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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)

PLACING OF NEW SHARES UNDER SPECIFIC MANDATE

Placing Agent



Kingkey Securities Group Limited

PLACING OF NEW SHARES UNDER SPECIFIC MANDATE

The Board is pleased to announce that on 4 August 2024, the Company and the Placing Agent entered into the Placing Agreement pursuant to which the Company has conditionally agreed to place through the Placing Agent, on a best effort basis, of up to 43,338,240 Placing Shares to not less than six (6) Placees who and whose ultimate beneficial owners shall be Independent Third Parties at a price of HK\$0.25 per Placing Share.

The Placing Price of HK\$0.25 per Placing Share represents (i) a discount of approximately 13.8% to the closing price of HK\$0.290 per Share as quoted on the Stock Exchange on the date of the Placing Agreement; and (ii) a discount of approximately 24.9% to the average closing price per Share of HK\$0.333 as quoted on the Stock Exchange for the last five (5) consecutive trading days immediately preceding the date of the Placing Agreement.

Assuming there will be no change in the issued share capital of the Company between the date of this announcement and the completion of the Placing, the maximum number of the Placing Shares represents (i) approximately 40% of the existing issued share capital of the Company as at the date of this announcement; and (ii) approximately 28.57% of the issued share capital of the Company as enlarged by the allotment and issue of the Placing Shares.

Assuming that all the Placing Shares are successfully placed by the Placing Agent, the maximum gross proceeds from the Placing are estimated to be approximately HK\$10.8 million, and the maximum net proceeds, after deducting the placing commission, professional fees and all related expenses which may be borne by the Company, from the Placing are estimated to be approximately HK\$10.2 million.

The Company intends to apply the net proceeds as to: (i) approximately HK\$1.7 million (approximately 16.7% of the net proceeds) for repayment of loans; and (ii) approximately HK\$8.5 million (approximately 83.3% of the net proceeds) as general working capital of the Group.

GENERAL

The Placing Shares will be allotted and issued under the Specific Mandate and the Placing will be subject to the Shareholders' approval at the EGM. A circular containing, among other things, (i) further details of the Placing; and (ii) a notice convening the EGM will be despatched to the Shareholders as soon as practicable in accordance with the GEM Listing Rules.

Completion of the Placing is subject to the satisfaction of the conditions precedent under the Placing Agreement. As the Placing may or may not proceed, Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

THE PLACING AGREEMENT

The principal terms of the Placing Agreement are summarised below:

Date: 4 August 2024

Parties: **Issuer:** the Company

Placing Agent: Kingkey Securities Group Limited

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Placing Agent and its ultimate beneficial owner(s) are Independent Third Parties as at the date of this announcement.

Pursuant to the terms of the Placing Agreement, the Company has conditionally agreed to place through the Placing Agent, on a best effort basis, a maximum of 43,338,240 Placing Shares to not less than six (6) Placees who and whose ultimate beneficial owners are third parties independent of the Company and its connected persons.

Placing Commission

The Placing Agent will charge the Company a placing commission of 3% of the gross proceeds from the Placing. The placing commission in respect of the Placing was negotiated on arm's length basis between the Company and the Placing Agent under normal commercial terms and with reference to the prevailing market conditions, and the Directors are of the view that the placing commission is fair and reasonable.

Placees

The Placing Agent will, on a best efforts basis, place the Placing Shares to currently expected to be not less than six (6) Placees who and whose ultimate beneficial owner(s) (if applicable) shall be Independent Third Parties.

Number of Placing Shares

Assuming there will be no change in the issued share capital of the Company between the date of this announcement and the completion of the Placing, the maximum number of Placing Shares under the Placing represents (i) approximately 40% of the existing issued share capital of the Company as at the date of this announcement; and (ii) approximately 28.57% of the issued share capital of the Company as enlarged by the allotment and issue of the Placing Shares.

Ranking of Placing Shares

The Placing Shares under the Placing, when issued and fully paid, shall rank *pari passu* in all respects with the existing Shares in issue on the date of allotment and issue of the Placing Shares.

Placing Price

The Placing Price of HK\$0.25 per Placing Share represents:

- (a) a discount of approximately 13.8% to the closing price of HK\$0.290 per Share as quoted on the Stock Exchange on the date of the Placing Agreement;
- (b) a discount of approximately 24.9% to the average closing price per Share of HK\$0.333 as quoted on the Stock Exchange for the last five (5) consecutive trading days immediately preceding the date of the Placing Agreement; and

- (c) a theoretical dilution effect (as defined under Rule 10.44A of the GEM Listing Rules) of approximately 7.12%, represented by the theoretical diluted price of approximately HK\$0.3093 per Share to the benchmarked price of approximately HK\$0.333 per Share (as defined under 10.44A of the GEM Listing Rules, taking into account the higher of (i) the closing price as quoted on the Stock Exchange on the date of the Placing Agreement of HK\$0.290 per Share and (ii) the average of the closing prices of approximately HK\$0.333 per Shares as quoted on the Stock Exchange for the five previous consecutive trading days immediately prior to the date of the Placing Agreement).

While the Company has completed a Rights Issue on 30 August 2023, i.e. within twelve (12) months immediately preceding the date of the Placing Agreement, the Rights Issue was conducted at a premium and therefore there was no value dilution to the non-participating shareholders. Save as to the Rights Issue, the Company had not conducted any fund raising activities involving the issue of its equity securities in the twelve (12) months immediately preceding the date of the Placing Agreement.

In view of the above, the Placing will not result in a theoretical dilution effect of 25% or more on its own or when aggregated with the Rights Issue, and accordingly, the theoretical dilution impact of the Placing is in compliance with Rule 10.44A of the GEM Listing Rules.

The Placing Price of the Placing was determined with reference to the prevailing market prices of the Shares and was negotiated on an arm's length basis between the Company and the Placing Agent. The Directors consider that the Placing Price is fair and reasonable based on the current market conditions.

Conditions of the Placing

Completion of the Placing is conditional upon fulfilment of the following conditions:

- (i) the GEM Listing Committee of the Stock Exchange granting the approval for the listing of, and the permission to deal in, the Placing Shares;
- (ii) the passing of necessary resolution(s) by the shareholders of the Company who are allowed to vote under the GEM Listing Rules of the relevant resolution(s) to approve the Placing Agreement and the transactions contemplated thereunder, including the grant of the Specific Mandate at the EGM; and
- (iii) all necessary consents and approvals to be obtained on the part of each of the Placing Agent and the Company in respect of the Placing Agreement and the transactions contemplated thereunder having been obtained.

In the event that any of the above conditions is not fulfilled on or before 31 December 2024 (or such later date as may be agreed between the Company and the Placing Agent in writing), all rights, obligations and liabilities of the Company and the Placing Agent shall cease and terminate and neither the Company nor the Placing Agent shall have any claim against the other save for any antecedent breach under the Placing Agreement prior to such termination.

Completion of the Placing

Completion of the Placing will take place within seven (7) Business Days after the fulfillment of the above conditions precedent or such other date to be agreed between the Company and the Placing Agent in writing.

Termination

The Placing Agent may terminate the Placing Agreement without any liability to the Company save for antecedent breach under the Placing Agreement prior to such termination, by notice in writing given to the Company at any time prior to 8:00 a.m. on the Completion Date upon the occurrence of the following events:

- (i) the occurrence of any event, development or change (whether or not local, national or international or forming part of a series of events, developments or changes occurring or continuing before, on and/or after the date of the Placing Agreement) and including an event or change in relation to or a development of an existing state of affairs of a political, military, industrial, financial, economic, fiscal, regulatory or other nature, resulting in a change in, or which may result in a change in, political, economic, fiscal, financial, regulatory or stock market conditions and which in the Placing Agent's absolute opinion would adversely affect the success of the Placing; or
- (ii) the imposition of any moratorium, suspension (for more than seven (7) trading days) or restriction on trading in the securities generally on the Stock Exchange occurring due to exceptional financial circumstances or otherwise and which in the Placing Agent's absolute opinion, would adversely affect the success of the Placing; or
- (iii) any new law or regulation or change in existing laws or regulations or any change in the interpretation or application thereof by any court or other competent authority in Hong Kong or any other jurisdiction relevant to the Group and if in the Placing Agent's absolute opinion any such new law or change may adversely affect the business or financial prospects of the Group and/or the success of the Placing; or
- (iv) any litigation or claim being instigated against any member of the Group, which has or may have an adverse effect on the business or financial position of the Group and which in the Placing Agent's absolute opinion would adversely affect the success of the Placing; or
- (v) any material adverse change in the business or in the financial or trading position or prospects of the Group as a whole; or

- (vi) any breach of any of the representations and warranties of the Company to the Placing Agent under the Placing Agreement comes to the knowledge of the Placing Agent or any event occurs or any matter arises on or after the date of the Placing Agreement and prior to the Completion Date which if had occurred or arisen before the date of the Placing Agreement would have rendered any of such representations and warranties untrue or incorrect or there has been a breach by the Company of any other provision of the Placing Agreement; or
- (vii) any material change (whether or not forming part of a series of changes) in market conditions which in the absolute opinion of the Placing Agent would materially and prejudicially affect the Placing or makes it inadvisable or inexpedient for the Placing to proceed.

If notice is given pursuant to this section, the Placing Agreement shall terminate and be of no further effect and neither party shall be under any liability to the other party in respect of the Placing Agreement save for any antecedent breach under the Placing Agreement prior to such termination.

REASONS FOR AND BENEFITS OF THE PLACING AND USE OF PROCEEDS

The Group is principally engaged in the footwear, apparel and sports-related peripheral products businesses.

Having reviewed the latest audited consolidated financial statements of the Company for the year ended 31 December 2023, the Directors note that:

- (i) the loss resulting from the Group's continuing operations had increased from approximately HK\$3.9 million in 2022 to approximately HK\$5.3 million in 2023, mainly as a result of the reduced sales of branded footwear and apparel products in Canada due to the overall slowdowns of the economy of Canada in 2023 and the rather slow economic recovery after the COVID-19 pandemic;
- (ii) the expenses of the Group's continuing operations have further increased in 2023, in which the employee benefit expenses had increased from approximately HK\$1.8 million for 2022 to HK\$6.0 million for 2023, whereas the operating expenses had increased from approximately HK\$3.7 million for 2022 to HK\$5.6 million for 2023; and
- (iii) the net cash used in the Group's operating activities for the year of 2023 amounted to approximately HK\$4.59 million, which was off-set by the net cash from financing activities of approximately HK\$4.51 million as a result of the large proceeds from the Rights Issue in 2023.

In view of the financial condition and performance of the Group in 2023, the Directors consider it necessary to seek additional source of funding to secure and maintain a sufficient amount of general working capital to support and facilitate the Group's existing business and operating activities, and that the Placing represents a good opportunity to broaden the capital base of the Company and raise capital for the Group's business operations.

Subject to completion of the Placing and assuming all the 43,338,240 Placing Shares are fully placed, it is expected that the maximum gross proceeds and net proceeds (after deduction of placing commission and other expenses of the Placing) from the Placing will be approximately HK\$10.8 million and HK\$10.2 million respectively. On such basis, the net issue price will be approximately HK\$0.23 per Placing Share.

The Company intends to apply the net proceeds from the Placing as to: (i) approximately HK\$1.7 million (approximately 16.7% of the net proceeds) for repayment of loans; and (ii) approximately HK\$8.5 million (approximately 83.3% of the net proceeds) as general working capital of the Group.

Apart from the Placing, the Board has considered other fund raising alternatives such as debt financing, rights issue or open offer. The Board considers that debt financing such as bank borrowings would incur additional interest burden on the Group and create pressure to the liquidity of the Company, and may be subject to time-consuming due diligence and negotiations with the banks. As for rights issue or open offer, the Board considers that it would involve relatively more substantial time and costs to complete when compared with the Placing.

Having considered the above, the Board considers that the Placing Agreement is entered into upon normal commercial terms following arm's length negotiations between the Company and the Placing Agent with reference to the prevailing market conditions and the recent trading performance of the Shares, and that the terms of the Placing Agreement and the transactions contemplated thereunder (including the Placing Price and the placing commission) are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

EQUITY FUND RAISING ACTIVITY OF THE COMPANY IN THE PAST 12 MONTHS

The Company had carried out the following equity fund-raising activities in the 12 months immediately preceding the date of this announcement:

Date of announcement/ circular/prospectus	Fund-raising activity	Net proceeds raised (<i>approximately</i>)	Intended use of proceeds	Actual use of proceeds
25 May 2023, 6 June 2023, 26 June 2023, 7 July 2023, 9 August 2023, and 30 August 2023	Rights Issue	HK\$13.3 million	Approximately HK\$11.0 million for the repayment of the Group's loans, and approximately HK\$2.3 million for general working capital of the Group	Approximately HK\$11.0 million used for the repayment of the Group's loans, and approximately HK\$2.3 million used for business operations. The proceeds have been kept in the Group's bank account prior to utilisation.

Save as disclosed above, the Company had not conducted any equity fund raising activities in the 12 months immediately preceding the date of this announcement.

EFFECTS ON SHAREHOLDING STRUCTURE OF THE COMPANY

As at the date of this announcement, according to the register kept by the Company pursuant to section 336 of SFO, and so far as is known to the Directors or chief executive of the Company, no person (other than a Director or a chief executive of the Company) had, or was deemed or taken to have, an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

Assuming there being no other changes in the share capital of the Company from the date of this announcement and up to completion of the Placing, set out below is the shareholding structure of the Company (i) as at the date of this announcement and (ii) immediately after completion of the Placing.

	As at the Latest Practicable Date		Immediately after Completion of the Placing assuming all Placing Shares are fully placed	
	Number of Shares	Approx. %	Number of Shares	Approx. %
Mr. Shum Tsz Yeung	6,750	0.01%	6,750	0.00%
Sharp Ally International Limited	26,464,939	24.43%	26,464,939	17.45%
Public Shareholders				
The Placees	–	–	43,338,240	28.57%
Other Public Shareholders	81,873,911	75.56%	81,873,911	53.98%
Total	108,345,600	100.00%	151,683,840	100.00%

EGM

The EGM will be held and convened for the purpose of considering and, if thought fit, approving the Placing Agreement and the transactions contemplated thereunder, including the grant of the Specific Mandate for the allotment and issue of the Placing Shares.

GENERAL

The Placing Shares will be allotted and issued under the Specific Mandate and the Placing will be subject to the Shareholders' approval at the EGM.

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

Shareholders and potential investors of the Company should note that the completion of the Placing is subject to the fulfillment of the conditions as set out in the Placing Agreement, the Placing may or may not proceed. Shareholders and potential investors are reminded to exercise caution when dealing in the Shares.

DEFINITIONS

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

“AFRC”	the Accounting and Financial Reporting Council of Hong Kong
“Board”	the board of Directors
“Business Day”	means a day (other than a Saturday and a day on which “extreme conditions” is announced by the Government of Hong Kong or a tropical cyclone warning no. 8 or above is hoisted in Hong Kong at any time between 9:00 a.m. and 12:00 noon and is not lowered at or before 12:00 noon or on which a “black” rainstorm warning signal is hoisted or remains in effect between 9:00 a.m. and 12:00 noon and is not discontinued at or before 12:00 noon) on which licensed banks in Hong Kong are open for business throughout their normal business hours
“Company”	Jimu Group Limited, a company incorporated in the Cayman Islands with limited liability, the issued shares of which are listed on GEM of the Stock Exchange (stock code: 8187)
“Completion”	the completion of the Placing in accordance with the terms and conditions set out in the Placing Agreement
“Completion Date”	a date falling within four (4) Business Days after the day on which all the conditions set out in the section headed “Conditions of the Placing” of this announcement have been fulfilled (or such later date as may be agreed between the Company and the Placing Agent in writing)
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened to consider and, if thought fit, approve, among other things, the Placing Agreement and the transactions contemplated thereunder, including the grant of the Specific Mandate for the allotment and issue of the Placing Shares
“GEM”	GEM operated by the Stock Exchange
“GEM Listing Committee”	has the same meaning ascribed to it under the GEM Listing Rules

“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party(ies)”	any persons or company and their respective ultimate beneficial owner(s) which, to the best of the Directors’ knowledge, information and belief having made all reasonable enquires, are third parties independent of and not connected with the Company and its connected persons (or any of their respective associates)
“Placee(s)”	any person or entity procured by the Placing Agent or its agent(s) to subscribe for any Placing Share
“Placing”	the placing of the Placing Shares on and subject to the terms and condition set out in the Placing Agreement
“Placing Agent”	Kingkey Securities Group Limited, a licensed corporation to carry out Type 1 (Dealing in securities) and Type 4 (Advising on securities) regulated activities under the SFO
“Placing Agreement”	the placing agreement entered into between the Company and the Placing Agent dated 4 August 2024
“Placing Price”	HK\$0.25 per Placing Share (exclusive of any brokerage, SFC transaction levy, AFRC transaction levy and Stock Exchange trading fee as may be payable)
“Placing Share(s)”	up to 43,338,240 new Shares to be placed pursuant to the Placing Agreement
“Rights Issue”	the allotment and issue of 72,230,400 rights Shares of the Company by way of rights issue completed on 30 August 2023
“SFC”	Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)

“Share(s)”	the ordinary shares of HK\$0.2 each in the share capital of the Company
“Shareholder(s)”	holder(s) of issued Share(s)
“Specific Mandate”	the specific mandate to be sought, approved and granted by the Shareholders at the EGM to allot and issue a maximum of 43,338,240 Placing Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent.

By order of the Board
Jimu Group Limited
Tsang Hing Bun
Executive Director

Hong Kong, 4 August 2024

As at the date of this announcement, the executive Director of the Company is Dr. Tsang Hing Bun; the non-executive Director of the Company is Mr. Shum Tsz Yeung; and the independent non-executive Directors of the Company are Mr. Hung Wai Che, Mr. Choi Ho Yan and Mr. Yiu Yu Hong John.

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 of the Stock Exchange’s website at www.hkexnews.hk for at least seven days from the day of its publication and on the Company’s website at <http://www.jimugroup8187.com>.