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江南布衣⁺ JNBY GROUP

JNBY Design Limited

江南布衣有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3306)

**CONNECTED TRANSACTION
APRIL 2021 LEASE AGREEMENTS**

APRIL 2021 HUIZHAN LEASE AGREEMENTS

The Board announces that, on April 8, 2021, the Group entered into certain lease agreements with Huizhan Technology, pursuant to which Huizhan Technology agreed to lease to the Group (i) the premise in Hangzhou of 6,047.44 square meters for office purpose with a term of approximately one year and eight months commencing from April 8, 2021 (the “**April 2021 Office Building Lease Agreement**”); 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 (the “**April 2021 Car Park Lease Agreement**”) (the April 2021 Office Building Lease Agreement and the April 2021 Car Park Lease Agreement, collectively, the “**April 2021 Huizhan Lease Agreements**”).

APRIL 2021 HUIKANG LEASE AGREEMENTS

On the same day, the Group entered into a lease agreement with Huikang Industrial, pursuant to which Huikang Industrial agreed to lease premises in Hangzhou to the Group for holding products ordering fair purpose with a term of one year commencing from April 8, 2021 (the “**April 2021 Huikang Lease Agreement**”) (the April 2021 Huizhan Lease Agreements and the April 2021 Huikang Lease Agreement, collectively, the “**April 2021 Lease Agreements**”).

LISTING RULES IMPLICATIONS

As each of Huizhan Technology and Huikang Industrial is indirectly wholly-owned by the Founders and thus is a connected person of the Company, the transactions contemplated under the April 2021 Huizhan Lease Agreements constitute connected transactions of the Company and the transaction contemplated under the April 2021 Huikang Lease Agreement constitutes continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

April 2021 Huizhan Lease Agreements

Pursuant to Chapter 14A of the Listing Rules, as the transactions contemplated under the April 2021 Huizhan Lease Agreements, October 2020 Office Building Lease Agreement (as disclosed in the announcement of the Company dated September 29, 2020), 2020 Office Building Lease Agreement and 2020 Warehouse Lease Agreement (as disclosed in the announcement of the Company dated May 28, 2020) and Staff Canteen Lease Agreement I (as disclosed in the announcement of the Company dated October 17, 2019) (collectively, the “**April 2021 Non-continuing Lease Transactions**”) are of similar nature, the April 2021 Non-continuing Lease Transactions will be aggregated and treated as if they were one transaction. The aggregate value of the right-of-use assets of April 2021 Non-continuing Lease Transactions recognized by the Group is as follows:

	Value of right-of-use assets recognized
April 2021 Huizhan Lease Agreements	RMB24,120,125
October 2020 Office Building Lease Agreement	RMB1,045,583
2020 Office Building Lease Agreement	RMB1,986,676
2020 Warehouse Lease Agreement	RMB5,250,501
Staff Canteen Lease Agreement I	<u>RMB2,948,121</u>
Total	<u><u>RMB35,351,006</u></u>

April 2021 Huikang Lease Agreements

Pursuant to Chapter 14A of the Listing Rules, as the transaction contemplated under the April 2021 Huikang Lease Agreement is of similar nature as 2020 Continuing Lease Transactions, the transactions contemplated under the April 2021 Huikang Lease Agreement and the 2020 Continuing Lease Transactions (collectively, the “**April 2021 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 each of (i) the value of right-of-use assets of the April 2021 Non-continuing Lease Transactions and (ii) the annual caps for the amount of rental payable by the Group under the April 2021 Continuing Lease Transactions for the year ending June 30, 2022 exceeds 0.1% but all the applicable percentage ratios are less than 5%. As such, the April 2021 Non-continuing Lease Transactions and April 2021 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.

References are made to the announcement of the Company dated May 28, 2020 in relation to Connected Transactions and Continuing Connected Transactions — May 2020 Lease Agreements and the announcement of the Company dated September 29, 2020 in relation to the Connected Transaction — October 2020 Office Building Lease Agreement (the “**Announcements**”). Unless otherwise stated, capital terms used in this announcement shall have the same meanings as defined in the Announcements.

APRIL 2021 HUIZHAN LEASE AGREEMENTS

The Board announces that, on April 8, 2021, the Group entered into April 2021 Huizhan Lease Agreements with Huizhan Technology, pursuant to which Huizhan Technology agreed to lease to the Group (i) the premise in Hangzhou of 6,047.44 square meters 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.

Set forth below is a summary of the principal terms of the April 2021 Huizhan Lease Agreements:

April 2021 Office Building Lease Agreement

Date	April 8, 2021
Parties	(1) JNBY Finery as lessee; and (2) Huizhan Technology as lessor
Premise	A premise of 6,047.44 square meters located at 398 Tianmushan Road, Xihu District, Hangzhou, Zhejiang, China (中國浙江省杭州市西湖區天目山路398號天目里)
Term	Approximately one year and eight months commencing from April 8, 2021 and expiring on November 30, 2022
Rent and other charges	(i) The annual rent payable is RMB12,140,236; (ii) The annual property management services fee payable is RMB1,233,678; and (iii) The utilities will be billed based on actual usage.
Payment schedule	(i) The rent and property management services fee are payable in cash annually in advance; and (ii) The utilities is payable in cash monthly in arrears.
Purpose	Office
Value of right-of-use assets recognized	RMB21,989,255

April 2021 Car Park Lease Agreement

Date	April 8, 2021
Parties	(1) JNBY Finery as lessee; and (2) Huizhan Technology as lessor
Premise	An underground premise with 180 car parking lots located at B3/F, 398 Tianmushan Road, Xihu District, Hangzhou, Zhejiang, China (中國浙江省杭州市西湖區天目山路398號天目里地下三層)
Term	Approximately one year and eight months commencing from April 8, 2021 and expiring on November 30, 2022
Rent	The annual rent payable is RMB1,296,000
Payment schedule	Annual in advance
Purpose	Car-parking
Value of right-of-use assets recognized	RMB2,130,870

Under HKFRS 16 and in the consolidated statement of financial position of the Group, for the April 2021 Huizhan Lease Agreements, 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 April 2021 Huizhan Lease Agreements. 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 April 2021 Huizhan Lease Agreements.

APRIL 2021 HUIKANG LEASE AGREEMENT

The Board announces that, on April 8, 2021, the Group entered into the April 2021 Huikang Lease Agreement with Huikang Industrial, pursuant to which Huikang Industrial agreed to lease a premise in Hangzhou to the Group for holding products ordering fair purpose with a term of one year commencing from April 8, 2021.

Date	April 8, 2021
Parties	(1) JNBY Finery as lessee; and (2) Huikang Industrial as lessor
Premise	A premise of 7,685 square meters located at 350 Hongda Road, Economic and Technology Development District, Xiaoshan District, Hangzhou, Zhejiang, China (中國浙江省杭州市蕭山區經濟技術開發區鴻達路350號)
Term	One year commencing from April 8, 2021 and expiring on April 7, 2022
Rent	The rent payable is calculated based on the actual days of usage and standard usage fee (RMB63,000 per day)
Payment schedule	Monthly in arrears
Purpose	Holding products ordering fair

Proposed Annual Caps for Continuing Connected Transactions

Taking the April 2021 Huikang Lease Agreement into account, it is expected that the existing annual caps of the 2020 Continuing Lease Transactions will be unable to cover the Group's demand, and the Board therefore proposes that the existing annual caps be revised for the years ending June 30, 2021, 2022 and 2023. The revised annual caps will become effective upon the date of the Board's approval.

The revised annual caps were determined after taking into account: (i) the existing annual caps for the 2020 Continuing Lease Transactions for the years ending June 30, 2021, 2022 and 2023; and (ii) the rent and other charges payable under the April 2021 Huikang Lease Agreement.

The Board has proposed to revise the existing annual caps to the revised annual caps as follows:

	For the year ending June 30, 2021 (RMB)	For the year ending June 30, 2022 (RMB)	For the year ending June 30, 2023 (RMB)
Estimated annual rent and other charges under the April 2021 Huikang Lease Agreement	945,000	945,000	—
Proposed annual caps for rent and other charges under the April 2021 Huikang Lease Agreement	950,000	950,000	—
Existing annual caps	53,100,000	53,120,000	18,600,000
Estimate annual rent and other charges under the April 2021 Continuing Lease Transactions	53,840,331	53,986,943	18,532,449
Revised annual caps	<u>54,050,000</u>	<u>54,070,000</u>	<u>18,600,000</u>

In determining the above revised annual caps for the April 2021 Continuing Lease Transactions, our Directors have considered the pricing terms of the underlying lease agreements and adjustments for expected inflation. Our Directors confirm that the annual rent and other charges payable and the revised annual caps for the April 2021 Continuing Lease Transactions are determined on normal commercial terms and with reference to market price and previous transactions and figures when applicable.

REASONS FOR AND BENEFITS OF ENTERING INTO THE APRIL 2021 LEASE AGREEMENTS

The Directors are of the view that the business operation and development of the Group requires the entering into of the April 2021 Lease Agreements for the following reasons: (i) leasing of new office will provide a conducive working environment for our employees; (ii) leasing of new car parking lots will satisfy the car-parking needs of increasing number of employees; and (iii) leasing of venue enables the Group to hold products ordering fairs for business operations.

The Directors are of the view that rent and other charges payable under the April 2021 Lease Agreements were 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 April 2021 Lease

Agreements are entered into in the ordinary and usual course of our business, and the Company considers that such lease contract is on normal commercial terms, fair and reasonable, and in the interests of the Company and its Shareholders as a whole.

LISTING RULES IMPLICATIONS

As each of Huizhan Technology and Huikang Industrial is indirectly wholly-owned by the Founders and thus is a connected person of the Company, the transactions contemplated under the April 2021 Huizhan Lease Agreements constitute connected transactions of the Company and the transaction contemplated under the April 2021 Huikang Lease Agreement constitutes continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

April 2021 Huizhan Lease Agreements

Pursuant to HKFRS 16, the lease transactions under the April 2021 Huizhan Lease Agreements will be recognized as acquisition of right-of-use assets for the Group from the commencement of the April 2021 Lease Agreements. 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).

Pursuant to Chapter 14A of the Listing Rules, as the April 2021 Non-continuing Lease Transactions are of similar nature, they will be aggregated and treated as if they were one transaction. The discount rate of 3% is applied to compute the present value of aggregate lease payments under the April 2021 Non-continuing Lease Transactions. Shareholders should note that the above figure is unaudited and may be subject to adjustment in the future.

The aggregate value of the right-of-use assets of April 2021 Non-continuing Lease Transactions recognized by the Group is as follows:

	Value of right-of-use assets recognized
April 2021 Huizhan Lease Agreements	RMB241,120,125
October 2020 Office Building Lease Agreement	RMB1,045,583
2020 Office Building Lease Agreement	RMB1,986,676
2020 Warehouse Lease Agreement	RMB5,250,501
Staff Canteen Lease Agreement I	<u>RMB2,948,121</u>
Total	<u><u>RMB35,351,006</u></u>

April 2021 Huikang Lease Agreement

Pursuant to Chapter 14A of the Listing Rules, as the transactions contemplated under the April 2021 Huikang Lease Agreement and the 2020 Continuing Lease Transactions are of similar nature, the April 2021 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 each of (i) the value of right-of-use assets of the April 2021 Non-continuing Lease Transactions and (ii) the annual caps for the amount of rental payable by the Group under April 2021 Continuing Lease Transactions for the year ending June 30, 2022 exceeds 0.1% but all the applicable percentage ratios are less than 5%. As such, the April 2021 Non-continuing Lease Transactions and April 2021 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.

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 established 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.

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 April 2021 Lease Agreements, as they will facilitate the operation and growth of the Group's business; (b) the April 2021 Lease 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 April 2021 Non-continuing Lease Transactions is fair and reasonable and in the interests of the Company and its Shareholders as a whole.

On April 8, 2021, the Board considered and approved the resolutions in relation to the entering into of the April 2021 Lease Agreements and the estimated value of right-of-use assets of the April 2021 Non-continuing Lease Transactions. 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 April 2021 Lease 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, April 8, 2021

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.