
THIS PROSPECTUS IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this Prospectus or as to the action to be taken, you should consult your licensed securities dealer or other registered institution in securities, bank manager, solicitors, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Jimu Group Limited, you should at once hand this Prospectus Documents to the purchaser(s) or transferee(s) or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or the transferee(s).

Hong Kong Exchanges and Clearing Limited and the Stock Exchange of Hong Kong Limited take no responsibility for the contents of this Prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of the Prospectus Documents.

A copy of each of the Prospectus Documents, having attached thereto the documents specified in the paragraph headed “15. Documents delivered to the Registrar of Companies in Hong Kong” in Appendix III to this Prospectus, has been registered by the Registrar of Companies in Hong Kong pursuant to Section 342C of the Companies (Winding up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Registrar of Companies in Hong Kong, the Stock Exchange of Hong Kong Limited and the Securities and Futures Commission of Hong Kong take no responsibility for the contents of any of the Prospectus Documents.

Dealings in the Shares and the Rights Shares in both nil-paid and fully-paid forms may be settled through CCASS established and operated by HKSCC and you should consult your stockbroker or licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser for details of the settlement arrangements and how such arrangements may affect your rights and interests. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.



JIMU GROUP LIMITED 積木集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8187)

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

Underwriter to the Rights Issue



The Rights Issue will proceed on fully underwritten basis and is subject to the fulfilment of conditions. Details of the underwriting arrangement are set out in the paragraph headed “THE UNDERWRITING AGREEMENT” in the Letter from the Board. It should be noted that the Underwriting Agreement contains provisions granting the Underwriter the right in its absolute discretion to terminate the obligations of the Underwriter thereunder on the occurrence of certain events. Such events are set out in the section headed “TERMINATION OF THE UNDERWRITING AGREEMENT” of this Prospectus. If the Underwriting Agreement is terminated by the Underwriter or does not become unconditional, the Rights Issue will not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the Shares and/or nil-paid Rights Shares up to the date when the conditions of the Rights Issue are fulfilled.

Capitalised terms used in this cover page have the same meanings as defined in this Prospectus.

It should be noted that the Shares have been dealt in on an ex-rights basis from Monday, 31 July 2023. Dealings in the Rights Shares in the nil-paid form will take place from Friday, 11 August 2023 to Friday, 18 August 2023 (both days inclusive). If the conditions of the Rights Issue are not fulfilled, the Rights Issue will not proceed. Any person contemplating dealing in the nil-paid Rights Shares during the period from Friday, 11 August 2023 to Friday, 18 August 2023 (both days inclusive) will accordingly bear the risk that the Rights Issue may not become unconditional and/or may not proceed. Any person contemplating dealing in the Shares and/or the Rights Shares in their nil-paid form are recommended to consult his/her/its/their own professional advisers.

The latest time for acceptance of and payment for the Rights Shares and application for excess rights shares is 4:00 p.m. on Wednesday, 23 August 2023. The procedure for acceptance and payment or transfer is set out on pages 17 to 18 of this Prospectus.

9 August 2023

CHARACTERISTICS OF GEM

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

CONTENTS

	<i>Page</i>
DEFINITIONS	1
TERMINATION OF THE UNDERWRITING AGREEMENT	6
EXPECTED TIMETABLE	8
LETTER FROM THE BOARD	10
APPENDIX I — FINANCIAL INFORMATION OF THE GROUP	I-1
APPENDIX II — UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP	II-1
APPENDIX III — GENERAL INFORMATION OF THE GROUP	III-1

DEFINITIONS

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

“acting in concert”	has the same meaning ascribed thereto under the Takeovers Code
“Announcement”	the announcement of the Company dated 25 May 2023 relating to, among other things, the Rights Issue
“associate(s)”	has the same meaning ascribed thereto under the GEM Listing Rules
“Board”	the board of Directors
“Business Day”	a day (excluding Saturday and Sunday and any day on which “extreme conditions” caused by super typhoons is announced by the Government of Hong Kong or a tropical cyclone warning signal no. 8 or above is hoisted or remains hoisted 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 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 general business
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Circular”	the circular of the Company dated 7 July 2023 in respect of, among others, the Increase in Authorised Share Capital and the Rights Issue
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended from time to time
“Companies (WUMP) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance, Chapter 32 of the Laws of Hong Kong
“Company”	Jimu Group Limited, an exempted company with limited liability incorporated under the laws of the Cayman Islands
“connected person(s)”	has the meaning ascribed thereto under the GEM Listing Rules

DEFINITIONS

“controlling shareholder(s)”	has the meaning ascribed thereto under the GEM Listing Rules
“Directors”	directors of the Company
“EAF(s)”	the excess application form(s) for use by the Qualifying Shareholders who wish to apply for excess Rights Shares, in such usual form as may be agreed between the Company and the Underwriter
“EGM”	the extraordinary general meeting of the Company convened on 27 July 2023 at which, among other things, the Increase in Authorised Share Capital and the Rights Issue were approved by the Independent Shareholders
“GEM”	the GEM of the Stock Exchange
“GEM Listing Committee”	the GEM listing sub-committee of the board of the Stock Exchange
“GEM Listing Rules”	the rules governing the listing of securities on GEM
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Increase in Authorised Share Capital”	the increase in the Company’s authorised share capital from HK\$10,000,000 divided into 50,000,000 Shares to HK\$100,000,000 divided into 500,000,000 Shares by creating an additional 450,000,000 unissued Shares
“Independent Shareholder(s)”	any Shareholder(s) other than any controlling shareholders and their associates or, where there are no controlling shareholders, the Directors (excluding the independent non-executive Directors) and the chief executive of the Company and their respective associates
“Independent Third Party(ies)”	third party(ies) independent of and not connected with the Company and any of its connected persons

DEFINITIONS

“Last Trading Day”	25 May 2023, being the last trading day of the Shares on the Stock Exchange before the release of the Announcement
“Latest Practicable Date”	2 August 2023, being the latest practicable date prior to the printing of this Prospectus for the purpose of ascertaining certain information contained in this Prospectus
“Latest Time for Acceptance”	4:00 p.m. on Wednesday, 23 August 2023 or other time or date as may be agreed in writing between the Company and the Underwriter, being the latest time for acceptance of, and payment for, the Rights Shares and application and payment for excess Rights Shares
“Latest Time for Termination”	4:30 p.m. on Thursday, 24 August 2023 or such other time or date as the Underwriter may agree in writing with the Company
“Non-Qualifying Shareholder(s)”	those Overseas Shareholder(s) whom the Directors, after making enquiries, consider it necessary or expedient not to offer the Rights Issue to such Shareholder(s) on account either of legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place
“Overseas Shareholder(s)”	Shareholder(s) whose name(s) appear(s) on the register of members of the Company at the close of business on the Record Date and whose registered address(es) as shown on such register at that time is (are) in (a) place(s) outside Hong Kong
“PAL(s)”	the provisional allotment letter(s) to be issued to the Qualifying Shareholders in connection with the Rights Issue
“Prospectus”	this prospectus dated 9 August 2023 and issued by the Company in relation to the Rights Issue
“Prospectus Documents”	this Prospectus, the PAL and the EAF

DEFINITIONS

“Prospectus Posting Date”	Wednesday, 9 August 2023 or such other date as may be agreed in writing between the Underwriter and the Company, being the date of despatch of the Prospectus Documents to the Qualifying Shareholders and the Prospectus for information only to the Non-Qualifying Shareholders
“Qualifying Shareholder(s)”	Shareholder(s), other than the Non-Qualifying Shareholders, whose name(s) appear(s) on the register of members of the Company on the Record Date
“Record Date”	Tuesday, 8 August 2023 or such other date as may be agreed between the Company and the Underwriter in writing for the determination of the entitlements under the Rights Issue
“Registrar”	the branch share registrar and transfer office of the Company in Hong Kong, being Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong
“Rights Issue”	the issue of the Rights Shares on the basis of two (2) Rights Shares for every one (1) existing Share held on the Record Date at the Subscription Price on the terms and subject to the conditions in the Underwriting Agreement
“Rights Share(s)”	up to 72,230,400 Rights Shares (assuming no change in the number of Shares in issue on or before the Record Date) to be allotted and issued pursuant to the Rights Issue
“SFO”	the Securities and Futures Ordinance (Cap 571 of the laws of Hong Kong)
“Share(s)”	the ordinary shares of HK\$0.2 each in the share capital of the Company
“Share Option Scheme”	the share option scheme of the Company adopted on 11 May 2016
“Share Options”	the share options granted by the Company pursuant to the Share Option Scheme
“Shareholder(s)”	holder(s) of the Shares

DEFINITIONS

“Specified Event”	an event occurring or matter arising on or after the date of the Underwriting Agreement and prior to the Latest Time for Termination which if it had occurred or arisen before the date of the Underwriting Agreement would have rendered any of the warranties contained in the Underwriting Agreement untrue or incorrect in any material respect
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	HK\$0.20, being the par value per Share, per Rights Share
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“Underwriter”	China Demeter Securities Limited, a licensed corporation carrying out type 1 (dealing in securities), type 4 (advising on securities) and type 9 (asset management) regulated activities under the SFO
“Underwriting Agreement”	the underwriting agreement dated 25 May 2023 entered into between the Company and the Underwriter in respect of the Rights Issue
“Underwritten Shares”	all the Rights Shares to be underwritten by the Underwriter pursuant to the terms of the Underwriting Agreement
“Untaken Share(s)”	any of the Underwritten Shares which have not been taken up by the Qualifying Shareholders or transferees of nil-paid Rights Shares or applicants under excess applications by the Latest Time for Acceptance
“%”	per cent.

TERMINATION OF THE UNDERWRITING AGREEMENT

If, prior to the Latest Time for Termination (provided that for the purposes of the Underwriting Agreement if the date of the Latest Time for Termination shall be a Business Day on which “extreme conditions” caused by super typhoons is announced by the Government of Hong Kong or a tropical cyclone warning signal no. 8 or above or a black rainstorm warning signal is or remains in force in Hong Kong between 9:00 a.m. and 4:00 p.m. on that day, the date of the Latest Time for Termination shall be the next Business Day on which no “extreme conditions” caused by super typhoons is announced by the Government of Hong Kong or no tropical cyclone warning signal no. 8 or above or no black rainstorm warning signal is or remains hoisted in Hong Kong between 9:00 a.m. and 4:00 p.m. on that day):

- (i) in the absolute opinion of the Underwriter, the success of the Rights Issue would be materially and adversely affected by:
 - (a) the introduction of any new law or regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may in the absolute opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or is materially adverse in the context of the Rights Issue; or
 - (b) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date of the Underwriting Agreement) of a political, military, financial, economic or other nature (whether or not ejusdem generis with any of the foregoing), or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets which may, in the absolute opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole; or
- (ii) any material adverse change in market conditions (including without limitation, any change in fiscal or monetary policy, or foreign exchange or currency markets, suspension or material restriction on trading in securities) occurs which in the absolute opinion of the Underwriter makes it inexpedient or inadvisable to proceed with the Rights Issue; or
- (iii) any event of force majeure occurs, including without limiting the generality thereof, any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lock-out which in the absolute opinion of the Underwriter would materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole,

the Underwriter shall be entitled to terminate the Underwriting Agreement by notice in writing to the Company served prior to the Latest Time for Termination.

TERMINATION OF THE UNDERWRITING AGREEMENT

The Underwriter shall be entitled by notice in writing to rescind the Underwriting Agreement if, prior to the Latest Time for Termination:

- (i) any material breach of any of the representations, warranties or undertakings contained in the Underwriting Agreement comes to the knowledge of the Underwriter; or
- (ii) any Specified Event comes to the knowledge of the Underwriter.

Any such notice shall be served by the Underwriter prior to the Latest Time for Termination.

Upon giving of notice pursuant to the Underwriting Agreement, the obligations of the Underwriter and the Company under the Underwriting Agreement shall terminate and no party shall have any claim against the other party for costs, damages, compensation or otherwise save for any antecedent breaches.

If the Underwriter or the Company terminates the Underwriting Agreement, the Rights Issue will not proceed. A further announcement will be made by the Company if the Underwriting Agreement is terminated by the Underwriter or the Company.

EXPECTED TIMETABLE

Set out below is the expected timetable for the Rights Issue which is indicative only and it has been prepared on the assumption that all the conditions of the Rights Issue will be fulfilled. Any change to the expected timetable will be announced in a separate announcement by the Company as and when appropriate. All times and dates in below refer to Hong Kong local times and dates.

The expected timetable for the Rights Issue is set out below:

Event	Date and time
First day of dealing in nil-paid Rights Shares	Friday, 11 August 2023
Latest time for splitting of PAL	4:30 p.m. on Tuesday, 15 August 2023
Last day of dealings in nil-paid Rights Shares.	Friday, 18 August 2023
Latest time for acceptance and payment for rights shares and application for excess rights shares	4:00 p.m. on Wednesday, 23 August 2023
Latest time for the termination of the Underwriting Agreement	4:30 p.m. on Thursday, 24 August 2023
Announcement of the allotment results.	Wednesday, 30 August 2023
Despatch of certificates for fully-paid Rights Shares and refund cheques for wholly or partly unsuccessful applications for excess Rights Shares or if the Rights Issue is terminated	Thursday, 31 August 2023
Expected first day of dealings in fully-paid Rights Shares.	Friday, 1 September 2023

EFFECT OF BAD WEATHER AND/OR EXTREME CONDITIONS ON THE LATEST TIME FOR ACCEPTANCE

The Latest Time for Acceptance will not take place if a typhoon signal No. 8 (or above), “extreme conditions” caused by super typhoons as announced by the Government of the Hong Kong Special Administrative Region, or a “black” rainstorm warning is:

- (a) in force in Hong Kong at any local time before 12:00 noon and no longer in force after 12:00 noon on the date of the Latest Time for Acceptance. Instead, the Latest Time for Acceptance will be extended to 5:00 p.m. on the same Business Day; or

EXPECTED TIMETABLE

- (b) in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on the date of the Latest Time for Acceptance. Instead, the Latest Time for Acceptance will be rescheduled to 4:00 p.m. on the following Business Day which does not have either of those warnings in force in Hong Kong at any time between 9:00 a.m. and 4:00 p.m..

If the Latest Time for Acceptance does not take place on the currently scheduled date, the dates mentioned in the “EXPECTED TIMETABLE” above may be affected. Announcement will be made by the Company in such event.

LETTER FROM THE BOARD



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

LETTER FROM THE BOARD

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

LETTER FROM THE BOARD

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

LETTER FROM THE BOARD

- (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.

LETTER FROM THE BOARD

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

LETTER FROM THE BOARD

- (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.

LETTER FROM THE BOARD

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.

LETTER FROM THE BOARD

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

LETTER FROM THE BOARD

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.

LETTER FROM THE BOARD

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.

LETTER FROM THE BOARD

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.

LETTER FROM THE BOARD

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.

LETTER FROM THE BOARD

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

LETTER FROM THE BOARD

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.

LETTER FROM THE BOARD

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.

LETTER FROM THE BOARD

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 (<i>Notes 2 & 3</i>)	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
Total	36,115,200	100.00	108,345,600	100.00	108,345,600	100.00

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

LETTER FROM THE BOARD

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: (i) approximately HK\$494,000 applied for repayment of part of the Group's current trade payables; and (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.

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.

LETTER FROM THE BOARD

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.

LETTER FROM THE BOARD

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.

LETTER FROM THE BOARD

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

1. SUMMARY OF THE FINANCIAL INFORMATION OF THE GROUP

The financial information of the Group for each of the three financial years ended 31 December 2020, 2021 and 2022 were disclosed in the annual reports of the Company for the years ended 31 December 2020 (pages 50 to 130), 2021 (pages 48 to 130) and 2022 (pages 45 to 124) respectively. The financial information of the Group for the three months ended 31 March 2023 was disclosed in the first quarterly report of the Company for the three months ended 31 March 2023 (pages 2 to 9). The aforementioned financial information of the Group has been published on both the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.jimugroup8187.com). Please refer to the hyperlinks as stated below:

- 2020 annual report:
<https://www1.hkexnews.hk/listedco/listconews/gem/2021/0331/2021033101290.pdf>
- 2021 annual report:
<https://www1.hkexnews.hk/listedco/listconews/gem/2022/0331/2022033101828.pdf>
- 2022 annual report:
<https://www1.hkexnews.hk/listedco/listconews/gem/2023/0330/2023033001314.pdf>
- 2023 first quarterly report:
<https://www1.hkexnews.hk/listedco/listconews/gem/2023/0512/2023051201535.pdf>

2. STATEMENT OF INDEBTEDNESS

As at 30 June 2023, being the most recent practicable date for the purpose of this indebtedness statement, the Group had the following indebtedness:

	As at 30 June 2023 <i>HK\$'000</i>
Current liabilities	
Interest-bearing borrowings – unsecured and unguaranteed	3,250
Lease liabilities – unsecured and unguaranteed	<u>1,642</u>
	<u>4,892</u>
Non-current liabilities	
Interest-bearing borrowings – unsecured and unguaranteed	13,257
Lease liabilities – unsecured and unguaranteed	<u>1,063</u>
	<u>14,320</u>
Total	<u><u>19,212</u></u>

Save as aforesaid and apart from intra-group liabilities and normal account payables in the ordinary course of business, as at the close of business on 30 June 2023, the Group did not have any significant contingent liabilities, debt securities issued or outstanding, or authorised or otherwise created but unissued, or any term loans, other borrowings or indebtedness in the nature of borrowing including bank overdrafts, liabilities under acceptances (other than normal trade bills), acceptance credits, hire purchase commitments, mortgages or charges, contingent liabilities or guarantees outstanding.

3. WORKING CAPITAL

The Directors are of the opinion that, taking into consideration the Group's present financial resources and the estimated net proceeds from the Rights Issue, the Group has sufficient working capital for its present requirements for at least the 12 months from the date of this Prospectus in the absence of any unforeseen circumstances.

4. MATERIAL ADVERSE CHANGE

The Directors confirm that there has been no material adverse change in the financial or trading position of the Group since 31 December 2022, being the date to which the latest published audited consolidated financial statements of the Group were made up, and up to and including the Latest Practicable Date.

5. BUSINESS TREND AND FINANCIAL AND TRADING PROSPECTS OF THE GROUP

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

Footwear and Apparel Businesses

The Group is engaged in the trading of footwear and apparel business. The Group has built a diverse global customer portfolio comprising mainly international wholesalers and retailers and offers formal and casual footwear and apparel to its customers since 2009. Also, the Group extended the apparel business since 2021 for the massive overseas market potential of the apparel business.

In the early 2022, the Group has diversified its footwear and apparel businesses by selling branded footwear and apparel products in Hong Kong and Canada. The Group has set up a new company and established its presence in Vancouver, Canada in 2022. At the end of 2022, the Group expanded our retail footprint and opened 3 physical shops engaged in the trading of footwear and apparel in Hong Kong. Following the consumption voucher scheme being distributed and the reopening of border for the mainlanders in 2023 render support to consumption.

The global improving economic conditions and prospects should boost domestic demand, though tight financial conditions, inflation and the high interest rates will remain a constraint in 2023. Therefore, the management will conservatively review the market conditions and adjust the strategies timely.

The Group recorded revenue from the footwear and apparel businesses of approximately HK\$30.3 million for 2022 as compared to approximately HK\$5.6 million for 2021 since the Group has also engaged in the footwear and apparel business in Hong Kong and Canada in 2022.

Loan Facilitation and Credit Assessment Businesses

The Group commenced the provision of loan facilitation services to customers in the PRC in 2018 and set up a branch office network across different regions in the PRC to provide assistance to customers with financing needs in 3rd and 4th tier cities in the PRC. Since 2020, the management of the Group (the “**Management**”) were aware of the change in economic condition of the loan market. The revenue dropped significantly due to the closing down of branches and laying off staff since 2020. The Group had closed the branches and layoff staffs of loan facilitation business to reduce operating costs.

The PRC business remained disappointing in 2022 and showed no sign of revival even most of the counter-COVID-19 measures have been lifted in the PRC but the business had been accumulated considerable losses and suffering net liabilities.

Revenue from the loan facilitation segment decreased by 71.1% from approximately HK\$3.8 million for 2021 to approximately HK\$1.1 million for 2022. As a result, the management were in the opinion that it would no longer be in the interest to the Company and its shareholders as a whole to continue the business that on 20 April 2023, the Company resolved to dispose of the prolonged loss-making business to an independent third party at a nominal consideration of HK\$1. As none of the applicable ratios were higher than 5%, the disposal was exempt from announcement, circular and shareholders’ approval.

As at present, save for the Rights Issue, the Board has no intention or plan to conduct other equity fund raising activities in the next 12 months. However, if the net proceeds from the Rights Issue cannot satisfy the Group’s future funding needs for strengthening its capital structure, improving the financial position and providing additional financial resources for development of its business or other investment opportunities, the Board does not rule out the possibility that the Company may conduct other equity fund raising activity if needed. The Company will make further announcement in accordance with the GEM Listing Rules as and when appropriate.

**APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION
OF THE GROUP**

(A) UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted consolidated net tangible assets of the Group (the “**Unaudited Pro Forma Financial Information**”) has been prepared by the Directors in accordance with paragraph 31 of Chapter 7 of the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (the “**GEM Listing Rules**”) to illustrate the effect of the Rights Issue on the audited consolidated net tangible assets of the Group attributable to owners of the Company as if the Rights Issue had been completed on 31 December 2022 and taking into account certain assumptions.

The Unaudited Pro Forma Financial Information has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not reflect a true picture of the consolidated net tangible assets of the Group attributable to owners of the Company had the Rights Issue been completed as at 31 December 2022 or at any future date.

The Unaudited Pro Forma Financial Information is prepared based on the audited consolidated net tangible assets of the Group attributable to owners of the Company as at 31 December 2022, as extracted from the Group’s audited consolidated statement of financial position as at 31 December 2022 included in the published annual report of the Company for the year ended 31 December 2022, and is adjusted for the effect of the Rights Issue described below.

Audited consolidated net tangible assets of the Group attributable to owners of the Company as at 31 December 2022 <i>HK\$’000</i> <i>(Note 1)</i>	Unaudited estimated net proceeds from the Rights Issue <i>HK\$’000</i> <i>(Note 2)</i>	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company as at 31 December 2022 immediately after completion of the Rights Issue <i>HK\$’000</i>	Audited consolidated net tangible assets of the Group attributable to owners of the Company as at 31 December 2022 per share <i>HK\$</i> <i>(Note 3)</i>	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company as at 31 December 2022 per share immediately after completion of the Rights Issue <i>HK\$</i> <i>(Note 4)</i>	
Based on 72,230,400 Rights Shares to be issued at the Subscription Price of HK\$0.20 per Rights Share	1,235	13,346	14,581	0.0342	0.1346

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

Notes:

- (1) The audited consolidated net tangible assets of the Group attributable to the owners of the Company of approximately HK\$1,235,000 as at 31 December 2022 is extracted from the published annual report of the Company for the year ended 31 December 2022.
- (2) The estimated net proceeds from the Rights Issue of approximately HK\$13,346,000 are based on 72,230,400 Rights Shares to be issued at the subscription price of HK\$0.20 per Rights Share, pursuant to the Rights Issue, after deduction of the estimated related expenses of approximately HK\$1,100,000, assuming that the Rights Issue has been completed on 31 December 2022.
- (3) The calculation of audited consolidated net tangible assets of the Group attributable to owners of the Company as at 31 December 2022 per share is determined based on the audited consolidated net tangible assets of the Group attributable to owners of the Company of approximately HK\$1,235,000 divided by 36,115,200 Shares in issue as at 31 December 2022 and has been adjusted for share consolidation on 17 March 2023.
- (4) The unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company as at 31 December 2022 per share immediately after the completion of the Rights Issue is arrived at based on the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company as at 31 December 2022 immediately after completion of the Rights Issue of approximately HK\$14,581,000 divided by 108,345,600 Shares which comprise of 36,115,200 Shares in issue as at 31 December 2022 and has been adjusted for share consolidation on 17 March 2023 and 72,230,400 Rights Shares to be issued assuming that the Rights Issue has been completed on 31 December 2022.
- (5) No adjustments have been made to the Unaudited Pro Forma Financial Information to reflect any trading results or other transactions of the Group entered into subsequent to 31 December 2022.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

(B) REPORTING ACCOUNTANTS' REPORT ON PRO FORMA FINANCIAL INFORMATION

The following is the text of the independent reporting accountants' assurance report received from Prism Hong Kong and Shanghai Limited, Certified Public Accountants, Hong Kong, the reporting accountants of the Company, in respect of the Group's unaudited pro forma financial information prepared for the purpose of incorporation in this Prospectus.



INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

To the Directors of Jimu Group Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Jimu Group Limited (the “**Company**”) and its subsidiaries (collectively referred to as the “**Group**”) by the directors of the Company for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group attributable to owners of the Company as at 31 December 2022, and related notes (“**Unaudited Pro Forma Financial Information**”) as set out on pages II-1 to II-2 of the prospectus issued by the Company on 9 August 2023 (the “**Prospectus**”) in connection with the issue of the rights shares on the basis of two rights shares for every one existing share held on the record date at the subscription price on the terms and subject to the conditions in the underwriting agreement (the “**Rights Issue**”). The applicable criteria on the basis of which the directors of the Company have compiled the Unaudited Pro Forma Financial Information are described in Section A of Appendix II to the Prospectus.

The Unaudited Pro Forma Financial Information has been compiled by the directors of the Company to illustrate the impact of the Rights Issue on the Group's financial position as at 31 December 2022 and its financial performance as if the Right Issue had taken place at 31 December 2022. As part of this process, information about the Group's financial position as at 31 December 2022 have been extracted by the directors of the Company from the Group's consolidated financial statements for the year ended 31 December 2022 dated 23 March 2023, on which an audit report has been published.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

Directors' Responsibility for the Unaudited pro forma Financial Information

The directors of the Company are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 31 of Chapter 7 of the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (the “**GEM Listing Rules**”) and with reference to Accounting Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” (“**AG7**”) issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”).

Our Independence and Quality Management

We have complied with the independence and other ethical requirement of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm applies Hong Kong Standard on Quality Management (“**HKSQM**”) 1 “Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements”, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 31(7) of Chapter 7 of the GEM Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 “Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus” issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the directors of the Company have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 31 of Chapter 7 of the GEM Rules and with reference to AG7 issued by the HKICPA.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of Unaudited Pro Forma Financial Information included in this Prospectus is solely to illustrate the impact of the Rights Issue on unadjusted financial information of the Group as if the Rights Issue had occurred at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Rights Issue at 31 December 2022 would have been as presented.

A reasonable assurance engagement to report on whether the Unaudited Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors of the Company in the compilation of the Unaudited Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related unaudited pro forma adjustments give appropriate effect to those criteria; and
- the Unaudited Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the Unaudited Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Unaudited Pro Forma Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

- (a) the Unaudited Pro Forma Financial Information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 31(1) of Chapter 7 of the GEM Listing Rules.

Prism Hong Kong and Shanghai Limited

Certified Public Accountants

Dai Tin Yau

Practising certificate number: P06318

Hong Kong, 9 August 2023

1. RESPONSIBILITY STATEMENT

This Prospectus, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this Prospectus 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 Prospectus misleading.

2. SHARE CAPITAL

The authorised and issued and fully paid share capital of the Company (a) as at the Latest Practicable Date; and (b) immediately after completion of the Rights Issue (assuming there is no change in the issued share capital of the Company from the Latest Practicable Date to completion of the Rights Issue and full acceptance of Rights Shares by Qualifying Shareholders) were as follows:

(a) As at the Latest Practicable Date

<i>Authorised:</i>		<i>HK\$</i>
<u>500,000,000</u>	Shares of HK\$0.2 each	<u>100,000,000</u>
<i>Issued and fully paid:</i>		
<u>36,115,200</u>	Shares of HK\$0.2 each	<u>7,223,040</u>

(b) Immediately after completion of the Rights Issue (assuming no change in the number of issued Shares and full acceptance of Rights Shares by all Qualifying Shareholders)

<i>Authorised:</i>	<i>HK\$</i>
<u>500,000,000</u> Shares of HK\$0.2 each	<u>100,000,000</u>
 <i>Issued and fully paid:</i>	
36,115,200 Shares of HK\$0.2 each	7,223,040
72,230,400 Rights Shares of HK\$0.2 each to be allotted and issued under the Rights Issue	14,446,080
<u>108,345,600</u> Total	<u>21,669,120</u>

All the Shares in issue are fully-paid and rank *pari passu* in all respects including all rights as to dividends, voting and return of capital. The Rights Shares (when allotted, issued and fully-paid) will rank *pari passu* in all respects with the Shares in issue on the date of allotment and issue of the Rights Shares. Holders of the Rights Shares in their fully-paid form will be entitled to receive all future dividends and distributions which are declared, made or paid on or after the date of allotment and issue of the Rights Shares.

The Rights Shares to be issued will be listed on the Stock Exchange. 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 made or is proposed to be sought, on any other stock exchange.

As at the Latest Practicable Date, the Company had no outstanding convertible securities, options or warrants in issue which confer any right to subscribe for, convert or exchange into Shares.

Save for the Share Options, as at the Latest Practicable Date, none of the capital of any member of the Group was under option, or agreed conditionally or unconditionally to be put under option.

3. DISCLOSURE OF INTERESTS

(a) Interests of Directors and chief executive of the Company

Save as disclosed below, as at the Latest Practicable Date, none of the Directors or chief executive of the Company and/or any of their respective associates had or was deemed to have any interest or short position in the Shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required, pursuant to Rule 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

Long position in shares or underlying shares of the Company

Name of Director	Capacity	Number of shares or underlying shares held		Total	Approximate percentage of interest in such corporation
		Ordinary shares	Share options		
Mr. Shum Tsz Yeung	Beneficial owner	6,750	–	6,750	0.02%

(b) Interests of substantial Shareholders and other person

As at the Latest Practicable Date, so far as was known to the Directors and chief executive of the Company, no person (other than a Director or chief executive of the Company), had, or were deemed or taken to have interests or short positions 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 and required to be entered into the register maintained by the Company pursuant to Section 336 of the SFO, who were, directly or indirectly, interested in 5% or more of the number of any class of share carrying rights to vote in all circumstances at general meetings of any other member of the Group or had any option in respect of such capital.

4. DIRECTORS' INTERESTS IN ASSETS OR CONTRACTS OR ARRANGEMENTS SIGNIFICANT TO THE GROUP

As at the Latest Practicable Date:

- a. none of the Directors has or had any direct or indirect interest in any assets which have been acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2022 (being the date to which the latest published audited accounts of the Group were made up); and
- b. none of the Directors was materially interested, directly or indirectly, in any contract or arrangement entered into by any member of the Group which is subsisting as at the Latest Practicable Date and is significant in relation to the business of the Group.

5. LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened against any member of the Group.

6. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group which will not expire or be determinable by the Group within one year without payment of compensation, other than statutory compensation.

7. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors, controlling shareholder of the Company nor their respective close associates (as defined in the GEM Listing Rules) had any interest in a business, which competes or may compete, either directly or indirectly, with the business of the Group or any other conflict of interest which any such person has or may have with the Group which would be required to be disclosed pursuant to the GEM Listing Rules.

8. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business of the Group) have been entered into by the Group within two years immediately preceding the date of this Prospectus and up to the Latest Practicable Date which are or may be material:

- a. the Underwriting Agreement, which involves a commission equal to a lump sum amount of HK\$100,000.00; and
- b. the placing agreement entered into between the Company and Zinvest Global Limited as placing Agent, dated 24 November 2022 in respect of the placing of up to 120,384,000 of the Company's shares to not less than six placees who and whose ultimate beneficial owners are third parties independent of the Company and its connected persons, which involved a commission equal to a fixed fee of HK\$50,000.00, details of which are disclosed in the Company's announcements dated 24 November 2022 and 14 December 2022. The net proceeds from the placing, after deduction of all relevant expenses amounted to approximately HK\$2.31 million.

9. EXPERTS AND CONSENTS

The following is the qualification of the experts or professional advisers who have given opinion or advice contained in this Prospectus:

Name	Qualification
Prism Hong Kong and Shanghai Limited (" Prism ")	Certified Public Accountants

As at the Latest Practicable Date, Prism has given and has not withdrawn its written consent to the issue of this Prospectus with the inclusion herein of its letter and report and references to its name in the form and context in which it appears.

Prism confirmed that as at the Latest Practicable Date:

- a. it did not have any shareholding interest in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any securities in any member of the Group; and
- b. it was not interested, directly or indirectly, in any assets which have been acquired or disposed of by or leased to any member of the Group, or which are proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2022, being the date to which the latest published audited accounts of the Company were made up.

10. EXPENSES

The expenses in connection with the Rights Issue, including underwriting commission and professional fees payable to financial advisers, legal adviser, reporting accountants, financial printer and other parties involved in the Rights Issue are estimated to be approximately HK\$1.1 million, which are payable by the Company.

11. CORPORATE INFORMATION AND PARTIES INVOLVED IN THE RIGHTS ISSUE**Board of Directors***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

Audit Committee:

Mr. Choi Ho Yan (*Committee Chairman*)

Mr. Hung Wai Che

Mr. Yiu Yu Hong John

Nomination Committee:

Mr. Yiu Yu Hong John (*Committee Chairman*)

Mr. Hung Wai Che

Mr. Choi Ho Yan

Remuneration Committee:

Mr. Hung Wai Che (*Committee Chairman*)

Mr. Choi Ho Yan

Mr. Yiu Yu Hong John

Registered office

Windward 3
Regatta Office Park
PO Box 1350
Grand Cayman, KY1-1111
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

Authorised representatives	Mr. Shum Tsz Yeung Unit 06, 12th Floor The Broadway No. 54–62 Lockhart Road Hong Kong
	Mr. Ngai Tsz Hin Michael Suite 2105 21/F, Central Plaza 18 Harbour Road Hong Kong
Company secretary	Mr. Ngai Tsz Hin Michael Suite 2105 21/F, Central Plaza 18 Harbour Road Hong Kong
Principal share registrar and transfer office in the Cayman Islands	Ocorian Trust (Cayman) Limited Windward 3, Regatta Office Park PO Box 1350 Grand Cayman KY1-1108 Cayman Islands
Branch share registrar and transfer office in Hong Kong	Tricor Investor Services Limited 17/F, Far East Finance Centre 16 Harcourt Road Hong Kong
Principal bankers	Bank of China (Hong Kong) Limited Bank of Communications (Hong Kong) Limited Chong Hing Bank Limited The Hongkong and Shanghai Banking Corporation Limited
Legal adviser to the Company	Khoo & Co. Suite 2105 21/F, Central Plaza 18 Harbour Road Hong Kong

Auditors	Prism Hong Kong and Shanghai Limited Units 1903A–1905, 19/F. 8 Observatory Road Tsim Sha Tsui, Kowloon Hong Kong
Underwriter	China Demeter Securities Limited RM A1, 35/F, United Centre 95 Queensway, Admiralty Hong Kong

12. PARTICULARS OF THE DIRECTORS AND SENIOR MANAGEMENT

a. Profiles of the Directors and senior management

Executive Director

Mr. Tsang Hing Bun (“**Mr. Tsang**”), aged 43, was appointed as an executive Director on 1 April 2022. Mr. Tsang holds a Bachelor Degree of Social Science from the Chinese University of Hong Kong and a Master of Science Degree in Finance from City University of Hong Kong. He has more than 20 years of experience in audit, accounting, corporate finance and compliance. Mr. Tsang is a member of The Hong Kong Institute of Certified Public Accountants, an associate member of The Hong Kong Institute of Chartered Secretaries and The Chartered Governance Institute. He is also a financial risk manager granted by Global Association of Risk Professionals. He has been an executive director of Kingkey Intelligence Culture Holdings Limited (stock code: 550), a company listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) since September 2015, and a non-executive director of Sino Oil and Gas Holdings Limited (stock code: 702), a company listed on the Main Board of the Stock Exchange since August 2020, and a non-independent non-executive director of HMVOD Limited (stock code: 8103), a company listed on the GEM Board of the Stock Exchange since July 2022 and an independent non-executive director of Teamway International Group Holdings Limited (stock code: 1239), a company listed on the Main Board of the Stock Exchange since January 2023. He had been an executive director of Carry Wealth Holdings Limited (stock code: 643), a company listed on the Main Board of the Stock Exchange from July 2022 to January 2023.

Non-Executive Director

Mr. Shum Tsz Yeung (“**Mr. Shum**”), aged 44, was appointed as a non-executive Director on 14 November 2021. He has over 20 years of experience in accounting, auditing, advisory on corporate governance, internal control, financial management and business administration. He is currently a chief financial officer of Sang Hing

Holdings (International) Limited (stock code: 1472), a company listed on the Main Board of the Stock Exchange since July 2018.

Independent non-executive Directors

Mr. Hung Wai Che (“**Mr. Hung**”), aged 46, was appointed as an independent non-executive Director on 30 December 2021. Mr. Hung has over 14 years of experience in legal field and operating and managing various energy and recycling projects including power station and oil refinery factories in China and Hong Kong. He graduated from the University of Wales, Aberystwyth, United Kingdom with Honours Degree in Law. Since August 2016, Mr. Hung is the independent non-executive director of Kingkey Financial International (Holdings) Limited (stock code: 1468), a company listed on the Main Board of the Stock Exchange.

Mr. Choi Ho Yan (“**Mr. Choi**”), aged 46, was appointed as an independent-non-executive Director on 12 February 2022. Mr. Choi has over 24 years of extensive experience in accounting, auditing, corporate finance and restructuring, investor relations, and project acquisitions. He also has experience in serving listed companies operating in Mainland China, Hong Kong and Singapore. He graduated from University of Hertfordshire, the United Kingdom in July 1998 with a bachelor of arts. Since May 2013, Mr. Choi has been serving as an independent non-executive director of Time Watch Investments Limited (stock code: 2033). From March 2020 to March 2021, Mr. Choi served as an independent non-executive director of Long Well International Holdings Limited (“**Long Well**”) (stock code: 850). From June 2020 to November 2022, Mr. Choi served as an independent non-executive director of China Saite Group Company Limited (stock code: 153).

Mr. Yiu Yu Hong John (“**Mr. Yiu**”), aged 38, was appointed as an independent non-executive Director on 1 April 2022. He is responsible for supervising and providing independent advice on the operation and management of the Group. He is also the chairman of the risk management committee and a member to each of the audit committee, nomination committee and remuneration committee of the board. Mr. Yiu has over 10 years of experience in steel trading industry, business strategy and experience on corporate governance and risk management. Mr. Yiu is the founder member and work as a general manager at Asia Delicious Food Holdings Limited since June 2017. He joined Sum Kee Metal Company Limited as Chief Warehouse Officer since July 2010. He obtained a diploma of Culinary Arts from Pacific Institute of Culinary Arts in Canada.

Company secretary

Mr. Ngai Tsz Hin Michael obtained his Bachelor of Laws and postgraduate certificate in laws from City University of Hong Kong in 2011 and 2012, respectively. He is a practicing solicitor in Hong Kong, and currently a principal of Michael Ngai

& Co. and a partner of Khoo & Co.. He currently serves as the company secretary of various companies listed on the Stock Exchange.

b. Business address of the Directors, the senior management and authorised representatives

The business address of the Directors, the senior management and authorised representatives is the same as the Company's head office and principal place of business in Hong Kong located at Unit 06, 12th Floor, The Broadway, No. 54–62 Lockhart Road, Hong Kong.

13. AUDIT COMMITTEE

As at the Latest Practicable Date, the audit committee of the Board (the “**Audit Committee**”) comprised three independent non-executive Directors, namely, Mr. Choi Ho Yan, Mr. Hung Wai Che and Mr. Yiu Yu Hong John. The Audit Committee is chaired by Mr. Choi Ho Yan. The Audit Committee is responsible for monitoring and reviewing the risk management procedures and internal control system of the Group.

14. BINDING EFFECT

The Prospectus Documents and all acceptances of any offer or application contained therein are governed by and shall be construed in accordance with the laws of Hong Kong. The Prospectus Documents shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), so far as applicable.

15. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

A copy of each of the Prospectus Documents and the written consent as referred to in the paragraph headed “9. Experts and Consents” in this appendix, have been registered by the Registrar of Companies in Hong Kong as required by Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong).

16. DOCUMENTS ON DISPLAY

Copies of the following documents will be published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (<http://www.jimugroup8187.com>) for 14 days from the date of this Prospectus:

- a. the annual reports of the Company for the years ended 31 December 2020, 2021 and 2022 respectively;

- b. the material contract disclosed in the paragraph under the heading “8. Material Contract” in this Appendix to this Prospectus;
- c. the letter of from the Board, the text of which is set out on pages 10 to 29 of this Prospectus;
- d. the accountants’ report on the unaudited pro forma financial information of the Group set out in Appendix II to this Prospectus;
- e. the written consents of the experts referred to in the section headed “9. Experts and Consents” in this Appendix; and
- f. the Prospectus Documents.

17. NON-COMPLIANCE WITH THE GEM LISTING RULES

Reference is made to the Company’s announcement dated 12 May 2023.

Following the retirement of Ms. Wei Ju at the annual general meeting of the Company on 12 May 2023, she retired by rotation as an executive Director at the conclusion of the meeting and ceased to be the member of the risk management committee of the Board and the compliance officer of the Company.

The Company is therefore in non-compliance with Rule 5.19 of the GEM Listing Rules. The Company will identify a suitable candidate to fill the vacancy of compliance officer as soon as possible. Further announcement will be made in relation to such appointment as and when appropriate.

18. MISCELLANEOUS

- a. As at the Latest Practicable Date, there was no restriction affecting the remittance of profit or repatriation of capital of the Company into Hong Kong from outside Hong Kong.
- b. As at the Latest Practicable Date, the Group had no exposure to foreign exchange liabilities.
- c. The English text of the Prospectus Documents shall prevail over their respective Chinese text for the purpose of interpretation.