



**JIMU GROUP LIMITED**  
**積木集團有限公司**

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

*Executive Director:*

Mr. Tsang Hing Bun

*Non-executive Director:*

Mr. Shum Tsz Yeung

*Independent Non-executive Directors:*

Mr. Hung Wai Che

Mr. Choi Ho Yan

Mr. Yiu Yu Hong John

*Registered Office:*

Windward 3

Regatta Office Park

PO Box 1350

Grand Cayman KY1-1108

Cayman Islands

*Head Office and Principal Place of  
Business in Hong Kong:*

Unit 06, 12th Floor

The Broadway

No. 54–62 Lockhart Road

Hong Kong

9 August 2023

*To the Shareholders*

Dear Sir or Madam,

**RIGHTS ISSUE ON THE BASIS OF TWO (2) RIGHTS SHARES  
FOR EVERY ONE (1) EXISTING SHARE HELD ON THE RECORD DATE**

**INTRODUCTION**

Reference is made to the Announcement and the Circular.

On 25 May 2023, the Company proposed to raise gross proceeds of up to approximately HK\$14.4 million (assuming full acceptance of the Rights Issue) by way of a rights issue of up to 72,230,400 Rights Shares at the Subscription Price of HK\$0.20 per Rights Share on the basis of two (2) Rights Shares for every one (1) existing Share held by the Qualifying Shareholders at the close of business on the Record Date.

At the EGM, the resolutions approving the Increase in Authorised Share Capital, the Rights Issue, the Underwriting Agreement and the transactions contemplated thereunder were duly passed by the Independent Shareholders by way of poll. Mr. Shum Tsz Yeung abstained from

voting in favour of the proposed resolutions to approve the Increase in Authorised Share Capital, the Rights Issue, the Underwriting Agreement and the transactions contemplated thereunder.

The purpose of this Prospectus is to provide you with, among other things, further details of the Rights Issue and other information required under the GEM Listing Rules.

## **RIGHTS ISSUE**

### **Rights Issue Statistics**

Basis of the Rights Issue	:	Two (2) Rights Shares for every one (1) existing Share held by the Qualifying Shareholders at the close of business on the Record Date
Subscription Price	:	HK\$0.20, being the par value per Share, per Rights Share
Net price per Rights Share (i.e. Subscription Price less cost and expenses incurred in the Rights Issue)	:	Approximately HK\$0.18 per Rights Share
Number of Shares in issue at the Latest Practicable Date	:	36,115,200 Shares
Number of Rights Shares to be issued pursuant to the Rights Issue	:	Up to 72,230,400 Rights Shares (assuming no change in the number of Shares in issue on or before the Record Date)
		The aggregate nominal value of the Rights Shares will be HK\$14,446,080
Total number of Shares in issue upon completion of the Rights Issue	:	Up to 108,345,600 Shares (assuming that no new Shares (other than the Rights Shares) will be allotted and issued on or before the completion of the Rights Issue)
Gross proceeds from the Rights Issue	:	Up to approximately HK\$14.4 million before expenses (assuming no change in the number of Shares in issue on or before the Record Date)
Right of excess applications	:	Qualifying Shareholders may apply for Rights Shares in excess of their provisional allotment

As at the Latest Practicable Date, there are 720,000 outstanding Share Options entitling the holders thereof to subscribe for 720,000 shares of the Company. The 720,000 Share Options were granted on 6 January 2023 and shall be valid for 10 years commencing from the date of grant and shall be vested to the grantees on 6 January 2024. Please refer to the Company's announcement dated 6 January 2023 and the Company's quarterly report published on 12 May 2023 for further details on the share options.

Saved as disclosed above, the Company has no other outstanding convertible securities, options, derivatives, warrants, or other similar rights entitling holders thereof to subscribe for or convert into or exchange for new Shares as at the Latest Practicable Date.

Assuming (i) no further issue or repurchase of Shares on or before the Record Date; (ii) no change in the number of issued Shares on or before the Record Date; and (iii) that no new Shares (other than the Rights Shares) will be allotted and issued on or before completion of the Rights Issue, the maximum number of 72,230,400 Rights Shares to be issued and allotted pursuant to the terms of the Rights Issue represent (i) 200% of the total number of issued Shares; and (ii) approximately 66.67% of the total number of issued Shares as enlarged by the allotment and issuance of the Rights Shares immediately upon completion of the Rights Issue.

### **Undertakings**

As at the Latest Practicable Date, the Company has no substantial Shareholder and accordingly has not received any information or irrevocable undertaking from any substantial Shareholder of their intention in relation to the Rights Shares to be provisionally allotted to them under the Rights Issue.

### **The Subscription Price**

The Subscription Price of HK\$0.20, being the par value per Share, per Rights Share is payable in full by a Qualifying Shareholder upon acceptance of the relevant provisional allotment of the Rights Shares under the Rights Issue, upon an application of excess Rights Shares, or when a transferee of the nil-paid Rights Shares subscribes for the Rights Shares.

The Subscription Price represents:

- (a) a discount of approximately 12.7% over the closing price of HK\$0.229 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (b) a premium of approximately 15.6% over the closing price of HK\$0.173 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (c) a premium of approximately 12.9% over the average closing price of HK\$0.1772 per Share as quoted on the Stock Exchange for the five (5) consecutive trading days up to and including the Last Trading Day; and

- (d) a premium of approximately 12.3% over the average closing price of approximately HK\$0.1781 per Share as quoted on the Stock Exchange for the ten (10) consecutive trading days up to and including the Last Trading Day.

The Subscription Price was determined after arm's length negotiation between the Company and the Underwriter with reference to, among others, (i) the market price of the Shares under the prevailing market conditions; (ii) the latest business performance and financial position of the Group; and (iii) the reasons for and benefits of Rights Issue as discussed in the section headed "REASONS FOR AND BENEFITS OF THE RIGHTS ISSUE AND USE OF PROCEEDS" in this Prospectus.

The Board has considered (i) the market price of the Shares prior to and including the Last Trading Day; (ii) the prevailing market conditions; (iii) the share price of the Company has been trading below its par value for some time; and (iv) the fund-raising size intended by the Company after taking into consideration of the par value per Share and are of the view that the terms of the Rights Issue, are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

### **Status of the Rights Shares**

The Rights Shares (when allotted, fully-paid or credited as fully-paid and issued) will rank *pari passu* in all respects among themselves and with the Shares in issue on the date of allotment and issue of the Rights Shares. Holders of the fully-paid Rights Shares will be entitled to receive all future dividends and distributions which may be declared, made or paid on or after the date of allotment and issue of the fully paid Rights Shares. Dealings in the Rights Shares in both their nil-paid and fully-paid forms will be subject to payment of stamp duty, Stock Exchange trading fee, transaction levy, investor compensation levy or any other applicable fees and charges in Hong Kong.

### **Qualifying Shareholders**

The Rights Issue is only available to the Qualifying Shareholders. To qualify for the Rights Issue, a Shareholder must be registered as a member of the Company as at the close of business on the Record Date and not be a Non-Qualifying Shareholder.

The Qualifying Shareholders who take up their pro-rata entitlement in full will not experience any dilution to their interests in the Company. If a Qualifying Shareholder does not take up any of his/her/its entitlement in full under the Rights Issue, his/her/its proportionate shareholding in the Company will be diluted.

## **Basis of provisional allotments**

The Rights Shares will be allotted on the basis of two (2) Rights Shares for every one (1) existing Share held by the Qualifying Shareholders as at the close of business on the Record Date. Acceptance for all or any part of a Qualifying Shareholder's provisional allotment should be made only by lodging a duly completed PAL with a remittance for the Rights Shares being accepted with the Registrar by the Latest Time for Acceptance.

## **Rights of Overseas Shareholders**

The Prospectus Documents to be issued in connection with the Rights Issue will not be registered or filed under the securities law of any jurisdiction other than Hong Kong. Overseas Shareholders may not be eligible to take part in the Rights Issue.

Based on the register of members of the Company, there is no Overseas Shareholder as at the Latest Practicable Date.

As the register of members of the Company is already closed as at the Latest Practicable Date and will remain closed up to the Record Date, there will be no additional Overseas Shareholder and hence no Non-Qualifying Shareholder on the Record Date.

## **Application for the excess Rights Shares**

Qualifying Shareholders shall be entitled to apply, by way of excess application, for (a) the Rights Shares representing the entitlement of the Non-Qualifying Shareholders and which cannot be sold at a net premium; and (b) any Rights Shares provisionally allotted but not validly accepted by the Qualifying Shareholders or transferees of nil-paid Rights Shares. Applications for the excess Rights Shares may be made by duly completing the EAF and lodging the same with a separate remittance for the excess Rights Shares being applied for with the Registrar by the Latest Time for Acceptance. All remittances must be made in Hong Kong dollars by cheques which must be drawn on a bank account with, or by cashier's orders which must be issued by, a licensed bank in Hong Kong and made payable to "TRICOR INVESTOR SERVICES LIMITED – A/C NO. 060" and crossed "ACCOUNT PAYEE ONLY".

The Board will allocate the excess Rights Shares (if any) at its sole and absolute discretion, but on a fair and equitable basis as far as practicable on the following principles:

- (a) no preference will be given to applications for topping-up odd-lot holdings to whole-lot holdings as the giving of such preference may potentially be abused by certain investors by splitting their Shares and thereby receiving more Rights Shares than they would receive if such preference is not given, which is an unintended and undesirable result;
- (b) the excess Rights Shares will be allocated to the applicants on a pro rata basis based on the number of excess Rights Shares applied for by them; and

- (c) no reference will be made to Rights Shares subscribed through PALs, or the number of existing Shares held by the Qualifying Shareholders.

In the event that the Board notes unusual patterns of excess applications and has reason to believe that any application may have been made with the intention to abuse the mechanism, such application for excess Rights Shares may be rejected at the sole discretion of the Board.

If the aggregate number of Rights Shares being available for excess application is greater than the aggregate number of excess Rights Shares being applied for under EAFs, the Directors will allocate to each Qualifying Shareholder who applies for excess Rights Shares the actual number of excess Rights Shares being applied for.

If no excess Rights Shares are allotted to a Qualifying Shareholder who has applied for excess Rights Shares, the remittance tendered on application is expected to be returned by refund cheque to that Qualifying Shareholder in full without interest by ordinary post to their registered address and at their own risk by the Registrar on or before Thursday, 31 August 2023.

If the number of excess Rights Shares allotted to a Qualifying Shareholder is less than that applied for, the surplus application monies is also expected to be returned by refund cheque to that Qualifying Shareholder without interest by ordinary post to their registered address at their own risk by the Registrar on or before Thursday, 31 August 2023.

All cheques or cashier's orders accompanying completed EAFs will be presented for payment immediately following receipt and all interest earned on such monies (if any) will be retained for the benefit of the Company. Completion and return of the EAF together with a cheque or a cashier's order in payment for the excess Rights Shares applied for will constitute a warranty by the applicant that the cheque or the cashier's order will be honoured on first presentation. Without prejudice to the other rights of the Company in respect thereof, the Company reserves the right to reject any EAF in respect of which the cheque or cashier's order is dishonoured on first presentation.

The EAF is for use only by the person(s) to whom it is addressed and is not transferable.

The Company may, at its discretion, treat an EAF as valid and binding on the person(s) by whom or on whose behalf it is lodged even if the EAF is not completed in accordance with the relevant instructions. Completion and return of the EAF together with a cheque or cashier's order in payment for the excess Rights Shares applied for will constitute a warranty and representation from such Qualifying Shareholder(s) to the Company that all registration, legal and regulatory requirements of all relevant jurisdictions in connection with the EAF and any application thereunder, have been, or will be, duly complied with. For the avoidance of doubt, neither HKSCC nor HKSCC Nominees Limited will give, or be subject to, any of the above warranty and representation. The Company reserves the right to refuse to accept any application for excess Rights Shares where it believes that doing so would violate the applicable securities or other laws or regulations of any jurisdiction. If you are in any doubt as to your position, you should consult a professional adviser.

If any of the conditions of the Rights Issue as set out in the paragraph headed “Conditions of the Rights Issue” below is not fulfilled at or before 4:30 p.m. on Thursday, 24 August 2023 (or such later time and/or date as the Company may determine), the Rights Issue will not proceed. Under such circumstances, the remittance received in respect of application for excess Rights Shares will be returned to the Qualifying Shareholders or, in the case of joint applicants, to the first named person without interest, by means of cheques despatched by ordinary post at the risk of such Qualifying Shareholders to their registered addresses by the Registrar on or before Thursday, 31 August 2023.

Beneficial owners of the existing Shares whose existing Shares are held by a nominee company (including HKSCC Nominees Limited) should note that for the purpose of the Rights Issue, the Board will regard the nominee company as a single Shareholder according to the register of members of the Company. Accordingly, the beneficial owners of the Shares whose Shares are registered in name of nominee companies should note that the aforesaid arrangement in relation to the allocation of the excess Rights Shares will not be extended to beneficial owners individually and are advised to consider whether they would like to arrange for registration of the relevant Shares in the name of the beneficial owner(s) prior to the Record Date.

### **Certificates of the Rights Shares and refund cheques for the Rights Issue**

Subject to fulfilment and/or waiver (where applicable) of the conditions of the Rights Issue as set out below, share certificates for the fully-paid Rights Shares are expected to be sent on or before Thursday, 31 August 2023 to those entitled thereto by ordinary post, at their own risk, to their registered addresses. If the Underwriting Agreement is terminated or not becoming unconditional, refund cheques will be despatched on or before Thursday, 31 August 2023 by ordinary post, at the respective Shareholders’ own risk, to their registered addresses. Refund cheques in respect of wholly or partially unsuccessful applications for excess Rights Shares (if any) are expected to be posted on or before Thursday, 31 August 2023, by ordinary post to the applicants’ registered addresses at their own risk.

### **Fractional entitlement to the Rights Shares**

On the basis of provisional allotment of two (2) Rights Shares for every one (1) existing Share held by the Qualifying Shareholders on the Record Date, no fractional entitlement to the Rights Shares will arise under the Rights Issue.

### **Taxation**

Shareholders are advised to consult their professional advisers if they are in any doubt as to the taxation implications of the receipt, purchase, holding, exercising, disposing of or dealing in, the nil-paid Rights Shares or the Rights Shares and, regarding the Non-Qualifying Shareholders, their receipt of the net proceeds, if any, from sale of the nil-paid Rights Shares on their behalf.

## **Application for listing of the Rights Shares**

The Company has applied to the GEM Listing Committee for the listing of, and the permission to deal in, the Rights Shares (in both nil-paid and fully-paid forms) to be issued and allotted pursuant to the Rights Issue. No part of the securities of the Company is listed or dealt in, and no listing of or permission to deal in any such securities is being or is proposed to be sought, on any other stock exchanges.

The nil-paid Rights Shares shall have the same board lot size as the Shares (i.e. 5,000 Shares in one board lot).

Subject to the granting of the listing of, and the permission to deal in, the Rights Shares (in both their nil-paid and fully-paid forms) on the Stock Exchange as well as compliance with the stock admission requirements of HKSCC, the Rights Shares (in both their nil-paid and fully-paid forms) will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the respective commencement dates of dealings in the Rights Shares in their nil-paid and fully-paid forms on the Stock Exchange, or such other dates as determined by HKSCC.

Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. Shareholders should seek advice from their licensed securities dealer(s) or other professional adviser(s) for details of those settlement arrangements and how such arrangements will affect their rights and interests.

## **APPLICATION FOR THE RIGHTS SHARES**

The PALs relating to the Rights Shares are enclosed with this Prospectus entitling the Qualifying Shareholders to whom it is addressed to subscribe for the Rights Shares as shown therein by completing such form(s) and lodging the same with separate remittance for the Rights Shares being applied for with the Registrar by the Latest Time for Acceptance.

### **Procedures for acceptance and payment or transfer**

A PAL is enclosed with this Prospectus which entitles the Qualifying Shareholder(s) to whom it is addressed to subscribe for the number of Rights Shares shown therein. If a Qualifying Shareholder wishes to accept all the Rights Shares provisionally allotted to him/her/it as specified in the PAL, he/she/it must lodge the PAL in accordance with the instructions printed thereon, together with a remittance for the full amount payable on acceptance with the Registrar at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, by not later than 4:00 p.m. on Wednesday, 23 August 2023. All remittances must be made in Hong Kong dollars by cheques which must be drawn on an account with, or by cashier's orders which must be issued by, a licensed bank in Hong Kong and made payable to "TRICOR INVESTOR SERVICES LIMITED – A/C No. 059" and crossed "ACCOUNT PAYEE ONLY". It should be noted that unless the

PAL, together with the appropriate remittance, have been lodged with the Registrar by not later than 4:00 p.m. on Wednesday, 23 August 2023, whether by the original allottee or any person in whose favour the rights have been validly transferred, that provisional allotment and all rights thereunder will be deemed to have been declined and will be cancelled. The Company may, at its sole discretion, treat a PAL as valid and binding on the person(s) by whom or on whose behalf it is lodged even if the PAL is not completed in accordance with the relevant instructions. The Company may require such incomplete PAL to be completed by the relevant applicants at a later stage.

If a Qualifying Shareholder wishes to accept only part of his/her/its provisional allotment or transfer part of his/her/its rights to subscribe for the Rights Shares provisionally allotted to him/her/it under the PAL or to transfer part or all of his/her/its rights to more than one person, the entire PAL must be surrendered and lodged for cancellation by not later than 4:30 p.m. on Tuesday, 15 August 2023 to the Registrar, who will cancel the original PAL and issue new PALs in the denominations required which will be available for collection from the Registrar at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, after 9:00 a.m. on the second Business Day after the surrender of the original PAL.

The PAL contains further information regarding the procedures to be followed for acceptance and/or transfer of the whole or part of the provisional allotment of the Rights Shares by the Qualifying Shareholders. All cheques or cashier's orders will be presented for payment following receipt and all interest earned on such monies will be retained for the benefit of the Company. Completion and return of the PAL with a cheque or a cashier's order, whether by a Qualifying Shareholder or by any nominated transferee(s), will constitute a warranty by the applicant that the cheque or the cashier's order will be honoured on first presentation. Without prejudice to the other rights of the Company in respect thereof, the Company reserves the right to reject any PAL in respect of which the cheque or cashier's order is dishonoured on first presentation, and in that event the provisional allotment and all rights thereunder will be deemed to have been declined and will be cancelled.

If the conditions of the Rights Issue as set out in the section headed "Conditions of the Rights Issue" below are not fulfilled, the monies received in respect of acceptances of the Rights Shares will be returned to the Qualifying Shareholders or such other persons to whom the Rights Shares in their nil-paid form have been validly transferred or, in the case of joint acceptances, to the first-named person without interest, by means of cheques despatched by ordinary post at the risk of such Qualifying Shareholders to their registered addresses by the Registrar on or before Thursday, 31 August 2023.

No receipt will be issued in respect of any application monies received.

## THE UNDERWRITING AGREEMENT

On 25 May 2023 (after trading hours), the Company entered into the Underwriting Agreement with the Underwriter. Further details of the Underwriting Agreement are set out below:

Date : 25 May 2023 (after trading hours)

Issuer : The Company

Underwriter : China Demeter Securities Limited

The Underwriter is a licensed corporation carrying out type 1 (dealing in securities), type 4 (advising on securities) and type 9 (asset management) regulated activity under the SFO and its ordinary course of business includes underwriting of securities.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as at the Latest Practicable Date, the Underwriter and its associates do not hold any Shares, and the Underwriter and its ultimate beneficial owners are Independent Third Parties. As such, the Underwriter complies with Rule 10.24A(1) of the GEM Listing Rules.

Number of Rights Shares to be underwritten by the Underwriter : Up to 72,230,400 Rights Shares (assuming no change in the number of Shares in issue on or before the Record Date) underwritten by the Underwriter pursuant to the terms and conditions of the Underwriting Agreement.

Underwriting Commission : The Company shall pay to the Underwriter an underwriting commission equal to a lump sum amount of HK\$100,000.00.

The terms of the Underwriting Agreement (including the commission rate) were determined after arm's length negotiation between the Company and the Underwriter by reference to the financial position of the Group, the size of the Rights Issue, the current and expected market condition and the prevailing market rate. The Directors consider the terms of the Underwriting Agreement (including the underwriting commission) are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

Save for the Underwriting Agreement, the Company has not entered into any agreement, arrangement, understanding or undertaking in regard of the Rights Issue with the Underwriter or any of its connected persons and their respective associates.

### **Conditions of the Rights Issue**

The Rights Issue is conditional upon:

- (a) the passing of ordinary resolution(s) by the Shareholders at the EGM approving the Increase in Authorised Share Capital;
- (b) the passing by the Independent Shareholders at the EGM of the necessary resolution(s) to approve the Rights Issue, the Underwriting Agreement and the transactions contemplated thereunder (including but not limited to the allotment and issue of the Rights Shares) by no later than the date of despatch of the Prospectus Documents;
- (c) the delivery to the Stock Exchange for authorisation and the registration with the Registrar of Companies in Hong Kong respectively one copy of each of the Prospectus Documents duly signed by two Directors (or by their agents duly authorised in writing) in accordance with section 342C of the Companies (WUMP) Ordinance as having been approved by resolutions of the Directors (and all other documents required to be attached thereto) and otherwise in compliance with the GEM Listing Rules, the Companies Ordinance and the Companies (WUMP) Ordinance not later than the Prospectus Posting Date;
- (d) the posting of the Prospectus Documents to the Qualifying Shareholders and the posting of the Prospectus to the Non-Qualifying Shareholders, if any, for information purpose only, explaining the circumstances in which they are not permitted to participate in the Rights Issue on or before the Prospectus Posting Date;
- (e) the Stock Exchange granting or agreeing to grant (subject to allotment) and not having withdrawn or revoked the listing of, and permission to deal in, the Rights Shares (in their nil-paid and fully paid forms) by no later than the first day of their dealings;
- (f) the Underwriting Agreement not being terminated by the Underwriter pursuant to the terms thereof prior to the Latest Time for Termination;
- (g) the compliance with and performance by the Company in all material respects of the undertakings and obligations under the Underwriting Agreement; and
- (h) there being no Specified Event occurring prior to the Latest Time for Termination.

Conditions (b), (c), (d), (e), (f) and (g) above are incapable of being waived. If any of the conditions of the Rights Issue is not satisfied (or waived, as the case maybe) in whole or in part by the Company by the Latest Time for Termination or such other time and/or date as the Company and the Underwriter may agree in writing, the Underwriting Agreement will terminate and none of the parties shall, have any claim against the other party for costs, damages, compensation or otherwise save for any antecedent breaches.

As at the Latest Practicable Date, save for the conditions set out in paragraphs (a) and (b) above, none of the conditions have been fulfilled.

Pursuant to the Underwriting Agreement, the Underwriter has undertaken to the Company that if it or any of its sub-underwriters is required to take up the Rights Shares pursuant to its underwriting/sub-underwriting obligations, (i) it and parties acting in concert (within the meaning of the Takeovers Code) with it will not trigger a mandatory offer obligation under Rule 26 of the Takeovers Code on the part of it in respect of performing its obligation hereunder; (ii) it shall ensure that the public float requirement under Rule 11.23 of the GEM Listing Rules is fulfilled by the Company upon completion of the Rights Issue; (iii) it shall and shall cause its sub-underwriters to use its best endeavours to ensure that each of the subscribers of the Rights Shares procured by it shall be an Independent Third Party not acting in concert (within the meaning of the Takeovers Code) with the Company, the Directors, the chief executive or the Substantial Shareholders of the Company or its subsidiaries or any of their respective associates; and (iv) none of the persons to be procured by it and its sub-underwriters to subscribe for the Shares not taken up by the Qualifying Shareholders will be holding 9.9% or more of the total issued share capital of the Company immediately after completion of the Rights Issue.

Up to the Latest Practicable Date, no sub-underwriter has been engaged.

## **REASONS FOR AND BENEFITS OF THE RIGHTS ISSUE AND USE OF PROCEEDS**

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

Since early 2022, the Group has diversified its footwear and apparel businesses by selling branded footwear and apparel products in Hong Kong and Canada. The Directors believe that the commencement of such new business in Hong Kong and North America allows the Group to develop a diversified range of customers in different geographical locations. The Group has set up a new company and established its presence in Vancouver, Canada in 2022. The Group will then maintain the scale of operations and retail network in 2023 and regularly review the market conditions in North America and adjust the strategies in due course.

As most of the countries' economies have started to recover from the COVID-19 pandemic since early 2022, together with the consumption voucher scheme implemented by the Hong Kong Government and the World Cup played in 2022, the Group achieved significant growth in revenue for the year ended 31 December 2022. Going forward, the Group plans to continue to widen the consumer reach by expanding its brand portfolio and product categories and the Group will explore business opportunities in various soft fashion trading networks and online platforms and seek operations with more local and overseas enterprises to expanding our retail business.

As disclosed in the Company's circular dated 1 March 2023, the Company had no intention as at 17 February 2023 to carry out other corporate actions in the next twelve months which may have an effect of undermining or negating the intended purpose of the Share Consolidation. Nevertheless, the Board also stressed it could not rule out the possibility that the Company would conduct debt and/or equity fund-raising exercises when suitable fund-raising opportunities arise in order to support future development of the Group.

Since 17 February 2023, the Group has further incurred loans to support its ongoing operations. The Board is of the view that the Rights Issue will enable the Group to strengthen its capital base for the footwear and apparel business and enhance its working capital position. Furthermore, the Rights Issue will give the Qualifying Shareholders the opportunity to maintain their respective pro-rata shareholding interests in the Company and participate in the growth and development of the Group. The Board has also considered other alternative means of fund raising before resolving to the Rights Issue, including but not limited to debt financing, placing and open offer. However, the Board considers that debt financing requires asset pledge or relatively higher interest rate which will result in additional interest burden, higher gearing ratio of the Group and subject the Group to repayment obligations.

In particular, given the volatile market conditions and the consecutive loss-making financial performance of the Group, it would be difficult for the Company to obtain loans from banks in Hong Kong.

The Directors consider that it would be difficult for the Company to obtain loans from other non-banking financial institution (the "**Non-Banking FIs**") due to the Company lack of collateral acceptable to the Non-Banking FIs. Moreover, based on the past experience of the Directors, even for secured loan financing with acceptable collateral (such as property) from the Non-Banking FIs, it will still result in a high interest rate under prevailing market conditions. The Group is reluctant to obtain loan financing from the Non-Banking FIs which generally charge higher interest rates than banks. As such, the Company did not further approach the Non-Banking FIs.

In addition, debt financing may not be achievable on favourable terms in a timely manner. As for equity fund raising, such as placing of new Shares, it is relatively smaller in scale as compared to fund raising through rights issue and the Company has already exhausted its general mandate. Additionally, further placing of shares would lead to dilution in the shareholding interest of existing Shareholders without offering them the opportunity to participate in the enlarged capital base of the Company. Furthermore, the Company has approached multiple

securities brokerages but they have all declined to act as placing agent. As for open offer, while it is similar to a rights issue, offering qualifying shareholders to participate, it does not allow free trading of rights entitlements in the open market. In view of the above, the Board considers that raising funds by way of the Rights Issue is more cost effective, efficient and beneficial to the Company and the Shareholders as a whole as compared to raising fund by other means.

In the event of full subscription under the Right Issues, it is estimated that the Company will raise gross proceeds of approximately HK\$14.4 million from the Rights Issue and the relevant expenses would be approximately HK\$1.1 million, which include underwriting commission and professional fees. The estimated net proceeds from the Rights Issue will be approximately HK\$13.3 million (equivalent to a net price of approximately HK\$0.18 per Rights Share). In line with the aforesaid business objectives, the Company intends to utilise the net proceeds from the Rights Issue as follows:

- (a) approximately HK\$11.0 million (or approximately 82.7% of the total net proceeds) for the repayment of the Group's loans ("**Repayment**"); and
- (b) the remaining balance of approximately HK\$2.3 million (or approximately 17.3% of the total net proceeds) for general working capital of the Group.

In respect of the Repayment, the Group obtained loans in 2022 in the aggregate amount of HK\$11.5 million bearing an interest rate of 8–9% per annum. The Group therefore has to make interest payments of approximately HK\$1,035,000 every year. Although the loans are not repayable until late 2024 and the Group is only required to make interest payments on a half-yearly basis until the maturity date, the Board considers that Repayment within this year is for the commercial benefit of the Group because it will help the Group save interest expense of approximately HK\$1,035,000. The re-opening of the borders and the relaxation of anti-epidemic measures provide an opportunity for the rebound in economic activities and stimulate the consumer spending especially in retail business following the easing restrictions of mainland Chinese tourists' arrivals and the distribution of consumption vouchers. Besides, it is expected that sporting events will continue to resume post-COVID and bounce back in terms of attendance. As a result, the savings will enable the Group to capture the enormous business opportunities in the footwear and apparel market created by major sporting events to be held such as the 2024 UEFA Euro Championship to be held in Germany and the Olympic Games to be held in Paris in 2024. The FIBA Basketball World Cup to be held later this year and the NBA Playoff Finals are also set to boost demand for sneakers. Therefore, the cash resources can enable the Group to reduce its interest expenses by repayment of part of its loans, increase its liquidity and reserve its working capital to prepare for the anticipated growth in business and equip the Group with a timely and robust funding position to secure favourable opportunities.

In respect of (b), despite the gradual recovery of economy from the COVID-19 pandemic, the business conditions remain troubled in Hong Kong as the tourism industry has yet to rebound and the reopening of borders by countries such as Japan has diminished the consumer purchase power in Hong Kong. The fragile global economy as evidenced by a series of bank failures and rescues recently has also made shoppers more wary of non-essential spending. In these abnormal business conditions, the Group is conscious about the importance of liquidity in the Group's ongoing operations and managing cash flow is a very critical aspect during a period of uncertainty. Given that the Group's net cash used in operating activities for the year ended 31 December 2022 was already approximately HK\$15.8 million and the Group's bank balances and cash were only at HK\$2,011,000 as at 31 December 2022, the Board foresees the Group's forthcoming cash level might be further strained when the Group conducts its business activities. As a low cash level would not be ideal for the Group's business operations the Group is considering actions to increase liquidity with a view to strengthen the competitive edge of the Group over the competitors in the industry.

Having taken into account the state of the global and local economies, the cash level of the Group, as well as the estimated working capital required for the Group's daily operation, the Board considers that the Rights Issue provides a good opportunity for the Group to strengthen its capital structure without incurring debt financing cost, improve the financial position, and provide additional financial resources for capturing suitable business expansion and investment opportunities as they arise, while at the same time the Rights Issue will enable all Qualifying Shareholders to participate in the future development of the Company on equal terms to maintain their respective pro-rata shareholdings in the Company. Hence, the Board considered that it would be in the interests of the Company and the Shareholders as a whole to raise capital through the Rights Issue.

## EFFECTS ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

The table below sets out the shareholding structures of the Company (a) as at the Latest Practicable Date; (b) immediately after the Rights Issue (assuming all Rights Shares are subscribed for by the Qualifying Shareholders); and (c) immediately after the Rights Issue (assuming no Qualifying Shareholders takes up any of the Rights Shares and the Underwriter takes up all Rights Shares pursuant to the Underwriting Agreement).

	As at the Latest Practicable Date		Immediately after completion of the Rights Issue			
			Assuming all Rights Shares are subscribed for by the Qualifying Shareholders		Assuming no Qualifying Shareholders takes up any of the Rights Shares and the Underwriter takes up all Rights Shares pursuant to the Underwriting Agreement	
	<i>No. of Shares</i>	<i>Approx.% (Note 1)</i>	<i>No. of Shares</i>	<i>Approx.% (Note 1)</i>	<i>No. of Shares</i>	<i>Approx.% (Note 1)</i>
Mr. Shum Tsz Yeung Underwriter, sub-underwriter(s) and/or subscriber(s) procured by them (Notes 2 & 3)	6,750	0.02	20,250	0.02	6,750	0.006
Other public Shareholders	36,108,450	99.98	108,325,350	99.98	72,230,400	66.67
<b>Total</b>	<b>36,115,200</b>	<b>100.00</b>	<b>108,345,600</b>	<b>100.00</b>	<b>108,345,600</b>	<b>100.00</b>

### Notes:

- (1) The percentage figures have been subject to rounding adjustments. Any discrepancies between totals and sums of amounts listed herein are due to rounding adjustments.
- (2) Pursuant to the Underwriting Agreement, the Underwriter shall confirm with the Company the actual number of Untaken Shares as at the Latest Time for Acceptance, and shall procure for full subscription therefor.
- (3) Pursuant to the Underwriting Agreement, the Underwriter has undertaken to the Company that if it or any of its sub-underwriters is required to take up the Rights Shares pursuant to its underwriting/sub-underwriting obligations, (i) it and parties acting in concert (within the meaning of the Takeovers Code) with it will not trigger a mandatory offer obligation under Rule 26 of the Takeovers Code on the part of it in respect of performing its obligation thereunder; (ii) it shall ensure that the public float requirement under Rule 11.23 of the GEM Listing Rules is fulfilled by the Company upon completion of the Rights Issue; (iii) it shall and shall cause its sub-underwriters to use its best endeavours to ensure that each of the subscribers of the Rights Shares procured by it shall be an Independent Third Party not acting in concert (within the meaning of the Takeovers Code) with the Company, the Directors, the chief executive or the Substantial Shareholders of the Company or its subsidiaries or any of their respective

associates; and (iv) none of the persons to be procured by it and its sub-underwriters to subscribe for the Shares not taken up by the Qualifying Shareholders will be holding 9.9% or more of the total issued share capital of the Company immediately after completion of the Rights Issue.

Up to the Latest Practicable Date, no sub-underwriter has been engaged.

Shareholders and public investors should note that the above shareholding changes are for illustration purposes only and the actual changes in the shareholding structure of the Company upon completion of the Rights Issue are subject to various factors, including the results of acceptance of the Rights Issue.

## FUND-RAISING ACTIVITIES OF THE COMPANY FOR THE PAST TWELVE MONTHS

The Company carried out the following equity fund-raising activities in the 12 months immediately preceding the Latest Practicable Date:

Date of announcement	Event	Net proceeds raised (approximately)	Intended use of proceeds	Actual use of proceeds
24 November 2022	Placing of new Shares under general mandate	HK\$2.31 million	Business operation and general working capital	All used as intended as follows: <ul style="list-style-type: none"> <li>(i) approximately HK\$494,000 applied for repayment of part of the Group's current trade payables; and</li> <li>(ii) approximately HK\$1,874,000 applied for general working capital of the Group, which include but not limited to rental expenses, staff costs and other operations-related expenses.</li> </ul>

Save as disclosed above, the Company has not conducted any fund-raising activities involving issue of its securities in the past 12 months immediately preceding the Latest Practicable Date.

## **RISK FACTORS**

In compliance with the GEM Listing Rules, the Company sets out below the risk factors of the Group for the Shareholders' attention. The Directors believe that there are certain risks involved in the operations of the Group, which includes but are not limited to, the following:

### **Risks relevant to the Company itself**

#### ***Reliance on key personnel***

The effective operations and future success of the Group's business are depending, to a significant extent, on the capability, experience and continued efforts of our key management personnel. If the Group is unable to attract, retain and motivate the necessary key management personnel, the business and operation conditions of the Group may be disrupted and the results and financial positions of the Group may be materially or adversely affected.

#### ***Financial risks***

The Group is exposed to financial risks, including credit, interest rate, liquidity and other price risks. The Group actively and regularly reviews these risks and will adopt measures, if needed, to control and mitigate these risks.

#### ***Share price fluctuations***

The price and trading volume of the Shares are determined by demand and supply of investors for the Shares in the public market price and may be highly volatile. Factors such as variations in the Group's revenue, earnings and cash flows, changes in or challenges to its business, announcements of new investments, acquisitions or disposals, the depth and liquidity of the market for the Shares, investors' perceptions of the Group and general political, economic, social and market conditions both globally and in the PRC or Hong Kong could cause the market price of the Shares to change substantially.

### **Risks relevant to the Company's business**

The Group's business relies on whether the Group's ability to successfully meet clients' preference by capturing the market trend in a timely manner. If the Group fails to keep up with changing trends, it risks losing market share to competitors who are more agile and responsive to consumer demands.

Negative publicity or damage to its business reputation may have potential adverse impact on the Group's business.

The footwear and apparel industry is reliant on global supply chains, which can be disrupted by a variety of factors such as natural disasters, political instability, trade disputes, and pandemics. These disruptions can lead to delays in production, higher costs, and shortages of materials and the Group may have to incur additional costs to remedy the supply chain disruptions.

### **Risks on a macro-scale relevant to the Company**

The business operations of the Group are primarily based in Hong Kong and Canada. Accordingly, the Group's operations and prospects could be adversely affected by economic, political and legal developments in the Hong Kong and Canada. Any changes in the political and economic policies/environments of the Hong Kong and Canada (including, but not limited to, government policies, political instability, expropriation, laws, labour activism, war, civil unrest, terrorism, and changes in interest rates, foreign exchange rates, taxation, environmental regulations and import and export duties and restrictions) may adversely affect the Group's business and operations as well as its ability to sustain its expansion strategies and thus future growth.

In general, the footwear and apparel industry is exposed to economic downturns, which can lead to decreased consumer spending and lower demand for footwear and apparel products. As the Group's business is reliant on discretionary spending, its business may be particularly vulnerable during economic downturns.

### **Risks relating to the Rights Issue**

Under the Underwriting Agreement, the Underwriter shall be entitled by notice in writing to the Company to terminate its obligations upon the occurrence of any of the events stated in the section headed "TERMINATION OF THE UNDERWRITING AGREEMENT" in this Prospectus on or before the Latest Time for Termination.

Should the Rights Issue proceed as intended, the interest of the existing Shareholders will be diluted if they do not or cannot, as the case may be, subscribe for the Rights Shares which they are entitled to.

### ***Additional Risks***

Additional risks and uncertainties not presently known to the Directors, or not expressed or implied above, or otherwise deemed immaterial by the Directors as at the Latest Practicable Date, may also adversely affect the Group's business in a material aspect.

## **POSSIBLE ADJUSTMENTS RELATING TO THE SHARE OPTIONS**

Pursuant to the terms of the Share Option Scheme, the exercise prices and/or number of new Shares to be issued upon exercise of the Share Options may be adjusted in accordance with the Share Option Scheme, if any, upon the Rights Issue becoming unconditional. The Company will notify the holders of the Share Options the adjustments upon the Rights Issue becoming unconditional by further announcement, if necessary.

## **ADDITIONAL INFORMATION**

Your attention is drawn to the information set out in the appendices to this Prospectus.

## **WARNING OF THE RISKS OF DEALING IN THE SHARES AND THE NIL-PAID RIGHTS SHARES**

Shareholders and potential investors of the Company should note that the Rights Issue is conditional upon, among others, the Underwriting Agreement having become unconditional and the Underwriter not having terminated the Underwriting Agreement in accordance with the terms thereof (a summary of which is set out in the section headed “TERMINATION OF THE UNDERWRITING AGREEMENT” in this Prospectus). Accordingly, the Rights Issue may or may not proceed.

The Shares have been dealt in on an ex-right basis from Monday, 31 July 2023. Dealings in the Right Shares in nil-paid form are expected to take place from Friday, 11 August 2023 to Friday, 18 August 2023 (both days inclusive). Any Shareholder or other person contemplating, transferring, selling or purchasing the Shares and/or Rights Shares in their nil-paid form is advised to exercise caution when dealing in the Shares and/or the nil-paid Rights Shares. Any Shareholder or other person dealing in the Shares and/or the nil-paid Rights Shares up to the date on which all the conditions to which the Rights Issue is subject are fulfilled (and the date on which the Underwriter’s right of termination of the Underwriting Agreement ceases) will accordingly bear the risk that the Rights Issue may not become unconditional or may not proceed.

Shareholders and potential investors are advised to exercise caution when dealing in the Shares and/or the nil-paid Rights Shares. Any party who is in any doubt about his/her/its position or any action to be taken is recommended to consult his/her/its own professional adviser(s).

By Order of the Board  
Jimu Group Limited



**Tsang Hing Bun**  
*Executive Director*