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江南布衣
JIANGNANBUYI

JNBY Design Limited

江南布衣有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3306)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED DECEMBER 31, 2022

FINANCIAL HIGHLIGHTS

- The total revenue of the Group for the six months ended December 31, 2022 (the “**first half of fiscal year 2023**”) amounted to RMB2,360.0 million, a decrease of 5.0% or RMB124.7 million as compared with RMB2,484.7 million for the six months ended December 31, 2021 (the “**first half of fiscal year 2022**”). The gross profit margin for the first half of fiscal year 2023 increased to 64.7%, an increase of 1.4 percentage points as compared with 63.3% for the first half of fiscal year 2022, and the net profit for the first half of fiscal year 2023 amounted to RMB371.7 million, a decrease of 16.2% or RMB72.1 million as compared with RMB443.8 million for the first half of fiscal year 2022.
- As of December 31, 2022, the brand portfolio of the Group includes multiple brands in three stages, namely (i) Mature brand, (ii) Younger brands and (iii) Emerging brands. The total number of our retail stores around the world increased from 1,956 as of June 30, 2022 to 2,004 as of December 31, 2022. Our sales network has covered all provinces, autonomous regions and municipalities in mainland China and across ten other countries and regions around the world.
- As of December 31, 2022, the Group had over 6.4 million membership accounts (without duplication) including our more than 6.1 million subscribers (without duplication) on the WeChat platform. The retail sales contributed by our members accounted for over 80% of our total retail sales for the first half of fiscal year 2023. The number of active members accounts of the Group in 2022 (active members accounts are membership accounts associated with at least two purchases for a period of any 180 consecutive days within the last 12 months, without duplication) was over 420,000, and the number of membership accounts with annual purchases totaling over RMB5,000 was over 220,000 in 2022, thereby contributing retail sales amounting to RMB2.93 billion, or over 50% of our total retail sales of offline channels.
- The Board declared the payment of an interim dividend of HK\$0.30 per ordinary share (equivalent to approximately RMB0.27 per ordinary share) for the six months ended December 31, 2022, totaling HK\$155.6 million.

CONSOLIDATED INTERIM RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of JNBY Design Limited (the “**Company**”) is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (the “**Group**”) for the six months ended December 31, 2022, together with the comparative figures for the corresponding period of the previous fiscal year, as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended December 31, 2022

		Unaudited Six months ended 31 December	
	Note	2022 RMB'000	2021 RMB'000
Revenue	5	2,360,020	2,484,680
Cost of sales	6	<u>(833,800)</u>	<u>(910,876)</u>
Gross profit		<u>1,526,220</u>	<u>1,573,804</u>
Selling and marketing expenses	6	(817,470)	(797,892)
Administrative expenses	6	(210,951)	(189,492)
Provision for impairment on financial assets	6	(755)	(1,146)
Other income and gains, net	7	<u>20,266</u>	<u>28,485</u>
Operating profit		<u>517,310</u>	<u>613,759</u>
Finance income	8	19,907	20,438
Finance costs	8	<u>(22,670)</u>	<u>(19,595)</u>
Finance (costs)/income, net		<u>(2,763)</u>	<u>843</u>
Profit before income tax		514,547	614,602
Income tax expense	9	<u>(142,836)</u>	<u>(170,769)</u>
Profit for the period		<u>371,711</u>	<u>443,833</u>
Other comprehensive income			
Items that may not be reclassified subsequently to profit or loss:			
Currency translation differences		<u>4,091</u>	<u>(9,633)</u>
Total comprehensive income for the period		<u>375,802</u>	<u>434,200</u>

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
(CONTINUED)**

For the six months ended December 31, 2022

		Unaudited	
		Six months ended	
		31 December	
		2022	2021
	<i>Note</i>	RMB'000	RMB'000
Profit attributable to:			
Shareholders of the Company		371,716	443,836
Non-controlling interests		<u>(5)</u>	<u>(3)</u>
		<u>371,711</u>	<u>443,833</u>
Total comprehensive income attributable to:			
Shareholders of the Company		375,808	434,203
Non-controlling interests		<u>(6)</u>	<u>(3)</u>
		<u>375,802</u>	<u>434,200</u>
Earnings per share (expressed in RMB per share)			
— Basic	<i>10(a)</i>	<u>0.74</u>	<u>0.89</u>
— Diluted	<i>10(b)</i>	<u>0.74</u>	<u>0.88</u>

CONDENSED CONSOLIDATED BALANCE SHEET

As at December 31, 2022

		Unaudited 31 December 2022 RMB'000	Audited 30 June 2022 RMB'000
	<i>Note</i>		
ASSETS			
Non-current assets			
Property, plant and equipment	12	455,588	451,041
Right-of-use assets	14	797,254	719,774
Intangible assets	13	19,307	18,711
Prepayments, deposits and other assets	17	17,633	15,683
Amounts due from a related party		105,611	103,249
Financial assets at fair value through profit or loss		203,783	168,840
Deferred income tax assets		250,727	242,849
		<u>1,849,903</u>	<u>1,720,147</u>
Total non-current assets			
Current assets			
Inventories	15	917,554	828,823
Trade receivables	16	169,647	103,682
Prepayments, deposits and other assets	17	268,043	268,685
Amounts due from related parties		2,056	2,356
Financial assets at fair value through profit or loss		60,135	—
Term deposits with initial term over 3 months		234,282	384,396
Cash and cash equivalents		657,787	591,746
		<u>2,309,504</u>	<u>2,179,688</u>
Total current assets			
		<u>4,159,407</u>	<u>3,899,835</u>
Total assets			

CONDENSED CONSOLIDATED BALANCE SHEET (CONTINUED)

As at December 31, 2022

		Unaudited 31 December 2022 RMB'000	Audited 30 June 2022 RMB'000
	Note		
LIABILITIES			
Non-current liabilities			
Lease liabilities		218,806	168,059
Accruals and other current liabilities	19	1,955	4,579
Amounts due to related parties		283,051	281,249
Deferred income tax liabilities		14,919	12,197
Total non-current liabilities		518,731	466,084
Current liabilities			
Trade and bills payables	18	279,071	289,211
Lease liabilities		221,881	174,599
Contract liabilities		313,583	300,250
Accruals and other current liabilities	19	707,658	714,705
Amounts due to related parties		60,777	57,531
Borrowings		198,543	148,868
Current income tax liabilities		32,519	63,622
Total current liabilities		1,814,032	1,748,786
Total liabilities		2,332,763	2,214,870
Net assets		1,826,644	1,684,965
EQUITY			
Equity attributable to shareholders of the Company			
Share capital		4,622	4,622
Shares held for restricted share units (“RSU”)			
Scheme		(145,943)	(180,244)
Share premium		508,324	508,254
Other reserves		223,714	228,863
Retained earnings		1,235,962	1,123,499
Equity attributable to shareholders of the Company		1,826,679	1,684,994
Non-controlling interests		(35)	(29)
Total equity		1,826,644	1,684,965

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended December 31, 2022

		Unaudited						
		Attributable to shareholders of the Company						
		Shares held					Non-	Total
		Share	Share	for RSU	Other	Retained	controlling	Total
Note	RMB'000	RMB'000	Scheme	reserves	earnings	Total	interests	equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 July 2021	<u>4,622</u>	<u>668,308</u>	<u>(164,430)</u>	<u>192,057</u>	<u>1,015,715</u>	<u>1,716,272</u>	<u>(21)</u>	<u>1,716,251</u>
Comprehensive income								
Profit for the period	—	—	—	—	443,836	443,836	(3)	443,833
Other comprehensive income								
Currency translation differences	—	—	—	(9,633)	—	(9,633)	—	(9,633)
Total comprehensive income	<u>—</u>	<u>—</u>	<u>—</u>	<u>(9,633)</u>	<u>443,836</u>	<u>434,203</u>	<u>(3)</u>	<u>434,200</u>
Transactions with shareholders								
Profit appropriations to statutory reserves	—	—	—	316	(316)	—	—	—
Share-based compensation	—	—	—	17,107	—	17,107	—	17,107
Purchase of ordinary shares for RSU Scheme	—	—	(16,318)	—	—	(16,318)	—	(16,318)
Transfer and exercise of RSUs	—	2,798	6,140	(5,784)	—	3,154	—	3,154
Dividend	<i>11</i>	(161,458)	—	—	(298,155)	(459,613)	—	(459,613)
Total transactions with Shareholders	<u>—</u>	<u>(158,660)</u>	<u>(10,178)</u>	<u>11,639</u>	<u>(298,471)</u>	<u>(455,670)</u>	<u>—</u>	<u>(455,670)</u>
Balance at 31 December 2021	<u>4,622</u>	<u>509,648</u>	<u>(174,608)</u>	<u>194,063</u>	<u>1,161,080</u>	<u>1,694,805</u>	<u>(24)</u>	<u>1,694,781</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Continued)

For the six months ended December 31, 2022

		Unaudited							
		Attributable to shareholders of the Company							
		Shares held					Non-	Total	
		Share	Share	for RSU	Other	Retained			
		capital	premium	Scheme	reserves	earnings	Total	controlling	
Note		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	interests	equity
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	Balance at 1 July 2022	<u>4,622</u>	<u>508,254</u>	<u>(180,244)</u>	<u>228,863</u>	<u>1,123,499</u>	<u>1,684,994</u>	<u>(29)</u>	<u>1,684,965</u>
	Comprehensive income								
	Profit for the period	—	—	—	—	371,716	371,716	(5)	371,711
	Other comprehensive income								
	Currency translation differences	—	—	—	4,092	—	4,092	(1)	4,091
	Total comprehensive income	—	—	—	4,092	371,716	375,808	(6)	375,802
	Transactions with shareholders								
	Profit appropriations to statutory reserves	—	—	—	249	(249)	—	—	—
	Share-based compensation	—	—	—	17,604	—	17,604	—	17,604
	Purchase of ordinary shares for RSU Scheme	—	—	(6,404)	—	—	(6,404)	—	(6,404)
	Transfer and exercise of RSUs	—	70	40,705	(27,094)	—	13,681	—	13,681
	Dividend	—	—	—	—	(259,004)	(259,004)	—	(259,004)
	Total transactions with Shareholders	—	70	34,301	(9,241)	(259,253)	(234,123)	—	(234,123)
	Balance at 31 December 2022	<u><u>4,622</u></u>	<u><u>508,324</u></u>	<u><u>(145,943)</u></u>	<u><u>223,714</u></u>	<u><u>1,235,962</u></u>	<u><u>1,826,679</u></u>	<u><u>(35)</u></u>	<u><u>1,826,644</u></u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended December 31, 2022

	Unaudited	
	Six months ended	
	31 December	
	2022	2021
<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
Cash flows from operating activities		
Cash generated from operations	566,525	855,134
Income tax paid	(179,095)	(82,314)
	<u>387,430</u>	<u>772,820</u>
Cash flows from investing activities		
Purchase of property, plant and equipment	(66,323)	(77,630)
Purchase of intangible assets	(2,651)	(1,906)
Proceeds from disposals of property, plant and equipment	225	115
Investment income received from financial products issued by commercial banks	219	556
Interest received	17,572	19,597
Payment of term deposits with initial term over 3 months	(252,767)	(462,708)
Payment of financial products issued by commercial banks	(90,000)	(70,000)
Payment of investment for a private company	(19,325)	—
Loans granted to a related party	—	(150,000)
Proceeds from withdrawal of term deposits with initial term over 3 months	400,000	800,837
Loan repayments received from a related party	—	50,000
Proceeds from redemption of financial products issued by commercial banks	30,000	171,520
Purchase of venture capital funds	(4,500)	(41,036)
Dividends received from venture capital funds	674	—
	<u>13,124</u>	<u>239,345</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)*For the six months ended December 31, 2022*

	Unaudited	
	Six months ended	
	31 December	
	2022	2021
<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
Cash flows from financing activities		
Proceeds from borrowings	197,873	48,822
Repayments of borrowings	(150,000)	(146,000)
Dividends paid	<i>11</i> (259,004)	(459,613)
Proceeds from exercise of RSUs	13,681	3,154
Payment for repurchase of treasury shares	(6,404)	(16,318)
Repayments of lease liabilities	(134,373)	(137,009)
Net cash used in financing activities	(338,227)	(706,964)
Net increase in cash and cash equivalents	62,327	305,201
Cash and cash equivalents at beginning of the period	591,746	549,012
Exchange gain/(loss) on cash and cash equivalents	3,714	(1,033)
Cash and cash equivalents at end of the period	657,787	853,180

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended December 31, 2022

1. GENERAL INFORMATION

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

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

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

This condensed consolidated interim financial information is presented in Renminbi (“**RMB**”), unless otherwise stated. This condensed consolidated interim financial information was approved by the board of directors of the Company for issue on 27 February 2023.

This condensed consolidated interim financial information has not been audited.

2. BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 31 December 2022 has been prepared in accordance with Hong Kong Accounting Standard (“**HKAS**”) 34, “**Interim financial reporting**”. The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 30 June 2022 as set out in the annual report dated 30 August 2022, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”).

3. FINANCIAL RISK FACTORS

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

The condensed consolidated interim financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements as at 30 June 2022.

There have been no changes in the risk management policies since 30 June 2022.

4. ESTIMATES

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

In preparing this condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation were the same as those that applied to the consolidated financial statements for the year ended 30 June 2022.

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) and JNBYHOME, etc.

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

	Six months ended 31 December 2022			
	Mature brand <i>RMB'000</i>	Younger brands <i>RMB'000</i>	Emerging brands <i>RMB'000</i>	Total <i>RMB'000</i>
Revenue				
Mainland China	1,354,387	942,126	41,985	2,338,498
Outside mainland China	16,743	4,272	507	21,522
Revenue from external customers	1,371,130	946,398	42,492	2,360,020
Segment gross profit	909,568	595,854	20,798	1,526,220
Segment operating profit/(loss)	540,878	242,577	(2,119)	781,336
Unallocated selling and marketing expenses and administrative expenses				(284,292)
Other income and gains, net				20,266
Total operating profit				517,310

	Six months ended 31 December 2021			
	Mature brand <i>RMB'000</i>	Younger brands <i>RMB'000</i>	Emerging brands <i>RMB'000</i>	Total <i>RMB'000</i>
Revenue				
Mainland China	1,425,218	998,341	42,517	2,466,076
Outside mainland China	14,646	3,786	172	18,604
Revenue from external customers	1,439,864	1,002,127	42,689	2,484,680
Segment gross profit	922,994	630,151	20,659	1,573,804
Segment operating profit/(loss)	571,292	293,885	(584)	864,593
Unallocated selling and marketing expenses and administrative expenses				(279,319)
Other income and gains, net				28,485
Total operating profit				613,759

6. EXPENSES BY NATURE

	Six months ended 31 December	
	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Cost of inventories sold	760,786	834,343
Employee benefit expenses (including share-based compensation expenses)	201,875	175,522
Workforce contracting expenses	198,173	198,425
Promotion and marketing expenses	199,353	185,053
Depreciation and amortisation (<i>Notes 12, 13 & 14</i>)		
— Right-of-use assets	141,013	109,718
— Property, plant and equipment	55,284	40,324
— Intangible assets	2,055	1,215
Expenses relating to short-term leases and variable lease payments	115,718	161,124
Provision for inventories (<i>Note 15</i>)	37,547	42,431
Commission expenses to online platforms	33,063	26,853
Transportation and warehouse expenses	27,440	27,500
Utilities charges and office expenses	24,670	27,621
Taxes and other surcharges	18,187	20,095
Consumables and service fee for apparel design	14,380	13,704
Other professional service expenses	11,191	10,868
Entertainment and travelling expenses	8,594	7,504
Auditors' remuneration	1,350	1,350
Provision for impairment losses on financial assets	755	1,146
Others	11,542	14,610
Total cost of sales, selling and marketing expenses and administrative expenses	1,862,976	1,899,406

7. OTHER INCOME AND GAINS, NET

	Six months ended 31 December	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Other income		
Government grants(i)	<u>10,936</u>	<u>21,180</u>
Other gains		
Fair value gains of venture capital funds	6,969	5,817
Interest income from loans to a related party	2,362	1,900
Fair value gains of financial products(ii)	354	556
Losses on disposal of property, plant and equipment	(179)	(478)
Donations	(236)	(1,249)
Others	<u>60</u>	<u>759</u>
	<u>9,330</u>	<u>7,305</u>
	<u><u>20,266</u></u>	<u><u>28,485</u></u>

(i) Government grants during the six months 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 fair value gains from the Group's investment in financial products issued by commercial banks.

8. FINANCE (COSTS)/INCOME, NET

	Six months ended 31 December	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Finance income		
Interest income on cash and cash equivalents and term deposits with initial term over 3 months	15,128	16,845
Net foreign exchange gains on financing activities	<u>4,779</u>	<u>3,593</u>
	<u>19,907</u>	<u>20,438</u>
Finance costs		
Interest on lease liabilities	(20,868)	(17,083)
Discount charges of bills receivables	<u>(1,802)</u>	<u>(2,512)</u>
	<u>(22,670)</u>	<u>(19,595)</u>
Finance (costs)/income — net	<u><u>(2,763)</u></u>	<u><u>843</u></u>

9. INCOME TAX EXPENSE

The Group is not subject to taxation in the Cayman Islands. Entities incorporated in Hong Kong, China 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 periods presented. Entities established and operated in the PRC are subject to PRC Enterprise Income Tax (“EIT”) at a rate of 25% (2021: 25%).

	Six months ended 31 December	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Current income tax expense		
— Enterprise income tax expense	132,992	185,341
Deferred income tax expense	9,844	(14,572)
	<u>142,836</u>	<u>170,769</u>

Income tax expense is recognised based on management’s estimate of weighted average annual income tax rate expected for the full financial year. The estimated effective tax rate used for the Group is 27.8% (six months ended 31 December 2021: 27.8%).

10. EARNINGS PER SHARE

(a) Basic

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

	Six months ended 31 December	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Profit attributable to shareholders of the Company	<u>371,716</u>	<u>443,836</u>
Weighted average number of ordinary shares in issue excluding shares held under the RSU Scheme in issue (thousands of shares)	<u>499,826</u>	<u>498,406</u>
Basic earnings per share (expressed in RMB per share)	<u>0.74</u>	<u>0.89</u>

(b) Diluted

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

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

	Six months ended 31 December	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Profit attributable to shareholders of the Company	<u>371,716</u>	<u>443,836</u>
Weighted average number of ordinary shares in issue excluding shares held under the RSU scheme in issue (thousands of shares)	499,826	498,406
Adjustments for share based compensation — RSUs (thousands of shares)	<u>4,577</u>	<u>7,864</u>
Weighted average number of ordinary shares for the calculation of diluted EPS (thousands of shares)	<u>504,383</u>	<u>506,270</u>
Diluted earnings per share (expressed in RMB per share)	<u><u>0.74</u></u>	<u><u>0.88</u></u>

11. DIVIDENDS

Pursuant to the shareholders' resolution on 21 October 2022, a final dividend of RMB259,004,000 was paid during the six months ended 31 December 2022 (six months ended 31 December 2021: a final dividend of RMB298,155,000 and a special dividend of RMB161,458,000).

Pursuant to a resolution of the board of directors on 27 February 2023, an interim dividend of HK\$0.30 (approximately RMB0.27) per ordinary share totaling approximately RMB135,278,000 was approved. This interim dividend is not reflected as a payable in this interim financial information as it was approved after 31 December 2022.

12. PROPERTY, PLANT AND EQUIPMENT

	Office equipment and others <i>RMB'000</i>	Machinery <i>RMB'000</i>	Motor vehicles <i>RMB'000</i>	Leasehold improvements <i>RMB'000</i>	Construction- in-progress <i>RMB'000</i>	Buildings <i>RMB'000</i>	Total <i>RMB'000</i>
Six months ended							
31 December 2022							
Opening net book value as at 1 July 2022	30,601	67,840	4,651	162,410	—	185,539	451,041
Additions	4,966	4,679	—	50,590	—	—	60,235
Depreciation	(5,453)	(4,497)	(508)	(40,088)	—	(4,738)	(55,284)
Disposals	(188)	(216)	—	—	—	—	(404)
Closing net book value	<u>29,926</u>	<u>67,806</u>	<u>4,143</u>	<u>172,912</u>	<u>—</u>	<u>180,801</u>	<u>455,588</u>
As at 31 December 2022							
Cost	67,539	93,697	10,275	323,212	—	215,543	710,266
Accumulated depreciation	(37,613)	(25,891)	(6,132)	(150,300)	—	(34,742)	(254,678)
Net book value	<u>29,926</u>	<u>67,806</u>	<u>4,143</u>	<u>172,912</u>	<u>—</u>	<u>180,801</u>	<u>455,588</u>
	Office equipment and others <i>RMB'000</i>	Machinery <i>RMB'000</i>	Motor vehicles <i>RMB'000</i>	Leasehold improvements <i>RMB'000</i>	Construction- in-progress <i>RMB'000</i>	Buildings <i>RMB'000</i>	Total <i>RMB'000</i>
Six months ended							
31 December 2021							
Opening net book value as at 1 July 2021	29,909	53,650	2,618	126,299	103	185,720	398,299
Additions	6,991	11,740	2,731	54,869	790	625	77,746
Transfer from construction-in- progress	—	—	—	—	(893)	893	—
Depreciation	(4,951)	(3,421)	(376)	(26,612)	—	(4,964)	(40,324)
Disposals	(500)	(93)	—	—	—	—	(593)
Closing net book value	<u>31,449</u>	<u>61,876</u>	<u>4,973</u>	<u>154,556</u>	<u>—</u>	<u>182,274</u>	<u>435,128</u>
As at 31 December 2021							
Cost	61,707	79,365	10,058	297,037	—	207,703	655,870
Accumulated depreciation	(30,258)	(17,489)	(5,085)	(142,481)	—	(25,429)	(220,742)
Net book value	<u>31,449</u>	<u>61,876</u>	<u>4,973</u>	<u>154,556</u>	<u>—</u>	<u>182,274</u>	<u>435,128</u>

13. INTANGIBLE ASSETS

	Computer software RMB'000	Others RMB'000	Total RMB'000
Six months ended 31 December 2022			
Opening net book value as at 1 July 2022	18,567	144	18,711
Additions	2,651	—	2,651
Amortisation charge	<u>(2,045)</u>	<u>(10)</u>	<u>(2,055)</u>
Closing net book value as at 31 December 2022	<u>19,173</u>	<u>134</u>	<u>19,307</u>
As at 31 December 2022			
Cost	32,447	244	32,691
Accumulated amortisation	<u>(13,274)</u>	<u>(110)</u>	<u>(13,384)</u>
Net book value	<u>19,173</u>	<u>134</u>	<u>19,307</u>
Six months ended 31 December 2021			
Opening net book value as at 1 July 2021	15,527	171	15,698
Additions	1,906	—	1,906
Amortisation charge	<u>(1,198)</u>	<u>(17)</u>	<u>(1,215)</u>
Closing net book value as at 31 December 2021	<u>16,235</u>	<u>154</u>	<u>16,389</u>
As at 31 December 2021			
Cost	26,153	244	26,397
Accumulated amortisation	<u>(9,918)</u>	<u>(90)</u>	<u>(10,008)</u>
Net book value	<u>16,235</u>	<u>154</u>	<u>16,389</u>

14. RIGHT-OF-USE ASSETS

	Rented premises for stores and offices <i>RMB'000</i>	Land use right <i>RMB'000</i>	Total <i>RMB'000</i>
Six months ended 31 December 2022			
Opening net book value as at 1 July 2022	695,369	24,405	719,774
Additions	231,824	—	231,824
Early termination	(1,254)	—	(1,254)
Depreciation and amortisation	(140,734)	(279)	(141,013)
Modification (i)	(12,077)	—	(12,077)
	<u>773,128</u>	<u>24,126</u>	<u>797,254</u>
Six months ended 31 December 2021			
Opening net book value as at 1 July 2021	615,105	24,963	640,068
Additions	168,229	—	168,229
Early termination	(1,417)	—	(1,417)
Depreciation and amortisation	(109,439)	(279)	(109,718)
	<u>672,478</u>	<u>24,684</u>	<u>697,162</u>

- (i) 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 31 December 2022 and there was no substantive change to other terms and conditions of the lease. Rent concessions of approximately RMB12,077,000 (six months ended 31 December 2021: nil) have been accounted for as lease modification by decreasing the lease liabilities and making a corresponding adjustment to the right-of-use asset.

15. INVENTORIES

	As at 31 December 2022 <i>RMB'000</i>	As at 30 June 2022 <i>RMB'000</i>
Finished goods	1,325,826	1,154,093
Commissioned processing materials	109,552	175,321
Raw materials	40,032	33,317
Less: provision	(557,856)	(533,908)
	<u>917,554</u>	<u>828,823</u>

Movements of provision for inventories are as follows:

	Six months ended 31 December	
	2022	2021
	RMB'000	RMB'000
Opening balance as at 1 July	533,908	502,201
Addition of provision for inventories to net realisable value included in “cost of sales” (Note 6)	37,547	42,431
Release of provision upon sales of inventories written down in prior years	<u>(13,599)</u>	<u>(61,862)</u>
Closing balance as at 31 December	<u>557,856</u>	<u>482,770</u>

16. TRADE RECEIVABLES

	As at 31 December 2022 RMB'000	As at 30 June 2022 RMB'000
Trade receivables	191,855	128,739
Less: provision for impairment	<u>(22,208)</u>	<u>(25,057)</u>
	<u>169,647</u>	<u>103,682</u>

The trade receivables are mainly related to sales through retail stores within department stores and shopping malls, and are generally received within 45 to 90 days from the invoice date.

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

	As at 31 December 2022 RMB'000	As at 30 June 2022 RMB'000
Within 3 months	160,598	100,083
3 months to 6 months	12,397	7,173
6 months to 1 year	3,215	2,974
1 year to 2 years	666	740
more than 2 years	<u>14,979</u>	<u>17,769</u>
	<u>191,855</u>	<u>128,739</u>

17. PREPAYMENTS, DEPOSITS AND OTHER ASSETS

	As at 31 December 2022 <i>RMB'000</i>	As at 30 June 2022 <i>RMB'000</i>
Long-term prepayments		
Long-term prepaid expenses	<u>17,633</u>	<u>15,683</u>
Current assets		
Deposits and other receivables	115,651	107,221
Right of goods return	97,682	85,547
Prepayment to suppliers	26,676	52,199
Prepaid expenses	24,196	18,168
Value added tax recoverable	3,663	5,464
Staff advances	<u>175</u>	<u>86</u>
	<u>268,043</u>	<u>268,685</u>
	<u><u>285,676</u></u>	<u><u>284,368</u></u>

18. TRADE AND BILLS PAYABLES

	As at 31 December 2022 <i>RMB'000</i>	As at 30 June 2022 <i>RMB'000</i>
Trade payables	272,226	289,211
Bills payables	<u>6,845</u>	<u>—</u>
	<u><u>279,071</u></u>	<u><u>289,211</u></u>

Ageing analysis of trade payables based on date of goods received as at 31 December 2022 and 30 June 2022 was as follows:

	As at 31 December 2022 <i>RMB'000</i>	As at 30 June 2022 <i>RMB'000</i>
Within 6 months	270,050	282,792
6 months to 1 year	526	5,046
1 to 2 years	748	483
2 to 3 years	<u>902</u>	<u>890</u>
	<u><u>272,226</u></u>	<u><u>289,211</u></u>

19. ACCRUALS AND OTHER CURRENT LIABILITIES

	As at 31 December 2022 <i>RMB'000</i>	As at 30 June 2022 <i>RMB'000</i>
Non-current liabilities		
Payables for guarantee deposits	<u>1,955</u>	<u>4,579</u>
Current liabilities		
Provisions for sales returns	273,392	258,551
Payroll and welfare payables	84,425	96,668
Provisions for sales rebates	75,034	70,089
Value-added tax and other taxes payables	52,507	52,374
Deposits received from suppliers (a)	50,293	48,853
Payables for leasehold improvements	48,814	50,052
Workforce contracting payables	39,019	29,691
Distribution deposits (b)	30,533	30,966
Accruals for marketing and promotions	21,591	16,601
Rentals	3,431	9,512
Payables for property, plant and equipment	4,496	6,722
Others	<u>24,123</u>	<u>44,626</u>
	<u>707,658</u>	<u>714,705</u>
	<u>709,613</u>	<u>719,284</u>

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

MANAGEMENT DISCUSSION AND ANALYSIS

Revenue

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

The total revenue for the six months ended December 31, 2022 amounted to RMB2,360.0 million, a decrease of 5.0% or RMB124.7 million as compared with RMB2,484.7 million for the six months ended December 31, 2021. The decrease in the revenue was mainly attributable to the material impact of the recurring pandemic on the whole retail environment.

The total number of our standalone retail stores around the world increased from 1,956 as of June 30, 2022 to 2,004 as of December 31, 2022. Including standalone offline stores abroad, our sales network has covered all provinces, autonomous regions and municipalities in Mainland China and across ten 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:

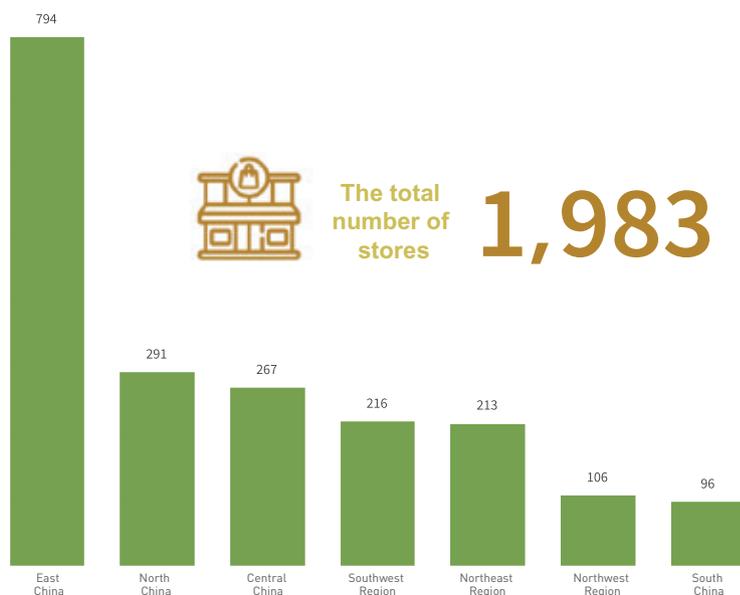
Number of our standalone retail stores around the world by different brands	As of December 31, 2022	As of June 30, 2022
Mature Brand JNBY	<u>932</u>	<u>921</u>
Subtotal	<u>932</u>	<u>921</u>
Younger Brands CROQUIS (速寫)	314	313
jnby by JNBY	486	471
LESS	<u>220</u>	<u>204</u>
Subtotal	<u>1,020</u>	<u>988</u>
Emerging Brands Other brands	<u>36</u>	<u>35</u>
Subtotal	<u>36</u>	<u>35</u>
“JNBY Group +” multi-brand collection stores	<u>16</u>	<u>12</u>
Total	<u>2,004</u>	<u>1,956</u>

	As of December 31, 2022	As of June 30, 2022
Number of our standalone retail stores around the world by different brands		
Number and geographic distribution of our retail stores by sales channels		
Mainland China		
Self-operated stores	571	551
Distributor-operated stores	1,407	1,381
Outside Mainland China		
Self-operated stores	1	1
Distributor-operated stores	25	23
Total	2,004	1,956

As of December 31, 2022, the total number of our standalone retail stores in countries and regions all over the world (excluding points of sale) was 2,004, and the following charts show the geographic distribution of our retail stores (including standalone distributor-operated and self-operated stores) across China as well as the distribution of our stores and retail sales by city tiers across Mainland China respectively:

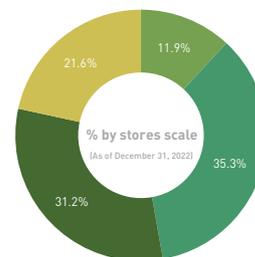
Total number and geographic distribution of stores across China

(As of December 31, 2022)

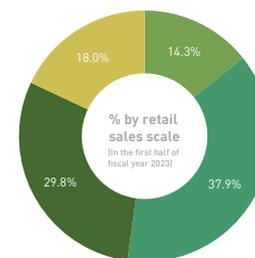


Distribution of stores and retail sales by city tiers across Mainland China

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



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



■ Tier 1 cities ■ Tier 2 cities ■ Tier 3 cities ■ Tier 4 & other cities

Same store sales growth of offline shops

In the first half of fiscal year 2023, the customer traffic of our offline shops recorded a significant decline affected by the pandemic preventive and control measures implemented in various places, as the pandemic recurring and spread rapidly across China. Although we have provided consumers with more value-added services by continuously launching new consumption scenarios or products such as “Box Project (不止盒子)” 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 the first half of fiscal year 2023 recorded a decrease of 3.9%, which was mainly due to the facts that:

- (i) the substantial decrease in customer traffic as a result of the pandemic;
- (ii) as a result of customer traffic, the incremental retail sales generated by the inventory sharing and allocation system was RMB401.2 million for the first half of fiscal year 2023, representing a decrease of 21.3% as compared with RMB509.6 million for the first half of fiscal year 2022; and
- (iii) the Gross Merchandise Volume (GMV) through social retail channels including “Box Project (不止盒子)”, “WeChat Mall (微商城)” and “Diversified Social E-commerce (多元化社交電商)” reached RMB543.2 million in the first half of fiscal year 2023, representing an increase of 42.8% as compared to RMB380.0 million for the first half of fiscal year 2022 due to continuous utilization of Internet+ mindsets and technologies. Most off-store sales were reflected in same store sales growth of offline shops, which are still insufficient to cover for the significant decline in customer traffic of our offline shops.

Members-related data

As of December 31, 2022, the Group had over 6.4 million membership accounts (without duplication) (as of June 30, 2022: over 5.9 million), including our more than 6.1 million subscribers (without duplication) on the WeChat platform (as of June 30, 2022: over 5.6 million). The proportion of the Group’s digital members on the WeChat platform remained stable, being over 90% (as of June 30, 2022: over 90%). During the first half of fiscal year 2023, the retail sales contributed by the members of the Group accounted for over 80% of our total retail sales.

In 2022, the number of active members accounts of the Group^(Note 1) (without duplication) was over 420,000 (2021: over 410,000), among these membership accounts, the number of WeChat active members accounts^(Note 2) (without duplication) was over 410,000 (2021: over 400,000). In 2022, the number of active members accounts and the number of WeChat active members accounts were slightly higher than that in 2021.

In 2022, the number of membership accounts with annual purchases totaling over RMB5,000 was over 220,000 (2021: over 200,000), and the retail sales contributed by those membership accounts has reached RMB2.93 billion (2021: RMB2.64 billion), accounting for over 50% to the total retail sales from offline channels. Among these membership accounts, the number of subscribers with annual purchases totaling over RMB5,000 and the retail sales in 2022 was higher than that of 2021, mainly due to the initial results of the Group's initiatives to continue to strengthen its brand equity and refine its member operation.

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 half years indicated:

	For the six months ended December 31,					
	2022		2021		Increase/(Decrease)	
	<i>RMB'000</i>	(%)	<i>RMB'000</i>	(%)	<i>RMB'000</i>	(%)
Mature Brand:						
JNBY	<u>1,371,130</u>	<u>58.1%</u>	<u>1,439,864</u>	<u>57.9%</u>	<u>(68,734)</u>	<u>(4.8)%</u>
Subtotal	<u>1,371,130</u>	<u>58.1%</u>	<u>1,439,864</u>	<u>57.9%</u>	<u>(68,734)</u>	<u>(4.8)%</u>
Younger Brands:						
CROQUIS (速寫)	<u>352,433</u>	<u>14.9%</u>	<u>389,111</u>	<u>15.7%</u>	<u>(36,678)</u>	<u>(9.4)%</u>
jnby by JNBY	<u>351,426</u>	<u>14.9%</u>	<u>354,643</u>	<u>14.3%</u>	<u>(3,217)</u>	<u>(0.9)%</u>
LESS	<u>242,539</u>	<u>10.3%</u>	<u>258,373</u>	<u>10.4%</u>	<u>(15,834)</u>	<u>(6.1)%</u>
Subtotal	<u>946,398</u>	<u>40.1%</u>	<u>1,002,127</u>	<u>40.4%</u>	<u>(55,729)</u>	<u>(5.6)%</u>
Emerging Brands:						
Other brands	<u>42,492</u>	<u>1.8%</u>	<u>42,689</u>	<u>1.7%</u>	<u>(197)</u>	<u>(0.5)%</u>
Subtotal	<u>42,492</u>	<u>1.8%</u>	<u>42,689</u>	<u>1.7%</u>	<u>(197)</u>	<u>(0.5)%</u>
Total revenue ⁽¹⁾	<u><u>2,360,020</u></u>	<u><u>100.0%</u></u>	<u><u>2,484,680</u></u>	<u><u>100.0%</u></u>	<u><u>(124,660)</u></u>	<u><u>(5.0)%</u></u>

Note:

(1) Includes revenue recorded by “JNBY Group +” multi-brand collection stores of RMB74.5 million.

For the first half of fiscal year 2023, the revenue of the Group has declined due to the adverse impact of the recurring pandemic on the retail environment. Revenue generated from the Group’s Mature brand with a history over 25 years, JNBY brand, representing a decrease of 4.8% or RMB68.7 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 declined by 5.6% in total. For Emerging brands portfolio, it consists of various new brands, such as POMME DE TERRE (蓬馬) and JNBYHOME. Revenue from Emerging brands portfolio totaling of RMB42.5 million were recorded, showing an aggregate of 1.8% 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 of our total revenue, for the half years indicated:

	For the six months ended December 31,					
	2022		2021		Increase/(Decrease)	
	<i>RMB'000</i>	(%)	<i>RMB'000</i>	(%)	<i>RMB'000</i>	(%)
Offline channels	1,930,520	81.8%	2,120,502	85.3%	(189,982)	(9.0)%
Self-operated stores	865,986	36.7%	978,906	39.4%	(112,920)	(11.5)%
Distributor-operated stores ⁽¹⁾	1,064,534	45.1%	1,141,596	45.9%	(77,062)	(6.8)%
Online channels	429,500	18.2%	364,178	14.7%	65,322	17.9%
Total revenue	<u>2,360,020</u>	<u>100.0%</u>	<u>2,484,680</u>	<u>100.0%</u>	<u>(124,660)</u>	<u>(5.0)%</u>

Note:

(1) Includes stores operated by overseas customers.

In the first half of fiscal year 2023, revenue generated from sales through our offline channels declined as compared with that in the first half of fiscal year 2022. While the revenue generated from sales through our online channels continued to increase, as a percentage of our total revenue, has increased from 14.7% for the first half of fiscal year 2022 to 18.2% for the first half of fiscal year 2023.

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 half years indicated:

	For the six months ended December 31,					
	2022		2021		Increase/(Decrease)	
	<i>RMB'000</i>	<i>(%)</i>	<i>RMB'000</i>	<i>(%)</i>	<i>RMB'000</i>	<i>(%)</i>
Mainland China	2,338,498	99.1%	2,466,076	99.3%	(127,578)	(5.2)%
Outside Mainland China ⁽¹⁾	21,522	0.9%	18,604	0.7%	2,918	15.7%
Total revenue	<u>2,360,020</u>	<u>100.0%</u>	<u>2,484,680</u>	<u>100.0%</u>	<u>(124,660)</u>	<u>(5.0)%</u>

Note:

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

Gross profit and gross profit margin

The Group's gross profit decreased by 3.0% from RMB1,573.8 million for the first half of fiscal year 2022 to RMB1,526.2 million for the first half of fiscal year 2023, which was mainly attributable to the decrease in revenue.

The Group's overall gross profit margin increased from 63.3% for the first half of fiscal year 2022 to 64.7% for the first half of fiscal year 2023, which was mainly attributable to the enhancement of the Group's comprehensive brand equity.

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 six months ended December 31,					
	2022		2021		Increase/(Decrease)	
	<i>RMB'000</i>	(%)	<i>RMB'000</i>	(%)	<i>RMB'000</i>	(%)
Mature Brand:						
JNBY	<u>909,568</u>	<u>66.3%</u>	<u>922,994</u>	<u>64.1%</u>	<u>(13,426)</u>	<u>(1.5)%</u>
Subtotal	<u>909,568</u>	<u>66.3%</u>	<u>922,994</u>	<u>64.1%</u>	<u>(13,426)</u>	<u>(1.5)%</u>
Younger Brands:						
CROQUIS (速寫)	<u>225,305</u>	<u>63.9%</u>	<u>245,877</u>	<u>63.2%</u>	<u>(20,572)</u>	<u>(8.4)%</u>
jnby by JNBY	<u>205,989</u>	<u>58.6%</u>	<u>212,017</u>	<u>59.8%</u>	<u>(6,028)</u>	<u>(2.8)%</u>
LESS	<u>164,560</u>	<u>67.8%</u>	<u>172,257</u>	<u>66.7%</u>	<u>(7,697)</u>	<u>(4.5)%</u>
Subtotal	<u>595,854</u>	<u>63.0%</u>	<u>630,151</u>	<u>62.9%</u>	<u>(34,297)</u>	<u>(5.4)%</u>
Emerging Brands:						
Other brands	<u>20,798</u>	<u>48.9%</u>	<u>20,659</u>	<u>48.4%</u>	<u>139</u>	<u>0.7%</u>
Subtotal	<u>20,798</u>	<u>48.9%</u>	<u>20,659</u>	<u>48.4%</u>	<u>139</u>	<u>0.7%</u>
Total	<u><u>1,526,220</u></u>	<u><u>64.7%</u></u>	<u><u>1,573,804</u></u>	<u><u>63.3%</u></u>	<u><u>(47,584)</u></u>	<u><u>(3.0)%</u></u>

	For the six months ended December 31,					
	2022		2021		Increase/(Decrease)	
	<i>RMB'000</i>	(%)	<i>RMB'000</i>	(%)	<i>RMB'000</i>	(%)
Offline channels	<u>1,264,721</u>	<u>65.5%</u>	<u>1,358,668</u>	<u>64.1%</u>	<u>(93,947)</u>	<u>(6.9)%</u>
Self-operated stores	<u>630,671</u>	<u>72.8%</u>	<u>695,294</u>	<u>71.0%</u>	<u>(64,623)</u>	<u>(9.3)%</u>
Distributor-operated stores	<u>634,050</u>	<u>59.6%</u>	<u>663,374</u>	<u>58.1%</u>	<u>(29,324)</u>	<u>(4.4)%</u>
Online channels	<u>261,499</u>	<u>60.9%</u>	<u>215,136</u>	<u>59.1%</u>	<u>46,363</u>	<u>21.6%</u>
Total	<u><u>1,526,220</u></u>	<u><u>64.7%</u></u>	<u><u>1,573,804</u></u>	<u><u>63.3%</u></u>	<u><u>(47,584)</u></u>	<u><u>(3.0)%</u></u>

Selling and marketing expenses and administrative expenses

In the first half of fiscal year 2023, selling and marketing expenses were RMB817.5 million (the first half of fiscal year 2022: RMB797.9 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 the first half of fiscal year 2023 (the first half of fiscal year 2022: 32.1%). The increase in the expense ratio as compared to the first half of fiscal year 2022 was mainly attributable to (i) the Group's increased marketing expenses to improve brand power; and (ii) the decreased revenue of offline shops under the impact of the pandemic with relatively stable fixed expenses such as shop rent and employee compensation. The administrative expenses for the first half of fiscal year 2023 were RMB211.7 million (the first half of fiscal year 2022: RMB190.6 million) which, among others, primarily consist of: (i) employee benefit expenses; (ii) product development outsourcing fees; and (iii) professional service expenses. In particular, the expenses incurred by the product design and R&D department amounted to RMB79.2 million (the first half of fiscal year 2022: RMB70.6 million). In percentage terms, administrative expenses accounted for 9.0% of our revenue in the first half of fiscal year 2023 (the first half of fiscal year 2022: 7.7%).

Finance income, net

The Group's finance income, net for the first half of fiscal year 2023 was net loss of RMB2.8 million (the first half of fiscal year 2022: financial income, net was net gain of RMB0.8 million).

Net profit and net profit margin

Due to the above-mentioned factors, net profit for the first half of fiscal year 2023 was RMB371.7 million, representing a decrease of 16.2% or RMB72.1 million as compared with RMB443.8 million for the first half of fiscal year 2022. Net profit margin decreased from 17.9% for the first half of fiscal year 2022 to 15.8% for the first half of fiscal year 2023.

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 our self-operated stores. The Company's capital expenditure for the first half of fiscal year 2023 was RMB69.0 million (the first half of fiscal year 2022: RMB79.5 million).

Profit before income tax

The Group's profit before income tax decreased by 16.3%, from RMB614.6 million for the first half of fiscal year 2022 to RMB514.5 million for the first half of fiscal year 2023. The decrease in the profit before income tax was mainly due to the decrease in the Group's operating profit.

Financial position

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

As of December 31, 2022, the Group's cash and cash equivalents were RMB657.8 million (June 30, 2022: RMB591.7 million), of which 86.4% was denominated in RMB, 0.6% in US dollars and 13.0% in other currencies. Net cash inflow from operating activities in the first half of fiscal year 2023 was RMB387.4 million, a decrease of 49.9% as compared with RMB772.8 million in the first half of fiscal year 2022.

As of December 31, 2022, our short-term bank loans amounted to RMB198.5 million, representing (i) our short-term loans of RMB49.7 million borrowed from Industrial and Commercial Bank of China on May 17, 2022, (ii) our short-term loans of RMB49.7 million borrowed from Industrial and Commercial Bank of China on September 22, 2022, (iii) our short-term loans of RMB49.8 million borrowed from Bank of Hangzhou on October 8, 2022, and (iv) our short-term loans of RMB49.3 million borrowed from Bank of Ningbo on November 2, 2022.

Significant investment events

Subscription of financial products

On August 23, 2022, JNBY Finery Co., Ltd. ("**JNBY Finery**"), a subsidiary of the Company, subscribed for the short-term financial products of China Merchants Bank with a principal of RMB30,000,000. The subscription mentioned above does not constitute a notifiable transaction of the Company.

On November 28, 2022, JNBY Finery subscribed for the short-term financial products of China Merchants Bank with a principal of RMB30,000,000. The subscription mentioned above does not constitute a notifiable transaction of the Company.

On December 15, 2022, JNBY Finery subscribed for the short-term financial products of China Merchants Bank with a principal of RMB30,000,000. The subscription mentioned above does not constitute a notifiable transaction of the Company.

Investment funds

On July 13, 2022, the Group made capital contributions of RMB4,500,000 to subscribe for a venture capital fund as a limited partner with a total capital commitment of RMB30,000,000. The subscription mentioned above does not constitute a notifiable transaction of the Company.

Equity investment

On August 23, 2022, the Group signed an equity investment agreement with Hangzhou Jiasheng Catering Management Co., Ltd. (杭州嘉笙餐飲管理有限公司) to acquire 16.5% of its equity with a total capital commitment of RMB29,325,000. For the six months ended December 31, 2022, the Group has made the capital contributions in full. The equity investment 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 increased to 1,516 as of December 31, 2022 (June 30, 2022: 1,497). The total staff costs for the first half of fiscal year 2023 (including basic salaries and allowances, social security insurance, discretionary bonuses and share-based compensation expenses) were RMB201.9 million (the first half of fiscal year 2022: RMB175.5 million), representing 8.6% of our revenue (the first half of fiscal year 2022: 7.1%).

Pledge of assets

As of December 31, 2022, the Group did not have any secured bank borrowings.

Contingent liabilities

As of December 31, 2022, the Group did not have any material contingent liabilities.

Events after the balance sheet date

Pursuant to a resolution of the board of directors on 27 February 2023, an interim dividend of HK\$0.30 (approximately RMB0.27) per ordinary share was approved.

Except for the events as described above, the Group has no significant events after the balance sheet date and up to the date of this announcement.

OUTLOOK

In the post-pandemic era, China will continue to serve as the driving force for global consumption growth with its reopening. 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 which are relatively more trustworthy, therefore, the segmented market where the designer brands operate is showing a competitive trend of inclining to the leading brands.

As an influential 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 an influential 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 optimizing 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.

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 December 31, 2022, these proceeds had been fully used for the purposes as stated in the prospectus of the Company dated October 19, 2016.

INTERIM DIVIDEND

The Board declared the payment of an interim dividend of HK\$0.30 per ordinary share (equivalent to approximately RMB0.27 per ordinary share) for the six months ended December 31, 2022. The above interim dividend is expected to be paid on April 20, 2023 to the shareholders of the Company (the "**Shareholders**") whose names appear on the Company's register of members on April 12, 2023.

CLOSURE OF REGISTER OF MEMBERS

In order to determine the identity of members who are eligible for receiving the interim dividend, the register of members of the Company will be closed from April 11, 2023 to April 12, 2023 (both days inclusive), during which period no share transfer will be registered. In order to be eligible for receiving the interim dividend, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Link Market Services (Hong Kong) Pty Limited, at Suite 1601, 16/F., Central Tower, 28 Queen's Road Central, Hong Kong, for registration not later than 4:30 p.m. on April 6, 2023.

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 (the "**CG Code**") contained in Appendix 14 to the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") as its own corporate governance code.

The Company has complied with all applicable code provisions under the CG Code during the six months ended December 31, 2022. The Company will continue to review and monitor its corporate governance practices to ensure compliance with the CG Code.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors’ securities transactions. Specific enquiry has been made to all Directors and each of the Directors has confirmed that he/she has complied with the required standards as set out in the Model Code during the six months ended December 31, 2022.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the six months ended December 31, 2022, save as the trustee of the Restricted Share Unit Scheme purchased a total of 1,032,000 shares of the Company with approximately HK\$7.1 million at the Stock Exchange pursuant to the rules of the Restricted Share Unit Scheme and the terms of the trust in order to grant shares to selected participants, none of the Company or any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities.

AUDIT COMMITTEE

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

The Audit Committee, together with the management and the external auditor of the Company, has reviewed the Group’s unaudited condensed interim results for the six months ended December 31, 2022.

PUBLICATION OF THE INTERIM RESULTS ANNOUNCEMENT AND THE INTERIM REPORT

This interim results announcement has been published on the website of the Stock Exchange (www.hkexnews.hk) and that of the Company (www.jiangnanbuyigroup.com.cn), and the interim report of the Company for the six months ended December 31, 2022 containing all the information required by the Listing Rules will be dispatched to the Shareholders and published on the aforesaid websites in due course.

By order of the Board
JNBY Design Limited
Wu Jian
Chairman and Executive Director

Hong Kong, February 27, 2023

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