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JIMU GROUP LIMITED

積木集團有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 8187)

SUBSCRIPTION OF CONVERTIBLE BONDS UNDER SPECIFIC MANDATE

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The Board is pleased to announce that on 14 November 2021 (after trading hours of the Stock Exchange), the Company and the Subscriber entered into the Subscription Agreement, pursuant to which the Subscriber has conditionally agreed to subscribe for and the Company has conditionally agreed to issue the Convertible Bonds in the principal amount of HK\$77,000,000.00 at the Conversion Price of HK\$0.70 per Conversion Share.

Based on the initial Conversion Price of HK\$0.70 per Conversion Share, a total of 110,000,000 Conversion Shares will be allotted and issued upon exercise of the Conversion Rights attaching to the Convertible Bonds in full, which represent approximately 21.93% of the existing issued share capital of the Company and approximately 17.99% of the issued share capital of the Company as enlarged by the allotment and issue of the Conversion Shares (assuming that there is no change in the issued share capital of the Company and subject to adjustments to the Conversion Price).

The gross proceeds of the Subscription are HK\$77,000,000.00. The net proceeds of the Subscription are approximately HK\$76,500,000 after deducting the relevant expenses for the Subscription. The Board intends to use the net proceeds of the Subscription for general working capital of the Group and for the future development of the Group's shoe trading business.

The Conversion Shares upon exercise of the Conversion Rights attached to the Convertible Bonds will be issued under the Specific Mandate. The EGM will be convened by the Company to seek the approvals from the Shareholders.

GENERAL

The EGM will be convened for the Shareholders to consider and, if thought fit, to approve (i) the Subscription Agreement and the transaction contemplated thereunder; (ii) the allotment and issue of the Conversion Shares; and (iii) the grant of the Specific Mandate. To the best information, knowledge and belief of the Board having made all reasonable enquiries, as at the date of this announcement, no Shareholder has any interest in the Subscription Agreement, the transactions contemplated thereunder that is materially different from the other Shareholders. Therefore, no Shareholder is required to abstain from voting on the resolutions to be proposed at the EGM.

A circular containing, among other things, (i) further details of the Subscription Agreement; and (ii) the notice of the EGM, will be despatched to the Shareholders as soon as practicable in accordance with the Listing Rules.

Shareholders and potential investors should note that completion of the Subscription is subject to fulfillment of the conditions precedent under the Subscription Agreement. As the Subscription may or may not proceed, Shareholders and potential investors are reminded to exercise caution when dealing in the Shares.

SUBSCRIPTION OF CONVERTIBLE BONDS

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The Subscription Agreement

Date: 14 November 2021

Parties: (a) the Company as issuer; and
(b) the Subscriber.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Subscriber, Mr. Wang Ning, is an Independent Third Party of the Company under the GEM Listing Rules.

Set out below are the principal terms of the Subscription Agreement:

Conditions precedent

Completion of the Subscription shall be subject to and conditional upon the following conditions:

- i. the GEM Listing Committee of the Stock Exchange having granted (either unconditionally or subject only to conditions to which the Company and the Subscriber have no reasonable objection) listing of and permission to deal in the Conversion Shares;
- ii. the passing by the Shareholders at the EGM of an ordinary resolution of the Company approving the Subscription Agreement and the transactions contemplated thereunder including but not limited to the Specific Mandate;
- iii. there being no occurrence of circumstances which, in the reasonable opinion of the Subscriber, will have a material adverse effect on the financial condition, prospects, earning, business, undertaking or assets of the Company and its subsidiaries, in each case, taken as a whole, since the date of the Subscription Agreement;
- iv. the Warranties remaining true, accurate and complete in all material respects and not misleading in any material respect; and
- v. all necessary consents and approvals required to be obtained on the part of the Company and the Subscriber in respect of this Agreement and the transactions contemplated hereby having been obtained.

Each of the Subscriber and the Company shall use its best endeavours to procure the fulfillment of all the conditions precedent as soon as practicable and in any event on or before the Long Stop Date (or such other date as may be agreed by the Company and the Subscriber in writing). The Company shall forthwith notify the Subscriber by notice in writing upon the fulfillment of any of the conditions precedent and shall produce evidence in relation thereto to the Subscriber's absolute satisfaction. If the conditions precedent are not fulfilled on or before the Long Stop Date (or such other date as may be agreed by the Company and the Subscriber in writing), the Subscription Agreement shall lapse and become null and void and the parties shall be released from all obligations thereunder save for any liability arising out of any antecedent breaches thereof.

Change in the terms of the Convertible Bonds

Before the Long Stop Date or one Business Day before the date of completion of the Subscription (whichever is the earlier), the Subscriber may notify the Company in writing (i) to reduce the principal amount of the Convertible Bonds to be subscribed by the Subscriber; or (ii) to call for a meeting with the Company to negotiate for any change in the Conversion Price. Such notice shall be final and conclusive and no further notice for the reduction of the principal amount or for change in the Conversion Price may be delivered by the Subscriber to the Company. In the event that a written notice is served by the Subscriber under this Clause, in addition to the amount equal to the face value of the Convertible Bonds, the Subscriber shall pay HK\$1,500,000 in cash to the Company at completion of the Subscription as a non-refundable fee for making such change.

Completion of the Subscription

Completion of the Subscription will take place on the date falling on the third Business Day (or such other date as may be agreed by the Company and the Subscriber in writing) after the fulfillment of the conditions precedent pursuant to the terms of the Subscription Agreement.

Principal terms of the Convertible Bonds

The principal terms of the Convertible Bonds are summarised below:

- Issuer: The Company
- Principal amount: HK\$77,000,000.00
- Maturity Date: the first anniversary of the date of issue of the Convertible Bonds (the “**Maturity Date**”)
- Interest: The Convertible Bonds shall bear interest from and including the date of its issue at 6.0% per annum on the outstanding principal amount thereof. Interest shall be accrued daily on a 365 days basis and is payable in arrears due on the Maturity Date (“**Interest Payment Date**”). If an Interest Payment Date would otherwise fall on a day which is not a Business Day it shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month in which event it shall be brought forward to the immediately preceding Business Day. In the event that the Convertible Bonds be redeemed on or before the Maturity Date, the Interest Payment Date shall be the Business Day falling on the next day of the date of redemption of the Convertible Bonds.
- Conversion Price: The Conversion Price of HK\$0.70 (subject to adjustments) represents:
- i. a discount of approximately 16.67% to the closing price of HK\$0.84 per Share as quoted on the Stock Exchange on the date of the Subscription Agreement; and
 - ii. an amount equal to the average closing price per Share of HK\$0.70 as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to the date of the Subscription Agreement.

The Conversion Price was arrived at based on arm’s length negotiations between the parties with reference to the recent trading price and trading volume of the Shares, the existing capital market conditions, the funding needs and prospects of the Group’s businesses.

The Directors consider that the Conversion Price is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Conversion Shares: Based on the initial Conversion Price of HK\$0.70 per Conversion Share, a total of 110,000,000 Conversion Shares will be allotted and issued upon exercise of the Conversion Rights attaching to the Convertible Bonds in full, which represent approximately 21.93% of the existing issued share capital of the Company and approximately 17.99% of the issued share capital of the Company as enlarged by the allotment and issue of the Conversion Shares (assuming that there is no change in the issued share capital of the Company and subject to adjustments to the Conversion Price).

The Conversion Shares issued upon conversion of the Convertible Bonds will in all respects rank *pari passu* with the Shares already in issue on the conversion date.

The aggregate nominal value of 110,000,000 Conversion Shares is HK\$1,100,000.

Adjustment provisions:

The Conversion Price shall from time to time be adjusted upon occurrence of the following events:

- i. an alternation of nominal amount of each Share by reason of any consolidation or subdivision of Shares;
- ii. an issue (other than in lieu of a cash dividend) by the Company of its Shares credited as fully paid by way of capitalisation of profits or reserves (including any share premium account, contributed surplus account or capital redemption reserve fund);
- iii. a capital distribution being made by the Company, whether on a reduction of capital or otherwise, to the Shareholders in their capacity as such;
- iv. an offer or grant being made by the Company to the Shareholders by way of rights or options or warrants to subscribe for new Shares at a price which is less than 90% of the market price;
- v. an issue wholly for cash being made by the Company of securities convertible into or exchangeable for or carrying rights of subscription for new Shares, if in any case the total effective consideration per Share initially receivable for such securities is less than 90% of the market price, or the terms of any such rights of conversion or exchange or subscription attached to any such securities being modified so that the said total effective consideration per Share initially receivable for such securities is less than 90% of the market price;
- vi. an issue being made by the Company wholly for cash of Shares at a price per Share less than 90% of the market price; and

- vii an issue being made by the Company of Shares for acquisition of assets at a total effective consideration per Share less than 90% of the market price.

Conversion period: The Bondholder(s) shall, subject to compliance with the procedures of the Convertible Bonds, have the right at any time during the period commencing from the date of the issue of the Convertible Bonds up to 4:00 p.m. (Hong Kong time) on the day immediately prior to and exclusive of the Maturity Date.

Redemption by the Subscriber: The Bondholder(s) may at any time before the Maturity Date by serving at least seven (7) days' prior written notice on the Bondholder with the total amount proposed to be redeemed from the Bondholder specified therein, redeem the Convertible Bond(s) at par.

Transferability: The Bondholder may only assign or transfer the Convertible Bonds to the transferee subject to the consent of the Company. Notwithstanding the aforesaid, the Bondholder shall be permitted at any time to transfer the Convertible Bonds to a transferee who is a wholly owned subsidiary of the Bondholder or a holding company of the Bondholder who owns the entire issued share capital of the Bondholder provided that the Convertible Bonds will be re-transferred to the Bondholder immediately upon the transferee ceasing to be a wholly owned subsidiary of the Bondholder or a holding company of the Bondholder who owns the entire issued share capital of the Bondholder.

Voting: The Bondholder will not be entitled to attend or vote at any meeting of the Company by reason only of it being the holder of the Convertible Bonds.

Specific Mandate to issue the Conversion Shares

The Conversion Shares will be issued pursuant to the Specific Mandate to be sought from the Shareholders at the EGM.

Application for listing

No application will be made by the Company for the listing of the Convertible Bonds on the Stock Exchange. Application will be made by the Company to the GEM Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares.

CHANGES IN SHAREHOLDING STRUCTURE

The changes of the shareholding structure of the Company as a result of the Subscription (assuming that there are no other changes to the shareholding structure of the Company from the date of this announcement to completion of the Subscription and no notice has been received from the Subscriber for reduction of the principal amount of the Convertible Bonds) are as follows:

Name of Shareholder	As at the date of this announcement		Immediately upon full conversion of the Convertible Bonds	
	Number of Shares	Approximate %	Number of Shares	Approximate %
Shum Tsz Yeung	135,000	0.03%	135,000	0.02%
Silverbricks Securities Company Limited	86,800,000	17.30%	86,800,000	14.19%
Public Shareholders				
Subscriber	–	0%	110,000,000	17.99%
Other Public Shareholders	414,600,000	82.67%	414,600,000	67.80%
Total	<u>501,600,000</u>	<u>100%</u>	<u>611,600,000</u>	<u>100%</u>

INFORMATION OF THE SUBSCRIBER

The Subscriber is an individual investor who is experienced in investments and has extensive experience in asset management and business development. Mr. Wang is currently acting as a non-executive director and chairman of the board of directors of National Investments Fund Limited (stock code: 1227). As at the date of this announcement, to the best knowledge, information and belief of the Directors, the Subscriber does not hold any Shares.

INFORMATION ON THE GROUP

The Group is principally engaged in loan facilitation and credit assessment services and footwear and apparel businesses.

EQUITY FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

The Company has not conducted any equity fund raising activity in the past 12 months immediately prior to the date of this announcement.

REASONS FOR AND BENEFITS OF THE SUBSCRIPTION OF THE CONVERTIBLE BONDS

The prolonged adverse impacts of Covid-19 and the US-China Trade War are unprecedented, and have posed increasingly immense challenges to the Group's businesses. The Company has been looking for opportunities to improve its financial capabilities. As the general economy and consumer market recovers, the Company will continue to expand on its footwear and apparel business. The Directors consider that the Subscription represents a valuable opportunity to improve the financial position of the Group as a whole and raise additional funding for the business operations of the Group.

The Directors consider that the Subscription Agreement is entered into upon normal commercial terms following arm's length negotiations between the Company and the Subscriber and that the terms of the Subscription Agreement are fair and reasonable in the interests of the Company and the Shareholders as a whole.

USE OF PROCEEDS

The gross proceeds and net proceeds from the issue of the Convertible Bonds are estimated to be approximately HK\$77,000,000 and HK\$76,500,000 respectively. The Company intends to use 90% of the net proceeds for the future development of the Group's footwear and apparel business and 10% of the net proceeds for general working capital of the Group.

GENERAL

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A circular containing, among other things, (i) further details of the Subscription Agreement; and (ii) the notice of the EGM, will be despatched to the Shareholders as soon as practicable in accordance with the Listing Rules.

Shareholders and potential investors should note that completion of the Subscription is subject to fulfillment of the conditions precedent under the Subscription Agreement. As the Subscription may or may not proceed, Shareholders and potential investors are reminded to exercise caution when dealing in the Shares.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following meanings when used herein:

“Board”	the board of Directors
“Bondholder(s)”	holder(s) of the Convertible Bonds
“Business Day(s)”	any day (excluding a Saturday, a Sunday or a public holiday and any day on which a tropical cyclone warning signal no. 8 or above or a “black” rainstorm warning signal is hoisted or remains hoisted in Hong Kong at any time between 9:00 a.m. to 12:00 noon and is not lowered at or before 12:00 noon) on which banks in Hong Kong are generally open for business throughout their normal business hours

“Company”	Jimu Group Limited, a company incorporated in the Cayman Islands with limited liability and the Shares of which are listed on GEM
“Convertible Bonds”	the approximately 21.93% convertible bonds in the aggregate principal amount of HK\$77,000,000 to be issued by the Company to the Subscriber pursuant to the Subscription Agreement
“Conversion Price”	the conversion price of the Convertible Bonds, initially being HK\$0.70 per Conversion Share (subject to adjustments)
“Conversion Rights”	the rights of the Bondholder to convert the principal amount (or any part(s) thereof) of the Convertible Bonds into Conversion Shares during the conversion period
“Conversion Shares”	Shares to be allotted and issued upon the exercise of the Conversion Rights attaching to the Convertible Bonds
“Director(s)”	director(s) of the Company
“EGM”	an extraordinary general meeting of the Company to be convened and held for the Shareholders to consider and, if thought fit, approve, the Specific Mandate
“GEM Listing Committee”	the GEM listing committee of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM of the Stock Exchange
“Group”	the Company and its subsidiaries
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party(ies)”	any person or company and their respective ultimate beneficial owner(s) which, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, are third parties independent of the Company and its connected persons
“Long Stop Date”	31 December 2021 or such other date as may be agreed by the Company and the Subscriber

“Restricted Holder”	a resident or national of any jurisdiction other than Hong Kong under the laws and regulations of which an exercise of Conversion Rights by the relevant Bondholder in the manner provided in the conversion notice and the conditions of the Convertible Bonds or the performance by the Company of the obligations expressed to be assumed by it under the instrument or the conditions of the Convertible Bonds or the allotment and issue and holding of the Conversion Shares cannot be carried out lawfully or cannot be carried out lawfully without the Company first having to take certain actions in such jurisdiction
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Share Option Schemes”	the share option schemes adopted by the Company on 11 May 2016
“Share Options”	the share options granted under the Share Option Schemes
“Shareholder(s)”	holder(s) of the Share(s)
“Specific Mandate”	the mandate to be sought from the Shareholders at the EGM to allot and issue the Conversion Shares upon exercise of the conversion rights attached to the Convertible Bond
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber”	Wang Ning, an Independent Third Party
“Subscription”	the subscription for the Convertible Bonds by the Subscriber pursuant to the Subscription Agreement
“Subscription Agreement”	the subscription agreement dated 14 November 2021 entered into between the Company and the Subscriber in relation to the Subscription
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“%”	per cent.

By order of the Board
Jimu Group Limited
Dong Jun
Executive Director and Chairman

Hong Kong, 14 November 2021

As at the date of this announcement, the executive Directors are Mr. Dong Jun, Mr. Huang Zexiong, Mr. Chen Zuze and Ms. Wei Ju; the non-executive Director are Mr. Wen Cyrus Jun-ming and Mr. Shum Tsz Yeung; and the independent non-executive Directors are Mr. Eric Todd and Mr. Lam Wai Hung.

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

This announcement will remain on the “Latest Listed Company Information” page on the GEM website at www.hkgem.com for a minimum period of 7 days from the date of its publication and on the Company’s website at www.jimugroup.hk. In case of any inconsistency, the English text of this announcement shall prevail over the Chinese text.