Opening net book value as at 1 July 2020	**6,684**	**163,939**	**25,521**	**196,144**
Additions (i)	**400,084**	**236,884**	**—**	**636,968**
Disposals	**—**	**(10,012)**	**—**	**(10,012)**
Depreciation and amortisation	**(31,548)**	**(150,926)**	**(558)**	**(183,032)**
Closing net book value as at 30 June 2021	**375,220**	**239,885**	**24,963**	**640,068**
Year ended 30 June 2020				
Opening net book value as at 1 July 2019	6,881	244,337	26,079	277,297
Additions	3,287	137,252	—	140,539
Disposals	—	(28,296)	—	(28,296)
Depreciation and amortisation	(3,389)	(173,450)	(558)	(177,397)
Modification (ii)	(95)	(15,904)	—	(15,999)
Closing net book value as at 30 June 2020	6,684	163,939	25,521	196,144

Lease liabilities

	2021 RMB'000	2020 RMB'000
As at 1 July 2020	**182,718**	243,435
Lease liabilities due to related parties (Note 32)	**4,431**	—
	187,149	243,435
Lease payment	**(236,597)**	(164,947)
Interest expenses	**22,969**	13,254
Additions (i)	**636,968**	140,539
Modification (ii)	**—**	(15,999)
Disposal	**(11,118)**	(29,133)
	599,371	187,149
Less: lease liabilities due to related parties (Note 32)	**(352,035)**	(4,431)
As at 30 June 2021	**247,336**	182,718

(i) For the relocation of the headquarters, the Group entered into several leases with Huizhan Technology (Hangzhou) Co., Ltd., a related party of the Group. The Group leased premises mainly for office building for lease terms of 19 months, 26 months and 33 months commencing from 1 October 2020 and 1 April 2021 with extension options. The Group has an option to renew the lease agreements with the lessor six months before the lease expiry based on the then market rent. The total lease payments are amounted to approximately RMB50,000,000 per annum.

Extension options for the above lease arrangements are included in the lease term because the leases are reasonably certain to be extended to ten years taking into consideration of the significant leasehold improvements, historical lease durations and the costs and business disruption required to replace the leased assets. As a result, right-of-use assets of RMB389,988,000 was recorded (Note 32).

14. Leases (continued)

(a) Amounts recognised in the consolidated balance sheet (continued)

Lease liabilities (continued)

(ii) The Group chose to record the rent concessions occurring as a direct consequence of the COVID-19 pandemic as lease modifications. The rent concessions represented reduced lease payments due on or before 30 June 2020 and there was no substantive change to other terms and conditions of the lease. Rent concessions totalling approximately RMB16,000,000 have been accounted for as lease modification, resulted in a remeasurement of the lease liability and a corresponding adjustment to the right-of-use asset, of which approximately RMB6,561,000 was realised during the year ended 30 June 2021.

	As at 30 June 2021 RMB'000	As at 1 July 2020 RMB'000
Lease liabilities		
Current	**121,647**	116,858
Non-current	**125,689**	65,860
	247,336	182,718

(b) Amounts recognised in the consolidated statement of comprehensive income

The consolidated statement of comprehensive income shows the following amounts relating to leases:

	Year ended 30 June	
	2021 RMB'000	2020 RMB'000
Depreciation charge of right-of-use assets		
Retail shops and offices	**182,474**	176,839
Land use right	**558**	558
Interest expense	**22,969**	13,254
Expense relating to short-term leases	**70,039**	76,803
Expense relating to variable lease payments not included in lease liabilities	**236,305**	196,478

The total cash outflow for leases in 2021 was RMB236,597,000 (during the year ended 30 June 2020: 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 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
Year ended 30 June 2021			
Opening net book value	13,376	221	13,597
Additions	4,381	—	4,381
Amortisation charge	(2,230)	(50)	(2,280)
Closing net book value	15,527	171	15,698
As at 30 June 2021			
Cost	24,247	244	24,491
Accumulated amortisation	(8,720)	(73)	(8,793)
Net book value	15,527	171	15,698

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

	Year ended 30 June	
	2021 RMB'000	2020 RMB'000
Administrative expenses	**972**	765
Selling and marketing expense	**1,308**	1,030
	2,280	1,795

16. Inventories

	As at June 30	
	2021 RMB'000	2020 RMB'000
Finished goods	**1,003,862**	1,154,040
Raw materials	**27,554**	39,651
Commissioned processing materials	**177,623**	163,089
	1,209,039	1,356,780
Less: provision	**(502,201)**	(452,658)
	706,838	904,122

Movements of provision for inventories are analysed as follows:

	Year ended 30 June	
	2021 RMB'000	2020 RMB'000
Beginning of the year	**452,658**	295,537
Addition of provision for inventories to net realisable value included in "cost of sales" (Note 6)	**118,921**	176,594
Release of provision upon sales of inventories written down in prior years	**(69,378)**	(19,473)
End of the year	**502,201**	452,658

17. Trade receivables

	As at 30 June	
	2021 RMB'000	2020 RMB'000
Trade receivables	**145,327**	127,117
Less: provision for impairment	**(26,222)**	(29,704)
	119,105	97,413

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.

17. Trade receivables (continued)

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

	As at 30 June	
	2021	2020
	RMB'000	RMB'000
Within 3 months	**114,991**	94,034
3 months to 6 months	**8,186**	7,159
6 months to 1 year	**4,014**	10,192
1 year to 2 years	**4,731**	3,993
more than 2 years	**13,405**	11,739
	145,327	127,117

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

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

	Year ended 30 June	
	2021	2020
	RMB'000	RMB'000
Beginning of the year	**29,704**	25,985
(Reversal of)/provision for impairment on trade receivables (Note 3.1)	**(2,616)**	6,202
Write-off of provision for impairment	**(866)**	(2,483)
End of the year	**26,222**	29,704

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

	As at 30 June	
	2021	2020
	RMB'000	RMB'000
RMB	**115,982**	96,408
US$	**2,972**	883
Others	**151**	122
	119,105	97,413

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

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

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	
	2021	2020
	RMB'000	RMB'000
Long-term prepayments		
Long-term prepaid expenses	**11,726**	8,387
Advance payments for long-term assets	**8,441**	—
	20,167	8,387
Current assets		
Deposits and other receivables	**88,396**	94,802
Right of goods return	**53,279**	52,957
Prepayment to suppliers	**52,742**	57,703
Prepaid expenses	**36,602**	12,251
Interest receivables	**8,546**	1,761
Value added tax recoverable	**1,237**	21,538
Staff advances	**143**	70
Prepaid income tax	**—**	11,975
	240,945	253,057
	261,112	261,444

As at 30 June 2021 and 2020, 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	
	2021	2020
	RMB'000	RMB'000
Financial assets		
Financial assets at amortised cost		
— Trade and other receivables	**216,047**	193,976
— Cash and cash equivalents and restricted cash	**549,012**	342,135
— Term deposits with initial term over 3 months	**739,370**	246,320
Financial assets at fair value through profit or loss	**185,774**	263,091
	1,690,203	1,045,522
Financial liabilities		
Liabilities at amortised cost		
— Trade payables	**256,492**	168,131
— Other payables	**403,106**	311,813
— Borrowings	**243,619**	187,683
— Lease liabilities	**247,336**	182,718
— Amounts due to related parties	**362,994**	12,702
	1,513,547	863,047

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	
	2021	2020
	RMB'000	RMB'000
Included in non-current assets		
Venture capital funds (a)	**54,712**	—
Included in current assets		
Wealth management products (b)	**131,062**	263,091

20. Financial assets at fair value through profit or loss (continued)

The carrying amounts of the Group's Financial assets at fair value through profit or loss were denominated in the following currencies:

	As at 30 June	
	2021	2020
	RMB'000	RMB'000
US$	**54,712**	—
RMB	**131,062**	263,091
	185,774	263,091

(a) This represents the Group's investments in a venture capital fund as a limited partner. The nature and purpose of the venture capital fund is to achieve investment appreciation and ultimately realise the investment income through equity and equity-related investments in companies with investment value and development potential. These vehicles are financed through issuing units to investors. The Group subscribed for certain interests as passive investors in the fund. The Group's maximum exposure to loss is limited to the carrying amount of the interests held by the Group.

In June 2021, the Group paid US$ 8,514,000 (approximately RMB54,712,000) for the venture capital fund. The directors of the Group are of the view that such payments approximated the fair value of the investments as at the balance date. The Group has uncalled capital commitments of US$ 2,200,000 in accordance with the subscription agreement (Note 31).

(b) This represents the Group's wealth management products with interest rates ranging from 1.3% to 3.6% per annum and maturity period within 1 year. The fair value gains from the Group's wealth management products during the year ended 30 June 2021 is RMB5,499,000 (during the year ended 30 June 2020: RMB4,341,000) (Note 7). 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 Euro/US$ exchange rate or the US$/JPY exchange rate.

21. Term deposits with initial term over 3 months

	As at 30 June	
	2021	2020
	RMB'000	RMB'000
Term deposits with initial term over 3 months	**739,370**	246,320

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	
	2021	2020
	RMB'000	RMB'000
RMB	**546,000**	50,000
US$	**193,370**	196,320
	739,370	246,320

The effective interest rate for the term deposits of the Group with initial term over 3 months for the year ended 30 June 2021 was 2.77% (during the year ended 30 June 2020: 2.53%).

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	
	2021	2020
	RMB'000	RMB'000
Cash at bank and on hand	**549,012**	336,672
Restricted cash	**—**	5,463

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	
	2021	2020
	RMB'000	RMB'000
RMB	**497,627**	234,696
HK$	**32,514**	47,107
US$	**17,320**	59,796
Others	**1,551**	536
	549,012	342,135

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 2020	**1,000,000,000**	**518,750,000**	**4,622**	**665,520**	**(172,414)**	**497,728**
Purchase of ordinary shares for RSU Scheme(a)	**—**	**—**	**—**	**—**	**(5,883)**	**(5,883)**
Transfer and exercise of RSUs	**—**	**—**	**—**	**2,788**	**13,867**	**16,655**
As at 30 June 2021	**1,000,000,000**	**518,750,000**	**4,622**	**668,308**	**(164,430)**	**508,500**

	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)
Transfer and exercise 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

(a) During the year ended 30 June 2021, the Company repurchased 804,500 (during the year ended 30 June 2020: 14,159,000) of its own shares through the trustee of the RSU scheme at a total consideration of HK$7,020,000 (approximately RMB5,883,000) (during the year ended 30 June 2020: HK$105,201,000 (approximately RMB95,235,000)). As at 30 June 2021, there were 20,251,000 shares (30 June 2020: 21,511,000 shares) 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 2020	**155,048**	**54,496**	**14,150**	**(1,599)**	**222,095**
Appropriation to statutory reserves (a)	**1,975**	**—**	**—**	**—**	**1,975**
Liquidation of subsidiaries	**(232)**	**—**	**—**	**—**	**(232)**
Share-based compensation (Note 25)	**—**	**16,523**	**—**	**—**	**16,523**
Currency translation differences	**—**	**—**	**(39,900)**	**—**	**(39,900)**
Transfer and exercise of RSUs	**—**	**(8,404)**	**—**	**—**	**(8,404)**
As at 30 June 2021	**156,791**	**62,615**	**(25,750)**	**(1,599)**	**192,057**
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
Transfer and exercise of RSUs	—	(8,676)	—	—	(8,676)
As at 30 June 2020	155,048	54,496	14,150	(1,599)	222,095

(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 2021, approximately RMB1,975,000 (during the year ended 30 June 2020: RMB666,000) 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 2021		Year ended 30 June 2020	
	Weighted average exercise price per RSU	Number of RSUs	Weighted average exercise price per RSU	Number of RSUs
Opening balance	**HK$2.99**	**10,961,500**	HK$10.88	23,441,887
Granted during the year	**—**	**—**	HK$9.40	3,247,500
Forfeited	**—**	**—**	HK$9.15	(2,733,125)
Cancellations(a)	**—**	**—**	HK$10.18	(10,265,000)
Vested	**HK$2.69**	**(2,628,250)**	HK$5.29	(2,729,762)
Ending balance	**HK$3.08**	**8,333,250**	HK$2.99	10,961,500
Exercised	**HK$3.64**	**2,684,500**	HK$1.76	593,400
Vested and exercisable at balance sheet date	**HK$1.26**	**8,508,872**	HK$1.56	8,565,122

(a) On 30 June 2020, the Board resolved to adjust exercise prices of 10,265,000 unvested RSUs from either HK$11.6 per share, HK$10.0 per share or HK$8.7 per share to HK$3.2 per share, and also to cancel 10,265,000 unvested RSUs which was treated as an acceleration of vesting. The Group has accounted for the incremental fair value from the date of modification until the date when the modified equity instruments vest.

(b) The weighted average closing price of the shares immediately before the dates on which the RSUs were exercised during the year ended 30 June 2021 was HK$10.85 (during the year ended 30 June 2020: HK$9.62).

(c) 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 2021, the expected forfeiture rate was estimated at 3% (30 June 2020: 3%).

(d) The weighted average remaining contractual life of RSUs outstanding as at 30 June 2021 was 3.39 years (30 June 2020: 4.18 years).

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

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.

26. Trade and bills payables

	As at 30 June	
	2021	2020
	RMB'000	RMB'000
Trade payables (a)	**256,492**	168,131
Bills payables (b)	**—**	13,657
	256,492	181,788

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

	As at 30 June	
	2021	2020
	RMB'000	RMB'000
Within 6 months	**250,799**	162,284
6 months to 1 year	**2,994**	4,690
1 to 2 years	**1,160**	278
2 to 3 years	**1,539**	879
	256,492	168,131

(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	
	2021	2020
	RMB'000	RMB'000
Non-current liabilities		
Payables for property, plant and equipment	**5,413**	6,977
Current liabilities		
Payroll and welfare payables	**161,670**	83,675
Provisions for sales returns (Note 5)	**138,628**	136,830
Value-added and other taxes payables	**62,890**	40,596
Provisions for sales rebates (Note 5)	**61,647**	35,283
Payables for leasehold improvements	**49,361**	2,280
Deposits received from suppliers (b)	**38,600**	24,950
Distribution deposits (a)	**30,831**	34,076
Workforce contracting payables	**27,315**	20,686
Accrued marketing and promotions expenses	**19,796**	7,642
Payables for property, plant and equipment	**2,837**	20,273
Rentals	**2,749**	6,635
Others	**25,929**	16,181
	622,253	429,107
	627,666	436,084

(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	
	2021	2020
	RMB'000	RMB'000
Short-term borrowings	**243,619**	187,683

As at 30 June 2021, 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 2021, the average discounted rate was 2.73% per annum (30 June 2020: 2.91%).

29. Deferred income tax

The analysis of deferred income tax assets is as follows:

	Year ended 30 June	
	2021	2020
	RMB'000	RMB'000
Total deferred tax assets	**354,520**	228,479
Set-off of deferred tax assets pursuant to set-off provisions (a)	**(153,776)**	(42,656)
Net deferred tax assets	**200,744**	185,823
Deferred income tax assets:		
— to be recovered after more than 12 months	**130,704**	122,679
— to be recovered within 12 months	**70,040**	63,144
	200,744	185,823
Total deferred tax liabilities	**170,180**	57,217
Set-off of deferred tax liabilities pursuant to set-off provisions (a)	**(153,776)**	(42,656)
Net deferred tax liabilities	**16,404**	14,561
Deferred income tax liabilities:		
— to be recovered within 12 months	**16,404**	14,561
	184,340	171,262

(a) 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	
	2021	2020
	RMB'000	RMB'000
Beginning of the year	**185,823**	128,298
Adjustment on adoption of HKFRS 16	**—**	1,678
Credited in the consolidated statement of comprehensive income (Note 10)	**14,921**	55,847
End of the year	**200,744**	185,823

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	Unrealised 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 1 July 2019	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
Credited/(charged) to the consolidated statement of comprehensive income	12,386	923	7,723	(4,573)	(832)	(125)	—	(383)	(198)	14,921
As at 30 June 2021	125,549	4,852	56,178	2,665	6,215	513	1,782	2,990	—	200,744

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 2021 RMB'000	2020 RMB'000
Beginning of the year	**14,561**	13,105
Debited in the consolidated statement of comprehensive income (Note 10)	**24,343**	13,456
Transferred to current tax liabilities	**(22,500)**	(12,000)
End of the year	**16,404**	14,561

The Group adopted a general annual dividend policy of declaring dividends on an annual basis of no less than 75% of its total net profit attributable to the Group for any particular fiscal year. Accordingly, the Group recognised withholding tax expense of RMB24,343,000 (during the year ended 30 June 2020: RMB13,456,000) at a 5% withholding tax rate for the profits of PRC subsidiaries.

As at 30 June 2021, the provisions of RMB16,404,000 (30 June 2020: RMB14,561,000) 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 2021 RMB'000	2020 RMB'000
Profit before income tax	**886,590**	486,395
Adjustments for:		
— Depreciation of property, plant and equipment (Note 13)	**68,580**	60,972
— Depreciation of right-of-use assets (Note 14)	**183,032**	177,397
— Amortisation of intangible assets (Note 15)	**2,280**	1,795
— Provision for impairment of financial assets (Note 3.1)	**(1,806)**	10,372
— Provision for inventories (Note 16)	**118,921**	176,594
— Provision for leasehold improvement (Note 7)	**—**	890
— Losses on disposal of property, plant and equipment (Note 7)	**641**	386
— Gains on disposal of right-of-use assets (Note 7)	**(1,106)**	(837)
— Share based compensation (Note 25)	**16,523**	38,610
— Interest income (Note 9)	**(26,424)**	(17,387)
— Interest expenses (Note 9)	**6,427**	3,042
— Interest expenses on lease liabilities (Note 14)	**22,969**	13,254
— Net foreign exchange gains from financing activities (Note 9)	**(5,701)**	(299)
— Change in fair value of Financial assets at fair value through profit or loss (Note 7)	**(5,499)**	(4,341)
Operating profits before working capital changes	**1,265,427**	946,843
Changes in working capital:		
— Inventories	**78,363**	(220,977)
— Trade receivables	**(21,699)**	11,816
— Prepayments, deposits and other assets	**8,236**	29,553
— Trade and bills payables	**76,534**	(19,754)
— Contract liabilities and other current liabilities	**138,329**	126,022
Cash flow generated from operations	**1,545,190**	873,503

(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.

	As at 30 June 2021 RMB'000	2020 RMB'000
Cash and cash equivalents	**549,012**	336,672
Borrowings — repayable within one year	**(243,619)**	(187,683)
Lease liabilities (Note 14)	**(599,371)**	(187,149)
Net debt	**(293,978)**	(38,160)
Cash and cash equivalents	**549,012**	336,672
Gross debt — fixed interest rates	**(842,990)**	(374,832)
Net debt	**(293,978)**	(38,160)

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

(b) Net debt 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 30 June 2019	216,465	—	—	216,465
Recognised on adoption of HKFRS 16	—	—	(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)
Cash flows	219,552	(49,509)	236,597	406,640
Interest expense	—	(6,427)	(22,969)	(29,396)
Additions	—	—	(636,968)	(636,968)
Disposal	—	—	11,118	11,118
Foreign exchange adjustments	(7,212)	—	—	(7,212)
Net debt as at 30 June 2021	549,012	(243,619)	(599,371)	(293,978)

31. Commitments

(a) Capital commitments

As at 30 June 2021, the capital expenditure contracted but not recognised as liabilities amounted to RMB12,318,000 (30 June 2020: RMB31,648,000). In addition, the Group has uncalled capital commitments relating to the venture capital amounting to US$ 2,200,000 (30 June 2020: Nil) (Note 20).

(b) Operating lease commitments

As at 30 June 2021 and 2020, lease commitments for the Group for leases not yet commenced or short-term leases are as follows:

	As at 30 June	
	2021	2020
	RMB'000	RMB'000
Within 1 year	**27,832**	31,378

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	Close family member of the controlling shareholders
Huizhan Technology (Hangzhou) Co., Ltd	Controlled by the controlling shareholders
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

(a) Significant transactions with related parties

		Year ended 30 June	
		2021	2020
		RMB'000	RMB'000
(i)	Processing fee charged by a related party		
	Hangzhou Shangwei Apparel Co., Ltd.	**21,931**	23,216
(ii)	Framework sample apparel manufacturing charged by a related party		
	Hangzhou JNBY Finery Co., Ltd.	**32,491**	32,588
(iii)	Short-term lease expenses and utilities charged by related parties		
	Huizhan Technology (Hangzhou) Co., Ltd	**1,668**	—
	Hangzhou Huikang Industrial Co., Ltd.	**2,380**	11,183
	Li Ming	**112**	224
	Wu Jian	**67**	780
		4,227	12,187
(iv)	Concession fees charged by a related party		
	Huizhan Technology (Hangzhou) Co., Ltd	**1,450**	—
((v)	Sale of goods to a related party		
	Huizhan Technology (Hangzhou) Co., Ltd	**491**	—
((vi)	Purchase of right-of-use assets		
	Huizhan Technology (Hangzhou) Co., Ltd (Note 14)	**389,988**	—
	Hangzhou Huikang Industrial Co., Ltd.	**2,805**	3,331
	Hangzhou JNBY Finery Co., Ltd.	**—**	5,092
	Wu Jian	**—**	2,044
		392,793	10,467

32. Significant related party transactions (continued)

(b) Balances with related parties

	As at 30 June	
	2021	2020
	RMB'000	RMB'000
Due from related parties		
Trade receivables:		
— Huizhan Technology (Hangzhou) Co., Ltd	**2,623**	—
Due to related parties		
Trade payables:		
— Hangzhou Shangwei Apparel Co., Ltd.	**5,338**	3,606
— Hangzhou JNBY Finery Co., Ltd.	**545**	448
	5,883	4,054
Other payables:		
— Hangzhou JNBY Finery Co., Ltd.	**4,756**	4,217
— Huizhan Technology (Hangzhou) Co., Ltd	**320**	—
	5,076	4,217
Current lease liabilities:		
— Huizhan Technology (Hangzhou) Co., Ltd (Note 14)	**32,711**	—
— Hangzhou Huikang Industrial Co., Ltd.	**412**	—
— Hangzhou JNBY Finery Co., Ltd.	**—**	156
— Wu Jian	**—**	162
	33,123	318
	44,082	8,589
Non-current lease liabilities:		
— Huizhan Technology (Hangzhou) Co., Ltd (Note 14)	**318,272**	—
— Hangzhou Huikang Industrial Co., Ltd.	**640**	667
— Wu Jian	**—**	760
— Hangzhou JNBY Finery Co., Ltd.	**—**	2,686
	318,912	4,113
	362,994	12,702

(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	
	2021	2020
	RMB'000	RMB'000
Basic salaries and allowances	**6,916**	5,541
Discretionary bonuses	**11,451**	3,675
Other benefits including pension	**475**	382
Share-based compensation	**4,750**	11,280
	23,592	20,878

33. Balance sheet and reserve movement of the Company

		As at 30 June	
		2021	2020
	Note	RMB'000	RMB'000
ASSETS			
Non-current assets			
Investment in a subsidiary		**243,564**	227,042
Amounts due from related parties		**287,068**	253,955
Total non-current assets		**530,632**	480,997
Current assets			
Cash and cash equivalents		**12,599**	78,593
Term deposits with initial terms over 3 months		**193,370**	196,320
Prepayments, deposits and other assets		**1,203**	1,250
Total current assets		**207,172**	276,163
Total assets		**737,804**	757,160
LIABILITIES			
Accruals and other current liabilities		**19**	19
Total liabilities		**19**	19
Net assets		**737,785**	757,141
EQUITY			
Share capital		**4,622**	4,622
Shares held for RSU scheme	(a)	**(164,430)**	(172,414)
Share premium	(a)	**668,308**	665,520
Other reserves	(a)	**176,320**	216,062
Retained earnings	(a)	**52,965**	43,351
Total equity		**737,785**	757,141

The balance sheet of the Company was approved by the Board on 31 August 2021 and was signed on its behalf:

Wu Jian	Li Lin
Director	Director

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

(a) Shares held for RSU scheme, share premium, other reserves and retained earnings movement of the Company

	Shares held for RSU scheme RMB'000	Share premium RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Subtotal RMB'000
As at 1 July 2020	**(172,414)**	**665,520**	**216,062**	**43,351**	**752,519**
Profit for the year	**—**	**—**	**—**	**405,461**	**405,461**
Dividends paid	**—**	**—**	**—**	**(395,847)**	**(395,847)**
Repurchase of ordinary shares for RSU Scheme	**(5,883)**	**—**	**—**	**—**	**(5,883)**
Share-based compensation	**—**	**—**	**16,523**	**—**	**16,523**
Currency translation difference	**—**	**—**	**(47,861)**	**—**	**(47,861)**
Transfer and exercise of RSUs	**13,867**	**2,788**	**(8,404)**	**—**	**8,251**
As at 30 June 2021	**(164,430)**	**668,308**	**176,320**	**52,965**	**733,163**
As at 1 July 2019	(78,646)	657,376	165,401	36,059	780,190
Profit for the year	—	—	—	227,090	227,090
Dividends paid	—	—	—	(219,798)	(219,798)
Repurchase of ordinary shares for RSU Scheme	(95,235)	—	—	—	(95,235)
Share-based compensation	—	—	38,610	—	38,610
Currency translation difference	—	—	20,727	—	20,727
Transfer and exercise of RSUs	1,467	8,144	(8,676)	—	935
As at 30 June 2020	(172,414)	665,520	216,062	43,351	752,519

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 2021

Name	Fees RMB'000	Salaries and allowances RMB'000	Discretionary bonuses RMB'000	Social security contribution RMB'000	Share-based compensation RMB'000	Total RMB'000
Executive Directors						
Mr. Wu Jian (i)	**—**	**1,345**	**—**	**16**	**—**	**1,361**
Ms. Li Lin (i)	**—**	**2,988**	**—**	**16**	**—**	**3,004**
Ms. Wu Huating (ii)	**—**	**2,956**	**4,120**	**114**	**7,925**	**15,115**
Non-executive Directors						
Mr. Wei Zhe (iii)	**300**	**—**	**—**	**—**	**—**	**300**
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 2020

Name	Fees RMB'000	Salaries and allowances RMB'000	Discretionary bonuses RMB'000	Social security contribution 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 Directors						
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

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.

(b) Directors' retirement benefits and termination benefits

None of the retirement benefits was paid to or receivable by directors during the year (during the year ended 30 June 2020: 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 (during the year ended 30 June 2020: Nil).

(c) Consideration provided to third parties for making available directors' services

During the year ended 30 June 2021, the Company does not pay consideration to any third parties for making available directors' services (during the year ended 30 June 2020: 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 2021, there are no loans, quasi-loans and other dealing arrangements in favour of directors, controlled bodies corporate by and controlled entities with such directors (30 June 2020: Nil).

(e) Directors' material interests in transactions, arrangements or contracts

Save as disclosed in note 32, 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 (during the year ended 30 June 2020: Nil).

35. Subsequent event

(i) In July 2021, the Group agreed to provide a loan to Huizhan Technology (Hangzhou) Co., Ltd., a related party of the Group, in the principal amount of RMB150,000,000 with an interest rate of 4.90% per annum in three installments with one-year maturity. Mr. Wu Jian and Ms. Li Lin, the controlling shareholders of the Group, agreed to provide personal guarantee to the Group. As at the date of the report, RMB50,000,000 has been drawn down under such loan agreement.

(ii) In July 2021, the Group signed the subscription agreements of two venture capital funds as a limited partner for a total capital commitment of RMB60,000,000. Both venture capital funds are related parties of Mr. Wei Zhe, the non-executive Director. As at the date of the report, the Group has made a capital contribution of RMB15,000,000.

Except for the events as described above, there was no other significant event occurred during the period from 30 June 2021 to the approval date of the consolidated financial statements by the Board on 31 August 2021.