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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)

SUPPLEMENTAL ANNOUNCEMENT

Reference is made to the announcement of JNBY Design Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) dated November 28, 2024 (the “**Announcement**”) in relation to the acquisition of the entire equity interest in the Target Company by JNBY Finery, which constituted a connected transaction of the Company. Unless the context otherwise requires, capitalized terms used in this announcement shall have the same meanings as those defined in the Announcement.

The Board wishes to provide the Shareholders and potential investors of the Company with the following additional information in relation to the Acquisition.

CONSIDERATION

The consideration under the Acquisition is RMB1,672,000, which shall be payable to Huizhan Technology in cash within 7 business days after execution of the Equity Transfer Agreement.

The Acquisition Sum was determined after arm’s length negotiations between the parties based on normal commercial terms and with reference to the appraised value of the Target Company of RMB1,672,000 as at June 30, 2024 (the “**Appraised Value**”) according to a valuation report prepared by an independent valuer, AVISTA Valuation Advisory Limited (the “**Valuer**”). The Appraised Value was determined based on comparable company method under the market approach with reference to five comparable companies that are engaged in clothing wholesale and retail business.

Details of the valuation

As advised by the Valuer, the valuation was conducted in accordance with the International Valuation Standards issued by the International Valuation Standards Committee.

The market approach was adopted as the underlying business of the Target Company is principally engaged in the sales of designer brands in the PRC, sufficient comparable companies with similar business can be located in the market to benchmark the value of the Target Company. The Valuer has advised that it has chosen five comparable companies which are principally engaged in offline clothing wholesale and retail business with major operating location in the PRC and listed on major stock exchanges, which the Valuer considered exhaustive and representative.

In determining the appropriate valuation multiples for the valuation of the Target Company, the Valuer considered that enterprise value-to-sales multiple (“**EV/S Multiple**”) is the most appropriate indicator of the enterprise value of the Target Company, as the multiple eliminates the difference in capital structure and related risk features. Enterprise value is generally derived based on the market capitalization of a company, plus net debt (total debts net of cash and cash equivalents) and minority interest, and the Valuer has acquired the data of enterprise value of each comparable company from S&P Capital IQ.

The key input and parameters adopted in the valuation are as follows:

		<i>RMB'000</i>
LTM Revenue of the Target Company ⁽ⁱ⁾		65,404
Median EV/S Multiple ⁽ⁱⁱ⁾	1.03x	
Discounts For Lack Of Marketability (“ LOMD ”) adopted with reference to the Stout Restricted Stock Study Companion Guide (2023 edition), being a reference book commonly adopted by the Valuer	15.7%	
Control Premium adopted with reference to “Control Premium Study: 1st Quarter 2024” by FactSet Mergerstat, LLC, being a reference study commonly adopted by the Valuer ⁽ⁱⁱⁱ⁾	34.4%	
Adopted EV/S Multiple (after LOMD and Control Premium)	1.17x	
Estimated Enterprise Value of the Target Company		76,325
Less: Net Debt		(74,653)
Less: Minority Interest		—
Estimated 100% Equity Value of the Target Company (non-marketable and controlling basis)		1,672

Notes:

- (i) The last twelve months revenue (the “**LTM Revenue**”) for the period of July 1, 2023 to June 30, 2024 is based on the unaudited financial statements provided by the Target Company.
- (ii) The EV/S Multiple was determined with reference to the EV/S ratios of five comparable companies identified by the Valuer, all of which are companies primarily engaged in the sales of clothing and listed on the Stock Exchange, Shanghai Stock Exchange or Shenzhen Stock Exchange, which the Valuer considered exhaustive and representative.

Median and average share the same role in understanding the central tendency of a set of numbers. Median, which would not be affected by extreme values, is regarded as a better mid-point measure for skewed number distributions. Hence, median EV/S Multiple is adopted to derive the result, which the Valuer considers to be a more reasonable approach to prevent the outliers from distorting the result.

- (iii) The EV/S Multiple adopted in the valuation was calculated from public listed companies, which represents minority ownership interest; thus, control premium was adopted to adjust such value on minority basis to a value on controlling basis given the Company is acquiring a controlling stake in the Target Company. The value of controlling interest can be calculated from minority interest using the following formula: Fair Value of Controlling Interest = Fair Value of Minority Interest x (1 + Control Premium).

Having considered the above, the Directors consider the Acquisition Sum is fair and reasonable in this regard.

OTHER PRINCIPAL TERMS UNDER THE EQUITY TRANSFER AGREEMENT

In addition, under the Equity Transfer Agreement, JNBY Finery and Huizhan Technology further agreed that the Target Company shall settle the Accounts Payable within one month after execution of the Equity Transfer Agreement (the “**Settlement Date**”). The Accounts Payable represents the accrued amount owed by the Target Company in its normal course of business to Huizhan Technology and its related parties as at the Settlement Date. As at the date of the Equity Transfer Agreement, the accounts payable owed by the Target Company to Huizhan Technology and its related parties amounted to approximately RMB72,000,000, and it is estimated that the Accounts Payable shall be no more than RMB82,000,000 as at the Settlement Date. It is agreed under the Equity Transfer Agreement that JNBY Finery shall provide an interest-free loan of RMB40,000,000 to the Target Company which is repayable on demand, and make a capital injection of RMB49,000,000 into the Target Company for settlement of the Accounts Payable and for future business operations of the Target Company.

INFORMATION ON THE TARGET COMPANY

As the Target Company was newly incorporated on December 14, 2023, no financial information before its incorporation is available. As at June 30, 2023 and 2024, the unaudited net assets value of the Target Company was RMB1,001,225 and RMB240,872, respectively. The gross profits of the Target Company for the two years ended June 30, 2023 and 2024 were as follows:

	For the year ended June 30, 2023 (RMB'000) (unaudited)	For the year ended June 30, 2024 (RMB'000) (unaudited)
Gross profits	25,176	26,462

This announcement is supplemental to and should be read in conjunction with the Announcement. The above additional information does not affect the other information as set out in the Announcement. Save as disclosed herein, the contents of the Announcement remain unchanged and shall continue to be valid for all purposes.

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

Hong Kong, December 13, 2024

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 the independent non-executive Directors.