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# 江南布衣<sup>+</sup> JNBY GROUP

**JNBY Design Limited**

**江南布衣有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 3306)**

## **CONNECTED TRANSACTION**

### **(1) OCTOBER 2020 OFFICE BUILDING LEASE AGREEMENT**

## **CONTINUING CONNECTED TRANSACTION**

### **(2) 2020 CONCESSION AGREEMENTS**

#### **OCTOBER 2020 AGREEMENTS**

The Board announces that, on September 29, 2020, the Group and Huikang Industrial agreed to terminate the 2020 Renewed Office Building Lease Agreement and Huikang Industrial agreed to lease a premises in Hangzhou to the Group for office purpose for a term of one year and nine months commencing from October 1, 2020 (the “**October 2020 Office Building Lease Agreement**”). On the same day, the Group and Huizhan Technology entered into certain concession agreements, pursuant to which Huizhan Technology granted to the Group the sole and exclusive right to operate business of retail of clothes at the specified premises owned by Huizhan Technology for a term of three years commencing from October 18, 2020 or the actual business commencement date, whichever is earlier (the “**2020 Concession Agreements**”) (the October 2020 Office Building Lease Agreement and the 2020 Concession Agreements, collectively, the “**October 2020 Agreements**”).

#### **LISTING RULES IMPLICATIONS**

As Huikang Industrial is indirectly wholly-owned by the Founders and thus is a connected person of the Company, the transactions contemplated under the October 2020 Office Building Lease Agreement constitute connected transactions of the Company. Pursuant to Chapter 14A of the Listing Rules, as the transactions contemplated under the October 2020 Office Building Lease Agreement and 2020 Non-continuing Lease Transactions (collectively, the “**October 2020 Non-continuing Lease Transactions**”) are of similar nature, the October 2020 Non-continuing Lease Transactions will be aggregated and treated as if they were one transaction.

On an aggregated basis, one or more of the applicable percentage ratios in respect of respective estimated value of right-of-use assets of the October 2020 Non-continuing Lease Transactions exceeds 0.1% but all the applicable percentage ratios are less than 5%. As such, the October 2020 Non-continuing Lease Transactions are subject to the reporting and announcement requirements but are exempt from circular (including independent financial advice) and Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As Huizhan Technology is indirectly controlled by the Founders and thus is a connected person of the Company, the transactions contemplated under the 2020 Concession Agreements constitute connected transactions of the Company. Pursuant to Chapter 14A of the Listing Rules, one or more of the applicable percentage ratios in respect of the annual caps (as defined in the Listing Rules) of the transactions contemplated under the 2020 Concession Agreements exceeds 0.1% but all the applicable percentage ratios are less than 5%. As such, the transactions contemplated under the 2020 Concession Agreements are subject to the reporting and announcement requirements but are exempt from circular (including independent financial advice) and Shareholders' approval requirements under Chapter 14A of the Listing Rules.

#### **(1) OCTOBER 2020 OFFICE BUILDING LEASE AGREEMENT**

References are made to the announcement of the Company dated November 23, 2018 in relation to the Continuing Connected Transactions — 2019 Lease Agreements, the announcement of the Company dated February 27, 2019 in relation to Continuing Connected Transactions — February 2019 Lease Agreements, the announcement of the Company dated October 17, 2019 in relation to the Continuing Connected Transactions — October 2019 Lease Agreements and the announcement of the Company dated May 28, 2020 in relation to the Connected Transactions and Continuing Connected Transactions — May 2020 Lease Agreements (collectively, the “**Announcements**”). Unless otherwise stated, capital terms used in this announcement shall have the same meanings as defined in the Announcements.

Pursuant to the 2020 Renewed Office Building Lease Agreement I as published in the Announcements, Huikang Industrial, as lessor, agreed to lease to the Group a premises located in Hangzhou for office purpose for a term of six months commencing from July 1, 2020. Due to the relocation plan of the headquarters of the Group, the Group and Huikang Industrial agreed to terminate the 2020 Renewed Office Building Lease Agreement I with effect from October 1, 2020 and entered into October 2020 Office Building Lease Agreement, pursuant to which, Huikang Industrial agreed to lease to the Group a premises in Hangzhou for office purpose for a term of one year and nine months commencing from October 1, 2020.

Set forth below is a summary of the principal terms of the October 2020 Office Building Lease Agreement:

Date	September 29, 2020
Parties	(1) JNBY Finery as lessee; and (2) Huikang Industrial as lessor
Premises	A premises of 850 square meters located at Blue Sea Times International Building, 39 Yile Road, Xihu District, Hangzhou, Zhejiang, China (中國浙江省杭州市西湖區益樂路39號藍海時代國際大廈)
Term	One year and nine months commencing from October 1, 2020
Rent and other charges	The annual rent payable is RMB600,000
Payment schedule	Annual in advance
Purpose	To be used for office purpose

Under HKFRS 16 and in the consolidated statement of financial position of the Group, for the October 2020 Office Building Lease Agreement, JNBY Finery as the lessee shall recognize a lease as a right-of-use asset and a lease liability. The right-of-use asset represents its right to use the underlying leased asset over the lease term and the lease liability represents its obligation to make lease payments (i.e. the rent and certain other charge payments) under the October 2020 Office Building Lease Agreement. The assets and the liabilities arising from the leases are initially measured on present value basis and calculated by discounting the non-cancellable lease payments under the leases, using the incremental borrowing rate as the discount rate. Under HKFRS 16 and in the consolidated statement of comprehensive income of the Group, JNBY Finery shall recognize (i) depreciation charge over the life of the right-of-use asset, and (ii) interest expenses amortized from the lease liability over the lease term under the October 2020 Office Building Lease Agreement.

## (2) 2020 CONCESSION AGREEMENTS

The board announces that, on September 29, 2020, the Group and Huizhan Technology entered into the 2020 Concession Agreements, pursuant to which Huizhan Technology granted to the Group the sole and exclusive right to operate business of retail of clothes under specified brands owned by the Group 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. Under respective concession agreement, the total concession fees payable by the Group to Huizhan Technology is consisted of (i) rent for specified premises, (ii) promotion service fee, and (iii) property management services fee and utilities.

Set forth below is a summary of the principal terms of each of the 2020 Concession Agreements:

### (i) 2020 Concession Agreement I

Date	September 29, 2020
Parties	(1) JNBY Finery as concessioner; and (2) Huizhan Technology as grantor
Term	Three years commencing from October 18, 2020 or the actual business commencement date after decoration as agreed between parties, whichever is earlier
Principal terms	Huizhan Technology grants the sole and exclusive right to operate business of retail of clothes under the brand “jnby by JNBY” at specified premises under the proprietary rights owned by Huizhan Technology
Premises	A premises of 81 square meters located at Shop 07, Basement Level 1, Hangzhou Tianmu Qingshui Commercial Center, 398 Tianmu Mountain Road, Xihu District, Hangzhou, Zhejiang, China (中國浙江省杭州市西湖區天目山路398號杭州天目清水商業中心地下一層第07號商舖)

Pricing policy	<p>(i) The rent payable for specified premises is calculated based on the monthly turnover (tax included) multiplied by a royalty rate (10%) per month</p> <p>(ii) The promotion services fees payable is RMB810 per month; and</p> <p>(iii) The property management fee payable is RMB3,645 per month and utilities will be billed based on actual usage</p>
Payment schedule	Monthly payment
Purpose	To be used for retail stores purpose
<b>(ii) 2020 Concession Agreement II</b>	
Date	September 29, 2020
Parties	<p>(1) JNBY Finery as concessioner; and</p> <p>(2) Huizhan Technology as grantor</p>
Term	Three years commencing from October 18, 2020 or the actual business commencement date after decoration as agreed between parties, whichever is earlier
Principal terms	Huizhan Technology grant the sole and exclusive right to operate business of retail of clothes under the brand “POMME DE TERRE” (蓬馬) at specified premises under the proprietary rights owned by Huizhan Technology
Premises	A premises of 68 square meters located at Shop 08, Basement Level 1, Hangzhou Tianmu Qingshui Commercial Center, 398 Tianmu Mountain Road, Xihu District, Hangzhou, Zhejiang, China (中國浙江省杭州市西湖區天目山路398號杭州天目清水商業中心地下一層第08號商舖)

Pricing policy	<ul style="list-style-type: none"> <li>(i) The rent payable for specified premises is calculated based on the monthly turnover (tax included) multiplied by a royalty rate (10%) per month</li> <li>(ii) The promotion services fees payable is RMB680 per month; and</li> <li>(iii) The property management fee payable is RMB3,060 per month and utilities will be billed based on actual usage</li> </ul>
Payment schedule	Monthly payment
Purpose	To be used for retail stores purpose
<b>(iii) 2020 Concession Agreement III</b>	
Date	September 29, 2020
Parties	<ul style="list-style-type: none"> <li>(1) JNBY Finery as concessioner; and</li> <li>(2) Huizhan Technology as grantor</li> </ul>
Term	Three years commencing from October 18, 2020 or the actual business commencement date after decoration as agreed between parties, whichever is earlier
Principal terms	Huizhan Technology grants the sole and exclusive right to operate business of retail of clothes under the brand “JNBY Membership Store” (江南布衣城市會員店) at specified premises under the proprietary rights owned by Huizhan Technology
Premises	A premises of 484 square meters located at Shops 67, 68, 69, and 70, Basement Level 1, Hangzhou Tianmu Qingshui Commercial Center, 398 Tianmu Mountain Road, Xihu District, Hangzhou, Zhejiang, China (中國浙江省杭州市西湖區天目山路398號杭州天目清水商業中心地下一層第67、68、69、70號商舖)

Pricing policy	<ul style="list-style-type: none"> <li>(i) The rent payable for specified premises is calculated based on the monthly turnover (tax included) multiplied by a royalty rate (10%) per month</li> <li>(ii) The promotion services fees payable is RMB4,840 per month; and</li> <li>(iii) The property management fee payable is RMB21,780 per month and utilities will be billed based on actual usage</li> </ul>
Payment schedule	monthly payment
Purpose	To be used for retail stores purpose

**REASONS FOR AND BENEFITS OF ENTERING INTO THE OCTOBER 2020 OFFICE BUILDING LEASE AGREEMENT AND THE 2020 CONCESSION AGREEMENTS**

**(1) October 2020 Office Building Lease Agreement**

The Directors are of the view that due to the relocation plan of headquarters of the Group, the leasing of office building as temporary headquarters under the 2020 Renewed Office Building Lease Agreement I shall be terminated in advance and the leasing of office building under the October 2020 Office Building Lease Agreement is able to satisfy the decreased needs for offices of the Group.

The Directors are of the view that rent and other charges payable under the October 2020 Office Building Lease Agreement are determined on the basis of the prevailing market price of the comparable properties in the place where the leased properties are located. The Directors took into consideration a range of relevant factors (such as location, size, transportation, and facilities of the properties) to determine whether the properties were suitable for the Group and its business. The Directors are of the view that the October 2020 Office Building Lease Agreement are entered into in the ordinary and usual course of our business, and the Company considers that such lease agreement is on normal commercial terms, fair and reasonable, and in the interests of the Company and its shareholders as a whole.

## (2) 2020 Concession Agreements

The Directors are of the view that the business operation and development of the Group requires the entering into of the 2020 Concession Agreements which enables the Group to exert its strengths and grasp market opportunities for raising the brand awareness of the Group and solidifying the market position in Hangzhou.

The Directors are of the view that the concession fees was determined on the basis of the prevailing market price of the comparable premises in the place where the leased premises are located. The Directors took into consideration a range of relevant factors (such as location, facilities of the properties, cost for concession and adequate and systematic services) to determine whether the concession was suitable for the Group and its business.

## PROPOSED ANNUAL CAPS FOR CONTINUING CONNECTED TRANSACTIONS

### 2020 Concession Agreements

Set out below are the annual caps for the years ending June 30, 2021, 2022 and 2023 for the 2020 Concession Agreements:

	For the years ending June 30,		
	2021	2022	2023
	(RMB)	(RMB)	(RMB)
Annual caps for the 2020 Concession Agreements	15,000,000	20,000,000	20,000,000

In determining the annual caps for the 2020 Concession Agreements, the Directors have considered the potential increase in sales volume of clothes on the assumption that the Group will be able to expand the business gradually as well as the potential increase in labor and warehousing costs.

## INFORMATION ABOUT THE PARTIES

The Company is a leading designer brand fashion house based in China. The Group designs, promotes and sells contemporary apparel, footwear and accessories for women, men, children and teenagers as well as household products. Brand portfolio of the Group currently 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 the Group's universal brand philosophy — “Just Naturally Be Yourself”.



Mr. Wu Jian and Ms. Li Lin are the Founders. Mr. Wu Jian is a controlling shareholder of the Company, the Chairman of the Board, and an executive Director. Ms. Li Lin is a controlling shareholder of the Company, an executive Director and the Chief Creative Officer of the Company. Mr. Wu Jian and Ms. Li Lin are connected persons of the Company.

JNBY Finery is a limited liability company incorporated in the PRC with limited liability on June 21, 2011 and an indirectly wholly-owned subsidiary of the Company.

Huikang Industrial is a wholly foreign owned enterprise established under the laws of the PRC on August 22, 2002 by Famewise Development Limited (慧康發展有限公司) and Sinomax Corporation Limited (華卓有限公司), both of which are wholly-owned companies of our Founders (equity interest held through nominees) holding 70% and 30% of the shares of Huikang Industrial, respectively. Huikang Industrial is a connected person of the Company.

Huizhan Technology is a wholly foreign owned enterprise established under the laws of the PRC on July 16, 2008 by United Citi Investment Limited and Eminent Health (Hong Kong) Limited, which hold 84.6% and 15.4% of the shares of Huizhan Technology, respectively. United Citi Investment Limited is indirectly wholly-owned by the Founders, who thus are controlling shareholders of Huizhan Technology.

## **LISTING RULES IMPLICATIONS**

### **(1) October 2020 Office Building Lease Agreement**

Huikang Industrial is indirectly wholly-owned by the Founders and thus is a connected person of the Company. The transactions contemplated under the October 2020 Office Building Lease Agreement constitutes a connected transaction for the Company pursuant to Chapter 14A of the Listing Rules.

Pursuant to HKFRS 16, the lease transactions under the October 2020 Office Building Lease Agreement will be recognized as right-of-use assets for the Group from the commencement of the October 2020 Office Building Lease Agreement. The right-of-use asset represents the Group's right to use the underlying leased asset over the lease term and the lease liability represents its obligation to make lease payments (i.e. the rent and certain other charge payments). Taking into account these factors, the total value of the right-of-use of the lease transactions under the October 2020 Office Building Lease Agreement, recognized by the Group amounts to approximately RMB1,100,000.

Pursuant to Chapter 14A of the Listing Rules, as the transaction contemplated under the October 2020 Office Building Lease Agreement and the 2020 Non-continuing Lease Transactions are of similar nature, the October 2020 Non-continuing Lease Transactions will be aggregated and treated as if they were one transaction, the total value of the right-of-use assets of which recognized by the Group amounts to

approximately RMB11,400,000. The discount rate of 3% is applied to compute the present value of aggregate lease payments under the October 2020 Non-continuing Lease Transactions. Shareholders should note that the above figure is unaudited and may be subject to adjustment in the future.

On an aggregated basis, one or more of the applicable percentage ratios in respect of respective estimated value of right-of-use assets of the October 2020 Non-continuing Lease Transactions exceeds 0.1% but all the applicable percentage ratios are less than 5%. As such, the October 2020 Non-continuing Lease Transactions are subject to the reporting and announcement requirements but are exempt from circular (including independent financial advice) and Shareholders' approval requirements under Chapter 14A of the Listing Rules.

## **(2) 2020 Concession Agreements**

Huizhan Technology is indirectly controlled by the Founders and thus is a connected person of the Company. The transactions contemplated under the 2020 Concession Agreements constitute connected transactions of the Company pursuant to Chapter 14A of the Listing Rules.

Pursuant to Chapter 14A of the Listing Rules, one or more of the applicable percentage ratios in respect of the annual caps (as defined in the Listing Rules) of the transactions contemplated under the 2020 Concession Agreements exceeds 0.1% but all the applicable percentage ratios are less than 5%. As such, the transactions contemplated under the 2020 Concession Agreements are subject to the reporting and announcement requirements but are exempt from circular (including independent financial advice) and Shareholders' approval requirements under Chapter 14A of the Listing Rules.

## **CONFIRMATION BY THE BOARD**

The Directors (including the independent non-executive Directors) are of the view that: (a) it is beneficial for the Group to enter into the October 2020 Agreement, as they will facilitate the operation and growth of the Group's business; (b) the October 2020 Agreements were entered into in the ordinary and usual course of business of the Group and will be conducted on normal commercial terms, and are fair and reasonable and in the interests of the Company and its Shareholders as a whole; and (c) the estimated value of right-of-use assets of the October 2020 Non-continuing Lease Transactions and the proposed annual caps set for the 2020 Concession Agreements are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

On September 29, 2020, the Board considered and approved the resolutions in relation to the entering into the October 2020 Agreements, the estimated value of right-of-use assets of the 2020 Non-continuing Lease Transactions and revised annual caps set for the 2020 Concession Agreements. As Mr. Wu Jian, the Chairman of the Board and an executive

Director, and Ms. Li Lin, an executive Director, are deemed to have material interests in the October 2020 Agreements, they have abstained from voting on the Board resolutions for approving the said matters.

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

Hong Kong, September 29, 2020

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