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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)

CONTINUING CONNECTED TRANSACTIONS OCTOBER 2019 LEASE AGREEMENTS

OCTOBER 2019 LEASE AGREEMENTS

The Board announces that, on October 17, 2019, the Group and the Lessors agreed to renew certain of the February 2019 Lease Agreements, all of which will expire on November 30, 2019, and the Lessors agreed to lease to the Group various premises in Hangzhou for offices purpose for a term of seven months commencing from December 1, 2019, subject to early termination at the Group's sole discretion. In addition, the Lessors agreed to lease to the Group a premises in Hangzhou for staff canteen purpose for a term of three years commencing from April 1, 2020 (the office leases together with the staff canteen lease, the "**October 2019 Lease Agreements**").

LISTING RULES IMPLICATIONS

Pursuant to Chapter 14A of the Listing Rules, as the October 2019 Lease Agreements are of similar nature as the 2019 Lease Agreements and the February 2019 Lease Agreements, the lease transactions contemplated under the 2019 Lease Agreements, the February 2019 Lease Agreements and the October 2019 Lease Agreements (collective, the "**2019 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 the annual caps (as defined in the Listing Rules) of the 2019 Lease Transactions exceeds 0.1% but all the applicable percentage ratios are less than 5%. As such, the 2019 Lease Transactions are subject to the reporting and announcement requirements but are exempt from Shareholders' approval requirement under Chapter 14A of the Listing Rules.

OCTOBER 2019 LEASE AGREEMENTS

References are made to the announcement of the Company dated November 23, 2018 in relation to the Continuing Connected Transactions — 2019 Lease Agreements and the announcement of the Company dated February 27, 2019 in relation to Continuing Connected Transactions — February 2019 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 office building lease agreements under the 2019 Lease Agreements, Huizhan Technology agreed to lease an office building to the Group for office purpose with a term of three years commencing from December 1, 2019 and ending on November 30, 2022. The Group intended to use the underlying office building as headquarters and to discontinue to use all the other existing office buildings that span across Hangzhou. On February 27, 2019, the Group entered into the February 2019 Lease Agreements with the Lessors. Pursuant to which, the Group and the Lessors agreed to renew certain of the Leases with Founders Entities, the New Lease Agreement and the 2018 Lease Agreements, all of which will expire on June 30, 2019, and the Lessors agreed to lease to the Group various premises in Hangzhou for office purpose for a term of five months commencing from July 1, 2019, in order to satisfy the needs for offices of the Group for a period from July 1, 2019 to November 30, 2019. Due to the delay in renovation process of the office building leased under the 2019 Lease Agreements, the Group needed to renew certain office building lease agreements under the February 2019 Lease Agreements in order to satisfy the needs for offices of the Group before the completion of such renovation process. In addition, according to the terms of the 2019 Lease Agreements, the Lessors and the Group agreed to reduce the rent and other charges payable on a pro rata basis according to the actual move-in date of the office building leased under the 2019 Lease Agreements.

Pursuant to the October 2019 Lease Agreements, the Group and the Lessors agreed to renew certain of the February 2019 Lease Agreements, all of which will expire on November 30, 2019, and the Lessors agreed to lease to the Group various premises in Hangzhou for offices purpose for a term of seven months commencing from December 1, 2019, subject to early termination at the Group’s sole discretion, depending on the actual move-in date of the office building leased under the 2019 Lease Agreements.

In addition, the Lessors agreed to lease to the Group a premises in the new headquarters building in Hangzhou for employee canteen purpose for a term of three years commencing from April 1, 2020.

Set forth below is a summary of the principal terms of the October 2019 Lease Agreements:

Office Building Lease Agreement I

Date	October 17, 2019
Parties	(1) JNBY Finery as lessee; and (2) Huikang Industrial as lessor
Premises	2A premises of 8,883.97 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	7 months commencing from December 1, 2019 and ending on June 30, 2020, subject to early termination at the sole discretion of JNBY Finery
Rent and other charges	The rent payable is RMB500,000 per month; in case of early termination, the rent payable is reduced on a pro rata basis according to the actual move-out date
Payment schedule	In advance aggregately for the first four months before November 30, 2019; in advance monthly for the last three months
Purpose	To be used for office purpose

Office Building Lease Agreement II

Date	October 17, 2019
Parties	(1) JNBY Finery as lessee; and (2) Huikang Industrial as lessor
Premises	A premises of 1,067.62 square meters located at 18/F, Yuanmao Building, 1 Wen'er West Road, Xihu District, Hangzhou, Zhejiang, China (中國浙江省杭州市西湖區文二西路1號元茂大廈18層)
Term	7 months commencing from December 1, 2019 and ending on June 30, 2020, subject to early termination at the sole discretion of JNBY Finery

Rent and other charges	The rent payable is RMB137,200 per month; in case of early termination, the rent payable is reduced on a pro rata basis according to the actual move-out date
Payment schedule	In advance aggregately for the first four months before November 30, 2019; in advance monthly for the last three months
Purpose	To be used for office purpose

Office Building Lease Agreement III

Date	October 17, 2019
Parties	(1) JNBY Finery as lessee; and (2) Huikang Industrial as lessor
Premises	A premises of 505.49 square meters located at 89 Wen'er West Road, Xihu District, Hangzhou, Zhejiang, China (中國浙江省杭州市西湖區文二西路89號)
Term	7 months commencing from December 1, 2019 and ending on June 30, 2020, subject to early termination at the sole discretion of JNBY Finery
Rent and other charges	The rent payable is RMB48,800 per month; in case of early termination, the rent payable is reduced on a pro rata basis according to the actual move-out date
Payment schedule	In advance aggregately for the first four months before November 30, 2019; in advance monthly for the last three months
Purpose	To be used for office purpose

Office Building Lease Agreement IV

Date	October 17, 2019
Parties	(1) JNBY Finery as lessee; and (2) Huikang Industrial as lessor
Premises	A premises of 297.98 square meters located at 93 Wen'er West Road, Xihu District, Hangzhou, Zhejiang, China (中國浙江省杭州市西湖區文二西路93號)

Term	7 months commencing from December 1, 2019 and ending on June 30, 2020, subject to early termination at the sole discretion of JNBY Finery
Rent and other charges	The rent payable is RMB28,600 per month; in case of early termination, the rent payable is reduced on a pro rata basis according to the actual move-out date
Payment schedule	In advance aggregately for the first four months before November 30, 2019; in advance monthly for the last three months
Purpose	To be used for office purpose

Office Building Lease Agreement V

Date	October 17, 2019
Parties	(1) JNBY Finery as lessee; and (2) Huikang Industrial as lessor
Premises	A premises of 292.98 square meters located at 95 Wen'er West Road, Xihu District, Hangzhou, Zhejiang, China (中國浙江省杭州市西湖區文二西路95號)
Term	7 months commencing from December 1, 2019 and ending on June 30, 2020, subject to early termination at the sole discretion of JNBY Finery
Rent and other charges	The rent payable is RMB28,200 per month; in case of early termination, the rent payable is reduced on a pro rata basis according to the actual move-out date
Payment schedule	In advance aggregately for the first four months before November 30, 2019; in advance monthly for the last three months
Purpose	To be used for office purpose

Office Building Lease Agreement VI

Date	October 17, 2019
Parties	(1) Liancheng Huazuo as lessee; and (2) Mr. Li Ming and Ms. Tang Yu as lessor

Premises	A premises of 138.75 square meters located at 67 Yile Road, Xihu District, Hangzhou, Zhejiang, China (中國浙江省杭州市西湖區益樂西路67號)
Term	7 months commencing from December 1, 2019 and ending on June 30, 2020, subject to early termination at the sole discretion of Liancheng Huazuo
Rent and other charges	The rent payable is RMB19,600 per month; in case of early termination, the rent payable is reduced on a pro rata basis according to the actual move-out date
Payment schedule	In advance aggregately for the first four months before November 30, 2019; in advance monthly for the last three months
Purpose	To be used for office purpose

Office Building Lease Agreement VII

Date	October 17, 2019
Parties	(1) JNBY Finery as lessee; and (2) the Founders as lessor
Premises	A premises of 478.13 square meters located at 83 Wen'er West Road, Xihu District, Hangzhou, Zhejiang, China (中國浙江省杭州市西湖區文二西路83號)
Term	7 months commencing from December 1, 2019 and ending on June 30, 2020, subject to early termination at the sole discretion of JNBY Finery
Rent and other charges	The rent payable is RMB33,200 per month; in case of early termination, the rent payable is reduced on a pro rata basis according to the actual move-out date
Payment schedule	In advance aggregately for the first four months before November 30, 2019; in advance monthly for the last three months
Purpose	To be used for office purpose

Office Building Lease Agreement VIII

Date	October 17, 2019
Parties	(1) JNBY Finery as lessee; and (2) the Founders as lessor
Premises	A premises of 482.15 square meters located at 85 Wen'er West Road, Xihu District, Hangzhou, Zhejiang, China (中國浙江省杭州市西湖區文二西路85號)
Term	7 months commencing from December 1, 2019 and ending on June 30, 2020, subject to early termination at the sole discretion of JNBY Finery
Rent and other charges	The rent payable is RMB35,000 per month; in case of early termination, the rent payable is reduced on a pro rata basis according to the actual move-out date
Payment schedule	In advance aggregately for the first four months before November 30, 2019; in advance monthly for the last three months
Purpose	To be used for office purpose

Office Building Lease Agreement IX

Date	October 17, 2019
Parties	(1) JNBY Finery as lessee; and (2) Huikang Industrial as lessor
Premises	A premises of 601.57 square meters located at 87 Wen'er West Road, Xihu District, Hangzhou, Zhejiang, China (中國浙江省杭州市西湖區文二西路87號)
Term	7 months commencing from December 1, 2019 and ending on June 30, 2020, subject to early termination at the sole discretion of JNBY Finery
Rent and other charges	The rent payable is RMB43,600 per month; in case of early termination, the rent payable is reduced on a pro rata basis according to the actual move-out date

Payment schedule	In advance aggregately for the first four months before November 30, 2019; in advance monthly for the last three months
Purpose	To be used for office purpose

Staff Canteen Lease Agreement I

Date	October 17, 2019
Parties	(1) JNBY Finery as lessee; and (2) Huizhan Technology as lessor
Premises	An underground premises of 1,058.42 square meters located at Tianmuli D, 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D座)
Term	3 years commencing from April 1, 2020 and ending on March 31, 2023
Rent and other charges	The rent payable for the underground premises is RMB66,030 monthly; the homeowners association fee payable is RMB18,450 monthly; the utilities will be billed based on actual usage
Payment schedule	In advance annually for rent and homeowners association fee; monthly payment for utilities
Purpose	To be used for staff canteen purpose

REASONS FOR AND BENEFITS OF ENTERING INTO THE OCTOBER 2019 LEASE AGREEMENTS

The Directors are of the view that the business operation and development of the Group requires the entering into of the October 2019 Lease Agreements for the following reasons: (i) due to the delay in renovation process of the office building leased under the 2019 Lease Agreements, the Group needed to renew certain office building lease agreements under the February 2019 Lease Agreements in order to satisfy the needs for offices of the Group before the completion of such renovation process; (ii) the entering into of the lease for staff canteen under the Staff Canteen Lease Agreement I will enable the Group to provide dining services to our employees in our new headquarters building, which will promote welfare to our employees.

The Directors are of the view that rent and other charges payable under the October 2019 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 October 2019 Lease Agreements are entered into in the ordinary and usual course of our business, and the Company considers that the October 2019 Lease Agreements are on normal commercial terms, fair and reasonable, and in the interests of the Company and its shareholders as a whole.

HISTORICAL TRANSACTION AMOUNTS AND REVISION OF ANNUAL CAPS

The historical transaction amounts of the rent and other charges paid by the Group to the Lessors for the years ended June 30, 2017, 2018 and 2019 are set out below:

	For the year ended June 30, 2017 (RMB)	For the year ended June 30, 2018 (RMB)	For the year ended June 30, 2019 (RMB)
Transaction Amounts	9,819,620	11,088,148	12,466,327

Taking the October 2019 Lease Agreements into account, it is expected that the existing annual caps of the 2019 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, 2020, 2021 and 2022 and for the nine months ending March 31, 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 2019 Lease Transactions for the years ending June 30, 2020, 2021 and 2022 and for the five months ending November 30, 2022; and (ii) the rent and other charges payable under of the October 2019 Lease Agreements.

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

	For the year ending June 30, 2020 (RMB)	For the year ending June 30, 2021 (RMB)	For the year ending June 30, 2022 (RMB)	For the nine months ending March 31, 2023 (RMB)
Estimated annual rent and other payables of the October 2019 Lease Agreements	6,672,840	2,213,760	2,213,760	1,660,320
Proposed annual caps for the October 2019 Lease Agreements	6,700,000	2,300,000	2,300,000	1,700,000
Existing annual caps	32,510,000	46,000,000	46,020,000	17,700,000
Estimated annual rent and other charges under the 2019 Lease Transactions	39,119,924	48,063,891	48,210,503	19,292,769
Revised annual caps	39,210,000	48,300,000	48,320,000	19,400,000

In determining the above revised annual caps for the 2019 Lease Transactions, our Directors have considered the historical figures for the transactions contemplated in relation to the renewal of lease agreements, 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 2019 Lease Transactions are determined on normal commercial terms and with reference to market price and previous transactions and figures when applicable.

Under HKFRS 16 and in the consolidated statement of financial position of the Group, for the Staff Canteen Lease Agreement I, 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 Staff Canteen Lease Agreement I. The assets and the liabilities arising from the lease are initially measured on present value basis and calculated by discounting the non-cancellable lease payments under the lease, 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 Staff Canteen Lease Agreement I.

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 ten brands — (i) JNBY, (ii) CROQUIS, (iii) jnby by JNBY, (iv) less, (v) Pomme de terre, (vi) JNBYHOME, (vii) SAMO, (viii) REVERB, (ix) LASU MIN SOLA and (x) A PERSONAL NOTE 73 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”.

Liancheng Huazhuo is a limited liability company established under the laws of the PRC on October 19, 2012 and an indirectly wholly-owned subsidiary 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.

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

Mr. Li Ming is brother of Ms. Li Lin, an executive Director and one of the controlling shareholders of the Company. Ms. Tang Yu is the spouse of Mr. Li Ming. Both of Mr. Li Ming and Ms. Tang Yu are connected persons 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

Pursuant to Chapter 14A of the Listing Rules, as the October 2019 Lease Agreements are of similar nature as the 2019 Lease Agreements and the February 2019 Lease Agreements, the 2019 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 the annual caps (as defined in the Listing Rules) of the 2019 Lease

Transactions exceeds 0.1% but all the applicable percentage ratios are less than 5%. As such, the 2019 Lease Transactions are subject to the reporting and announcement requirements but are exempt from Shareholders' approval requirement 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 2019 Lease Agreements, as they will facilitate the operation and growth of the Group's business; (b) the October 2019 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 revised annual caps set for the 2019 Lease Transactions are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

On October 17, 2019, the Board considered and approved the resolutions in relation to the entering into of the October 2019 Lease Agreements and the revised annual caps set for the 2019 Lease Transactions contemplated under the 2019 Lease Agreements, the February 2019 Lease Agreements and the October 2019 Lease 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 2019 Lease Agreements, they have abstained from voting on the Board resolutions for approving the said matter.

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

Hong Kong, October 17, 2019

As at 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.