
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer or other registered dealer in securities, bank manager, solicitor, 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 circular with the enclosed form of proxy to the purchaser or the transferee or to the bank, licensed securities dealer or other agent through whom the sale was effected for transmission to the purchaser(s) or transferee(s).

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JIMU GROUP LIMITED 積木集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8187)

(1) PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL (2) PROPOSED RIGHTS ISSUE ON THE BASIS OF TWO (2) RIGHTS SHARES FOR EVERY ONE (1) EXISTING SHARE HELD ON THE RECORD DATE AND NOTICE OF EXTRAORDINARY GENERAL MEETING

Underwriter to the Rights Issue



Independent Financial Adviser to the Independent Board Committee



Capitalised terms used in this cover page shall have the same meanings as those defined in this circular unless otherwise stated.

A letter from the Board is set out on pages 10 to 31 of this circular and a letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on page 32 of this circular. A letter from the Independent Financial Adviser containing its recommendation to the Independent Board Committee and the Independent Shareholders is set out on pages IFA-1 to IFA-22 of this circular.

It should be noted that the Shares will be dealt in on an ex-rights basis from 31 July 2023. Dealings in the Rights Shares in their nil-paid form will take place from 11 August 2023 to 18 August 2023 (both days inclusive). If the conditions of the Rights Issue are not fulfilled or waived (as applicable), the Rights Issue will not proceed. Any persons contemplating dealings in the Shares prior to the date on which the conditions of the Rights Issue are fulfilled or waived (as applicable), and/or dealings in the nil-paid Rights Shares, are accordingly subject to the risk that the Rights Issue may not become unconditional or may not proceed.

A notice convening the EGM to be held at 22/F, Euro Trade Centre, 13-14 Connaught Road Central, Hong Kong on 27 July 2023 at 11:00 a.m. is set out on pages EGM-1 to EGM-3 of this circular. A form of proxy for use at the EGM is enclosed in this circular. Such form of proxy is also published on the websites of the Stock Exchange at www.hkexnews.hk and the Company at <http://www.jimugroup8187.com>.

Whether or not you are able to attend the EGM, you are requested to complete the enclosed proxy form in accordance with the instructions printed thereon and return the same to the Registrar at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the proxy form shall not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish. Delivery of an instrument appointing a proxy shall not preclude you from attending and voting in person at the EGM and in such event, the instrument appointing a proxy shall be deemed revoked.

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 ARRANGEMENT" 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 circular. 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.

7 July 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.

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DEFINITIONS

In this circular, 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 proposed 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
“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 to it in the GEM Listing Rules
“controlling shareholder(s)”	has the meaning ascribed thereto under the GEM Listing Rules
“Directors”	directors of the Company

DEFINITIONS

“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 to be convened to consider and, if thought fit, to approve, among other things, the increase in Authorised Share Capital and the proposed Rights Issue
“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 proposed 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 Board Committee”	the independent committee of the Board, comprising all three independent non-executive Directors, namely Mr. Hung Wai Che, Mr. Choi Ho Yan and Mr. Yiu Yu Hong John, established to give a recommendation to the Independent Shareholders in respect of the Rights Issue and the Underwriting Agreement

DEFINITIONS

“Independent Financial Adviser” or “Silverbricks Securities”	Silverbricks Securities Company Limited, a corporation licensed under the SFO to carry out type 1 (dealing in securities), type 2 (dealing in futures contracts) and type 6 (advising on corporate finance) regulated activities, being the independent financial adviser appointed by the Company with the approval of the Independent Board Committee for the purpose of advising the Independent Board Committee and the Independent Shareholders of the Company on the terms of the Rights Issue and the Underwriting Agreement
“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
“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”	3 July 2023, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular
“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

DEFINITIONS

“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”	the prospectus to be despatched to the Shareholders containing details of the Rights Issue
“Prospectus Documents”	the Prospectus, the PAL and the EAF
“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 proposed 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

DEFINITIONS

“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
“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\$0.2, 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

DEFINITIONS

“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

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

TERMINATION OF THE UNDERWRITING AGREEMENT

- (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.

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. The expected timetable is subject to the results of the EGM and is therefore for indicative purpose only. 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
Despatch date of the circular, proxy form and the notice of the EGM	Friday, 7 July 2023
Latest time for lodging transfers of shares to qualify for attendance and voting at the EGM.	4:30 p.m. on Thursday, 20 July 2023
Register of members closes (both days inclusive)	Friday, 21 July 2023 to Thursday, 27 July 2023
Latest time for lodging proxy forms for the EGM (not less than 48 hours prior to the time of the EGM)	11:00 a.m. on Tuesday, 25 July 2023
Record date for attendance and voting at the EGM	Thursday, 27 July 2023
EGM to approve the proposal	11:00 a.m. on Thursday, 27 July 2023
Announcement of the result of the EGM	Thursday, 27 July 2023
Last day of dealings in securities on cum-rights basis	Friday, 28 July 2023
Ex-date (the first day of dealings in securities on ex-rights basis)	Monday, 31 July 2023
Latest time for lodging transfers of shares to qualify for the Rights Issue	4:30 p.m. on Tuesday, 1 August 2023
Register of members closes (both days inclusive)	Wednesday, 2 August 2023 to Tuesday, 8 August 2023
Record date for the Rights Issue	Tuesday, 8 August 2023

EXPECTED TIMETABLE

Event	Date and time
Despatch of the Prospectus Documents.	Wednesday, 9 August 2023
First day of dealing in NPR	Friday, 11 August 2023
Latest time for splitting of PAL	At a time on Tuesday, 15 August 2023
Last day of dealings in NPR	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 OF AND PAYMENT FOR THE RIGHTS SHARES AND FOR APPLICATION AND PAYMENT FOR EXCESS RIGHTS SHARES

The Latest Time for Acceptance of and payment for the Rights Shares and for application and payment for excess Rights Shares 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
- (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

7 July 2023

To the Shareholders

Dear Sir or Madam,

(1) PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL
(2) PROPOSED RIGHTS ISSUE ON THE BASIS OF TWO (2) RIGHTS
SHARES FOR EVERY ONE (1) EXISTING SHARE HELD
ON THE RECORD DATE
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING

INTRODUCTION

Reference is made to the Announcement.

The purpose of this circular is to provide you with, among other things, (i) the proposed increase in authorised share capital; (ii) further details of the Rights Issue, certain financial information and other general information on the Group; (iii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders in respect of the Rights Issue and the Underwriting Agreement; (iv) a letter of advice from the IFA to the Independent Board

LETTER FROM THE BOARD

Committee and the Independent Shareholders on the terms of the Rights Issue and the Underwriting Agreement; and (v) a notice convening the EGM.

PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL

In order to accommodate the Rights Issue and the growth of the Group and to provide the Company with greater flexibility to raise funds in the future, the Board proposes to increase the authorised share capital of the Company to HK\$100,000,000 divided into 500,000,000 Shares by creating an additional 450,000,000 Shares. Such new Shares, upon issue, shall rank *pari passu* in all respects with the existing Shares. The Board believes the Increase in Authorised Share Capital is in the interests of the Company and the Shareholders as a whole.

As at the Latest Practicable Date, the authorised share capital of the Company is HK\$10,000,000 divided into 50,000,000 existing Shares of HK\$0.2 each. It is proposed that the authorised share capital of the Company be increased to HK\$100,000,000 divided into 500,000,000 Shares of a par value of HK\$0.2 each, by the creation of 450,000,000 Shares of a par value of HK\$0.2 each. The increase in the authorised share capital of the Company is conditional upon the approval of the Shareholders by way of an ordinary resolution at the EGM.

PROPOSED RIGHTS ISSUE

Conditional upon the Increase in Authorised Share Capital becoming effective, the Board proposes to implement the Rights Issue with the details of the Rights Issue statistics set out as below:

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)

LETTER FROM THE BOARD

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 no change in the number of Shares in issue on or before the Record Date)
Gross proceeds from the Rights Issue	:	Up to approximately HK\$14.4 million before expenses (assuming no change in the number of Shares in issue on or before the Record Date)
Right of excess applications	:	Qualifying Shareholders may apply for Rights Shares in excess of their provisional allotment

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

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

Assuming no further issue or repurchase of Shares on or before the Record Date, 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\$0.2, 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.

LETTER FROM THE BOARD

The Subscription Price represents:

- (a) a discount of approximately 2.91% over the closing price of HK\$0.206 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;
- (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; and
- (e) a premium of approximately 4.7% over the theoretical ex-rights price of approximately HK\$0.191 per Share based on the closing price of HK\$0.173 per Share as quoted on the Stock Exchange on 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 proposed Rights Issue as discussed in the section headed "REASONS FOR AND BENEFITS OF THE RIGHTS ISSUE AND USE OF PROCEEDS" in this circular.

The Board (excluding the members of the Independent Board Committee whose opinion will be set forth in the Letter from the Independent Board Committee of this circular) 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

LETTER FROM THE BOARD

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. In order to be registered as members of the Company prior to the close of business on the Record Date, all transfers of the Shares (together with the relevant share certificate(s)) must be lodged with the Registrar at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration no later than 4:30 p.m. (Hong Kong time) on Tuesday, 1 August 2023.

It is expected that the last day of dealings in the Shares on a cum-rights basis is Friday, 28 July 2023, and the Shares will be dealt with on an ex-rights basis from Monday, 31 July 2023. Subject to the passing of the resolution to approve the Rights Issue by the Independent Shareholders at the EGM and the registration of the Prospectus Documents in accordance with the applicable laws and regulations, the Company will despatch the Prospectus Documents to the Qualifying Shareholders on the Prospectus Posting Date and will despatch the Prospectus (without the PAL(s) and the EAF(s)) to the Non-Qualifying Shareholders for their information only.

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.

Closure of register of members

The register of members of the Company will be closed from Wednesday, 2 August 2023 to Tuesday, 8 August 2023 (both days inclusive) for determining the entitlements to the Rights Issue. No transfer of the Shares will be registered during the above book closure period.

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.

LETTER FROM THE BOARD

Rights of Overseas Shareholders (if any)

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 as explained below.

The Board will comply with Rule 17.41(1) of the GEM Listing Rules and make necessary enquiries regarding the feasibility of extending the Rights Issue to the Overseas Shareholders (if any) under the laws of the relevant overseas jurisdictions and the requirements of the relevant regulatory bodies or stock exchanges. If, based on legal advice, the Board is of the opinion that it would be necessary or expedient not to offer the Rights Shares to any Overseas Shareholders on account either of the legal restrictions under the laws of relevant place(s) or the requirements of the relevant overseas regulatory body or stock exchange, no provisional allotment of the nil-paid Rights Shares or allotment of fully-paid Rights Shares will be made to such Overseas Shareholders. In such circumstances, the Rights Issue will not be extended to the Non-Qualifying Shareholders. The basis for excluding the Non-Qualifying Shareholders, if any, from the Rights Issue will be set out in the Prospectus to be issued.

Arrangements will be made for the Rights Shares, which would otherwise have been provisionally allotted to the Non-Qualifying Shareholders, to be sold in their nil-paid form as soon as practicable after dealings in the nil-paid Rights Shares commence, if a premium (net of expenses) can be obtained. The proceeds of such sale, less expenses, will be paid pro rata (but rounded down to the nearest cent) to the Non-Qualifying Shareholders in Hong Kong dollars, except that the Company will retain individual amounts of less than HK\$100 for its own benefit. Any unsold entitlements of the Non-Qualifying Shareholders will be made available for excess application by the Qualifying Shareholders.

Overseas Shareholders should note that they may or may not be entitled to the Rights Issue, subject to the results of enquiries made by the Directors pursuant to Rule 17.41(1) of the GEM Listing Rules. Accordingly, Overseas Shareholders should exercise caution when dealing in the Shares.

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.

LETTER FROM THE BOARD

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

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

Beneficial owners of the Shares whose 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.

For those beneficial owners of the Shares whose Shares are held by their nominee(s) (including HKSCC Nominees Limited) and who would like to have their names registered on the register of members of the Company, they must lodge all necessary documents with the Registrar at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, for completion of the relevant registration not later than 4:30 p.m. on Tuesday, 1 August 2023.

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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 proposed Rights Issue.

Taxation

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

Application for listing of the Rights Shares

The Company will apply 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 existing 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.

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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.

THE UNDERWRITING ARRANGEMENT

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) 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.

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

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

Conditions of the Rights Issue

The Rights Issue is conditional upon:

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

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- (g) the compliance with and performance by the Company in all material respects of the undertakings and obligations under the Underwriting Agreement; and
- (h) there being no Specified Event occurring prior to the Latest Time for Termination.

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

None of the conditions above in relation to the Rights Issue has been fulfilled as of the Latest Practicable Date.

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.

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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

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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.

Assuming 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 (excluding the members of the Independent Board Committee whose opinion will be set forth in the Letter from the Independent Board Committee of this circular) considers that Repayment within this year is for the commercial benefit of the Group because it will help the Group save interest expense of approximately HK\$1,035,000. The re-opening of the borders and the relaxation of anti-epidemic measures provide an opportunity for the rebound in economic activities and stimulate the consumer spending especially in retail business following the easing restrictions of mainland Chinese tourists' arrivals and the distribution of consumption vouchers. Besides, it is expected that sporting events will continue to resume post-COVID and bounce back in terms of attendance. As a result, the savings will enable the Group to capture the enormous business opportunities in the footwear and apparel market created by major sporting events to be held such as the 2024 UEFA Euro Championship to be held in Germany and the Olympic Games to be held in Paris in 2024. The FIBA Basketball World Cup to be held later this year and the NBA Playoff Finals are also set to boost demand for sneakers. Therefore, the cash resources can enable the Group to reduce its interest expenses by repayment of part of its loans, increase its liquidity and reserve its working capital to prepare for the anticipated growth in business and equip the Group with a timely and robust funding position to secure favourable opportunities.

In respect of (b), despite the gradual recovery of economy from the COVID-19 pandemic, the business conditions remain troubled in Hong Kong as the tourism industry has yet to rebound and the reopening of borders by countries such as Japan has diminished the consumer

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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 (excluding the members of the Independent Board Committee whose opinion will be set forth in the Letter from the Independent Board Committee of this circular) 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 (excluding the members of the Independent Board Committee whose opinion will be set forth in the Letter from the Independent Board Committee of this circular) considered that it is in the interests of the Company and the Shareholders as a whole to raise capital through the Rights Issue.

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EFFECTS ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

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

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

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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.

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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.

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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 circular 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.

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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.

GEM LISTING RULES IMPLICATIONS

Since the proposed Rights Issue will increase the issued share capital or the market capitalisation of the Company by more than 50%, in accordance with Rule 10.29(1) of the GEM Listing Rules, the proposed Rights Issue must be made conditional on approval by the Independent Shareholders in general meeting by a resolution on which any controlling Shareholders and their associates or, where there are no controlling Shareholders, the Directors (excluding independent non-executive Directors) and the chief executive of the Company and their respective associates shall abstain from voting in favour of the proposed Rights Issue. The Rights Issue does not result in a theoretical dilution effect of 25% or more on its own. As such, the theoretical dilution impact of the Rights Issue is in compliance with Rule 10.44A of the GEM Listing Rules.

As at the Latest Practicable Date, the Company has no controlling Shareholder as defined under the GEM Listing Rules and Mr. Shum Tsz Yeung, a non-executive Director, is beneficially interested in 6,750 Shares. Accordingly, Mr. Shum Tsz Yeung is required to abstain from voting in favour of the proposed resolutions to approve the Rights Issue, the Underwriting Agreement and the transaction contemplated thereunder at the EGM. Except as disclosed above, no Shareholder shall abstain from voting in favour of the proposed resolution approving the Rights Issue at the EGM and no Director shall abstain from voting in favour of the Rights Issue at the meeting of the Board.

GENERAL

The EGM will be convened for the Shareholders to consider and, if thought fit, approve the Increase in Authorised Share Capital, the Rights Issue (including the Underwriting Agreement) and the transactions contemplated thereunder.

A notice convening the EGM is set out on pages EGM-1 to EGM-3 of this circular. A form of proxy for use at the EGM is enclosed herewith. Whether or not you intend to attend the EGM, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the Registrar at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible but in any event not less than 48 hours before the time scheduled for the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending or voting in person at the EGM or any adjourned meeting thereof should you so wish.

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The register of members of the Company will be closed from Friday, 21 July 2023 to Thursday, 27 July 2023 (both days inclusive) for determine the eligibility of the Shareholders to attend and vote at the EGM. In order to qualify for attendance and voting at the EGM, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Registrar at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration no later than 4:30 p.m. on Thursday, 20 July 2023.

In compliance with the GEM Listing Rules, all the resolutions to be proposed at the EGM will be voted on by way of poll at the EGM.

Subject to the approval of the Rights Issue by the Independent Shareholders at the EGM, the Prospectus containing further information regarding, among other things, the Rights Issue (including information on acceptances of the Rights Shares), PAL(s) and EAF(s) are expected to be despatched to the Qualifying Shareholders on Wednesday, 9 August 2023.

RECOMMENDATION

The Independent Board Committee, which comprises all the independent non-executive Directors, has been established to advise the Independent Shareholders as to whether the terms of the Rights Issue, the Underwriting Agreement and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and in the interest of the Company and the Shareholders as a whole and to make recommendations to the Independent Shareholders on how to vote at the EGM. Silverbricks Securities has been appointed as the Independent Financial Adviser in this regard.

Your attention is drawn to the letter from the Independent Board Committee set out on page 32 of this circular which contains its recommendation to the Independent Shareholders in relation to the Rights Issue, and the letter from Silverbricks Securities Limited set out on pages IFA-1 to IFA-22 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders.

The Directors believe that the terms of the Rights Issue, the Underwriting Agreement and the transactions contemplated thereunder are on normal commercial terms, and the Rights Issue are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole and, accordingly, recommend the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the Rights Issue.

ADDITIONAL INFORMATION

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

LETTER FROM THE BOARD

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 circular). Accordingly, the Rights Issue may or may not proceed.

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

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



JIMU GROUP LIMITED 積木集團有限公司

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

7 July 2023

To the Independent Shareholders

Dear Sirs,

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

We refer to the circular of the Company dated 7 July 2023 (“**Circular**”), of which this letter forms a part. Unless the context otherwise requires, capitalised terms defined in the Circular shall have the same meanings when used in this letter.

We have been appointed by the Board as the members of the Independent Board Committee, to advise the Independent Shareholders as to whether, in our opinion, the terms of the Rights Issue, the Underwriting Agreement and the transactions contemplated thereunder are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. Details of the Rights Issue are set out in the “Letter from the Board” on pages 10 to 31 of the Circular.

Silverbricks Securities has been appointed as the Independent Financial Adviser to advise us and the Independent Shareholders in this respect. Details of its advice, together with the principal factors taken into consideration in arriving thereat, are set out in its letter on pages IFA-1 to IFA-22 of the Circular.

Having taken into account the terms of the Rights Issue and the Underwriting Agreement, the information contained in the Circular and the advice of the Independent Financial Adviser, we are of the opinion that the terms of the Rights Issue, the Underwriting Agreement and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and the Rights Issue is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the relevant resolution approving the Rights Issue at the EGM.

Yours faithfully
For and on behalf of
The Independent Board Committee

Mr. Hung Wai Che

Mr. Choi Ho Yan
Independent non-executive Directors

Mr. Yiu Yu Hong John

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the full text of the letter of advice from Silverbricks Securities Company Limited, the Independent Financial Adviser, which sets out its advice to the Independent Board Committee and Independent Shareholders prepared for the purpose of inclusion in this circular.



Unit 04–06, 10/F,
China Merchants Tower
Shun Tak Centre
168–200 Connaught Road Central
Sheung Wan, Hong Kong

7 July 2023

To the Independent Board Committee and the Independent Shareholders

Dear Sirs,

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

INTRODUCTION

We refer to our engagement as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Rights Issue, particulars of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular of the Group to the Shareholders dated 7 July 2023 (the “**Circular**”), of which this letter forms part. Unless the context requires otherwise, capitalized terms used in this letter shall have the same meanings as given to them under the definitions section of the Circular.

Reference is made to the Announcement. The Company proposed to raise gross proceeds of HK\$14.4 million (before expenses) by issuing up to 72,230,400 Rights Shares (assuming no change in the number of Shares in issue on or before the Record Date) by way of rights issue at the Subscription Price of HK\$0.20, being the par value per Share, per Rights Share on the basis of two (2) Rights Shares for every one (1) existing Share held on the Record Date.

In accordance with Rule 10.29(1) of the GEM Listing Rules, as the Rights Issue will increase the number of the issued Shares by more than 50%, the Rights Issue must be made conditional on approval by Independent Shareholders in general meeting by a resolution on which 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 shall abstain from voting in favour of the ordinary resolution to approve the Rights Issue at the EGM.

As at the Latest Practicable Date, the Company has no controlling Shareholder as defined under the GEM Listing Rules and Mr. Shum Tsz Yeung, a non-executive Director, is beneficially interested in 6,750 Shares. Accordingly, Mr. Shum Tsz Yeung is required to abstain from voting

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

in favour of the proposed resolutions to approve the Rights Issue, the Underwriting Agreement and the transaction contemplated thereunder at the EGM. Except as disclosed above, no Shareholder shall abstain from voting in favour of the proposed resolution approving the Rights Issue at the EGM and no Director shall abstain from voting in favour of the Rights Issue at the meeting of the Board.

THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Hung Wai Che, Mr. Choi Ho Yan and Ms. Yiu Yu Hong John, has been established to advise the Independent Shareholders as to whether the terms of the Rights Issue, the Underwriting Agreement and the transactions contemplated respectively thereunder are fair and reasonable and in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders on how to vote at the EGM, taking into account the recommendations of the Independent Financial Adviser appointed by the Company. In this connection, the Company has appointed the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of the Rights Issue, the Underwriting Agreement and the transactions contemplated respectively thereunder are fair and reasonable. We, Silverbricks Securities Company Limited, have been appointed as the Independent Financial Adviser with the approval of the Independent Board Committee in accordance with the Listing Rules to advise the Independent Board Committee and the Independent Shareholders in these regards and to give our opinion for the Independent Board Committee's consideration when making their recommendations to the Independent Shareholders.

As at the Latest Practicable Date, we are not connected with the Directors, chief executive and substantial shareholders of the Company or any of their respective subsidiaries or their respective associates and, as at the Latest Practicable Date, did not have any shareholding, directly or indirectly, in any of their respective subsidiaries or their respective associates and did not have any shareholding, directly or indirectly, in any member of the Group or any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group. We are not aware of any relationships or interests between us and the Company or any other parties that could be reasonably be regarded as hindrance to our independence as defined under Rule 17.96 of the GEM Listing Rules to act as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the proposed Rights Issue of the Company. Apart from normal professional fees payable to us in connection with this appointment, no arrangements exist whereby we had received or will receive any fee or benefit from the Group and its associates. During the past two years, there was no engagement between the Group and us. Also, we are not aware of the existence of or change in any circumstances that could affect our independence. Accordingly, we consider that we are eligible to give independent advice on the proposed Rights Issue and the transactions contemplated thereunder of the Company.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

BASIS OF OUR OPINION

In forming our opinion and recommendation, we have relied on the information, facts and representations contained or referred to in the Circular and the information, facts and representations provided by, and the opinions expressed by the Directors, management of the Company and its subsidiaries. We have no reason to believe that any information and representations relied on by us in forming our opinion is untrue, inaccurate or misleading, nor are we aware of any material facts the omission of which would render the information provided and the representations made to us untrue, inaccurate or misleading.

We have assumed that all information, facts, opinions and representations made or referred to in the Circular were true, accurate and complete at the time they were made and continued to be true, accurate and complete as at the date of the Circular and that all expectations and intentions of the Directors, management of the Company and its subsidiaries, will be met or carried out as the case may be. We have no reason to doubt the truth, accuracy and completeness of the information, facts, opinions and representations provided to us by the Directors, management of the Company and its subsidiaries. The Directors have confirmed to us that no material facts have been omitted from the information supplied and opinions expressed. We have no reason to doubt that any relevant material facts have been withheld or omitted from the information provided and referred to in the Circular or the reasonableness of the opinions and representations provided to us by the Directors, management of the Company and its subsidiaries. We will notify the shareholders of any material change of information in the circular up to the date of EGM.

We have also sought and received confirmation from the Directors that no material facts have been omitted from the information supplied and opinions expressed. We have relied on such information and opinions and have not, however, conducted any independent verification of the information provided, nor have we carried out any independent investigation into the business, financial conditions and affairs of the Group or its future prospect.

The Directors have collectively and individually accepted full responsibility for the accuracy of the information contained in the Circular and have confirmed, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no other facts not contained in the Circular, the omission of which would make any statement in the Circular misleading.

In formulating our opinion, we have not considered the taxation implications on Independent Shareholders in relation to the subscription for, holding or disposal of the Rights Shares, since these are particular to their individual circumstances. It is emphasised that we will not accept responsibility for any tax effects on, or liabilities of any person resulting from the subscription for, holding or disposal of the Rights Shares. In particular, Independent Shareholders subject to overseas taxation or Hong Kong taxation on securities dealings should consider their own tax position and, if in any doubt, should consult their own professional advisers.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We consider that we have reviewed all currently available information and documents, among others: (i) the Underwriting Agreement; (ii) agreements for the loans of HK\$12.8 million in 2022; and (iii) annual report of the Company for the year ended 31 December 2022 (the “**2022 Annual Report**”), which are made available to us and enable us to reach an informed view and to justify our reliance on the information provided so as to provide a reasonable basis for our advice. Based on the foregoing, we confirm that we have taken all reasonable steps, which are applicable to the Rights Issue, as referred to in Rule 17.92 of the GEM Listing Rules (including the notes thereto).

This letter is issued for the information for the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the Rights Issue and, except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion regarding the Rights Issue, we have considered the following principal factors and reasons:

1. Background information of the Group

The Group is principally engaged in food and beverage and entertainment industry in Hong Kong and PRC. Set out below is a summary of the consolidated financial information of the Group for 31 December 2021 (“**FY2021**”) and 31 December 2022 (“**FY2022**”) as extracted from the 2022 Annual Report.

(a) Financial Performance of the Group

	For the year ended	
	31 December	
	2022	2021
	HK\$'000	HK\$'000
	(audited)	(audited)
Revenue	31,400	9,331
Loss for the year	(5,288)	(14,883)

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(b) Financial Position of the Group

	As at 31 December	
	2022	2021
	HK\$'000	HK\$'000
	(audited)	(audited)
Cash and cash equivalents	2,011	3,485
Total assets	29,574	21,907
Total liabilities	28,339	28,151
Net assets (liabilities)	1,235	(6,244)

Audited consolidated results for the two years ended 31 December 2022

As disclosed in the 2022 Annual Report, revenue of the Group increased by approximately 237.6% from approximately HK\$9.3 million for FY2021 to approximately HK\$31.4 million for FY2022. Such increase was derived from the footwear and apparel businesses since the Group has also engaged in the footwear and apparel business in Hong Kong and Canada in 2022. As a result of the increase in revenue, the loss for the Group decreased from approximately HK\$14.9 million for FY2021 to approximately HK\$5.3 million for FY2022.

In FY2022, the Group recorded cash and cash equivalents, total assets, total liabilities and net assets of approximately HK\$2.0 million, HK\$29.6 million, HK\$28.3 million and HK\$1,235 million, respectively. The current ratio were approximately 1.7 times in FY2022 as compared to approximately 0.8 times in FY2021. The gearing ratio was approximately 49.0% in FY2022 as compared to approximately 42.5% in FY2021.

2. Reasons for and benefits of the Rights Issue and use of proceeds

As disclosed in the Letter from the Board, the net proceeds from the Rights Issue (after deducting the estimated expenses) are estimated to be approximately HK\$13.3 million. The Group intends to use the net proceeds from the Rights Issue as follows:

- (1) approximately HK\$11.0 million (or approximately 82.7% of the total net proceeds) for the repayment of the Group's loans; and
- (2) 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.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Settlement of the Group's loans

According to the 2022 Annual Report, during the year ended 31 December 2022, a new loan amount of HK\$1,500,000 was obtained from an independent third party (“**2022 Other loan A**”). 2022 Other loan A is unsecured, bearing interest at 8% per annum and repayable after two years from the date of drawdown.

According to the 2022 Annual Report, during the year ended 31 December 2022, two new loans total amount of HK\$10,000,000 were obtained from an independent third party (“**2022 Other loan B**”). 2022 Other loan B are unsecured, bearing interest at 8–9% per annum and repayable after two years from the date of drawdown.

As disclosed in the Letter from the Board, the Group has to make interest payments of approximately HK\$1,035,000 every year on a half-yearly basis until the maturity date for 2022 Other loan A and 2022 Other loan B.

Having considered that (i) the reduction of interest payment of HK\$1,035,000 every year; (ii) the business opportunities in the footwear and apparel market in the future 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 and (iii) the positive impact of increasing liquidity and reserving working capital brought by settlement of the Group's indebtedness, we concur with the Directors that the settlement of the Group's loans within this year equip the Group with a timely and robust funding position to secure favourable opportunities and is for the commercial benefit of the Group.

Having considered the above, and (i) the state of the global and local economies that (a) 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; and (b) 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, (ii) the cash level of the Group, and the estimated working capital required for the Group's daily operation as stated in the Letter from the Board, we concur with the Directors that the Group's ongoing operations and managing cash flow is a very critical aspect during a period of uncertainty, and 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. We are of the view that the intended use of proceeds is fair and reasonable.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Alternative financing methods

As disclosed in the Letter from the Board, the Group has considered other alternative means of fund raising before resolving to the Rights Issue, including but not limited to debt financing, placing and open offer. 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. Hence, the Board consider that debt financing may not be achievable on favourable terms in a timely manner. As for equity fund raising, such as placing of new Shares, it is relatively smaller in scale as compared to fund raising through rights issue and the Company has already exhausted its general mandate. Additionally, further placing of shares would lead to dilution in the shareholding interest of existing Shareholders without offering them the opportunity to participate in the enlarged capital base of the Company. Furthermore, the Company has approached multiple securities brokerages but they have all declined to act as placing agent. As for open offer, while it is similar to a rights issue, offering qualifying shareholders to participate, it does not allow free trading of rights entitlements in the open market.

In view of the above, the Board considers that raising funds by way of the Rights Issue is more cost effective, efficient and beneficial to the Company and the Shareholders as a whole as compared to raising fund by other means.

After taking into account the benefits and potential cost of each of the alternatives such as asset pledge requirement, interest rate and the opportunities offering to the Shareholders, we are of the view and concur with the view of the Directors that (i) debt financing may not be achievable on favourable terms in a timely manner as debt financing requires asset pledge or relatively higher interest rate which will result in additional interest burden, higher gearing ratio of the Group; (ii) placing of new Shares would only be available to certain places who are not necessarily the existing Shareholders and would dilute the shareholding of the existing Shareholders; and (iii) open offer does not allow qualifying shareholders to trade rights entitlements freely in the open market. We are of the view and concur with the view of the Directors that 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.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

3. Principal terms of the Rights Issue

Set out below is a summary of the principal terms of the Rights Issue, further details of which are set out in the Letter from the Board:

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
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 no change in the number of Shares in issue on or before the Record Date)
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
Underwriter	:	China Demeter Securities Limited, a corporation licensed to carry on type 1 (dealing in securities) under the SFO whose 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.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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

As at the Latest Practicable Date, there are 720,000 outstanding Share Options. 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.

Assuming no further issue or repurchase of Shares on or before the Record Date, the maximum number of 72,230,400 Rights Shares to be issued and allotted pursuant to the terms of the Rights Issue represent 200% of the total number of issued Shares and approximately 66.67% of the total number of issued Shares as enlarged by the allotment and issuance of the Rights Shares.

Assessment on the principal terms of the Rights Issue

The Subscription Price

The Subscription Price of HK\$0.2, 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:

- (i) a discount of approximately 2.9% to the closing price of HK\$0.206 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a premium of approximately 15.6% to the closing price of HK\$0.173 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (iii) a premium of approximately 12.9% to 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;
- (iv) a premium of approximately 12.3% to 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;

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

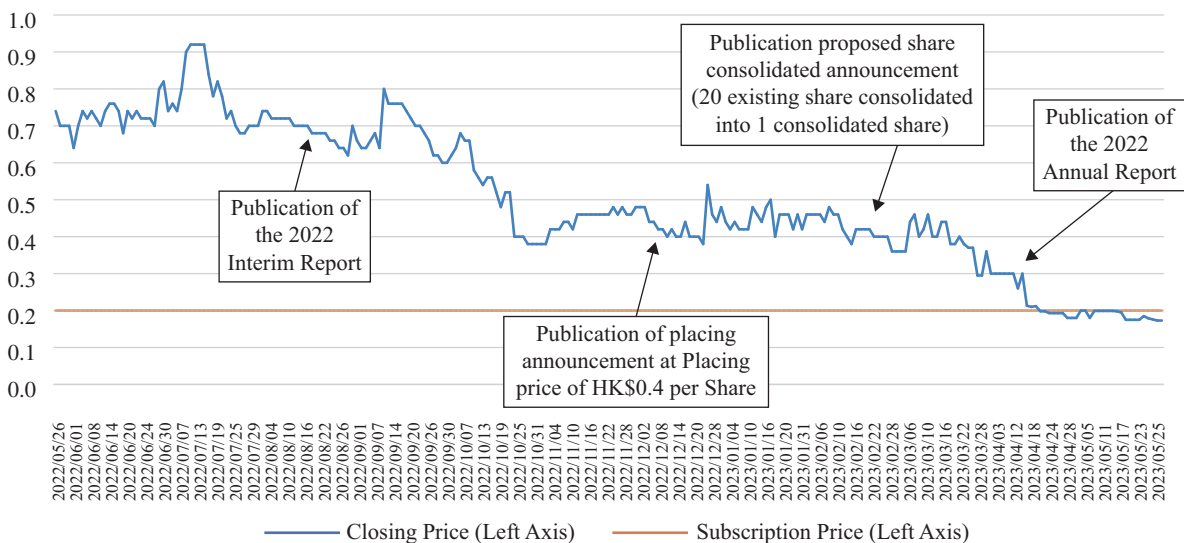
- (v) a premium of approximately 4.7% to the theoretical ex-rights price of approximately HK\$0.191 per Share based on the closing price of HK\$0.173 per Share as quoted on the Stock Exchange on the Last Trading Day; and
- (vi) no theoretical dilution effect (as defined under Rule 10.44A of the GEM Listing Rules), being the premium of the theoretical diluted price of approximately HK\$0.191 per Share to the benchmarked price of approximately HK\$0.1772 per Share (as defined under Rule 10.44A of the GEM Listing Rules, taking into account the higher of the closing price on the Last Trading Day of HK\$0.1772 per Share and the average of the closing prices of the Shares as quoted on the Stock Exchange for the five consecutive trading days immediately prior to the Last Trading Day of approximately HK\$0.173 per Share).

As disclosed in the Letter from the Board, 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 proposed Rights Issue as more particularly disclosed in the paragraph headed "Reasons for the Rights Issue and use of proceeds" in the Letter from the Board.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Comparison with historical closing prices of the Shares

In order to assess the fairness and reasonableness of the Subscription Price, we have performed a review on the daily closing prices and trading volume of the Shares from 26 May 2022 up to and including the Last Trading Day (the “**Review Period**”) (being a period of approximately 12 months prior to and including the Last Trading Day) and compared with the Subscription Price. We consider that the Review Period is adequate to illustrate the recent price movement of the Shares for conducting a reasonable comparison among the historical closing prices prior to the Announcement and such comparison is relevant for the assessment of the fairness and reasonableness of the Subscription Price, as the share price before the Announcement represent a fair market value of the Company the Shareholders expected, while that after the Announcement, the value may have taken into account the potential upside of the Rights Issue which may distort the analysis. The chart below illustrates the adjusted daily closing price per the Share (“**Closing Price**”) versus the Subscription Price of HK\$0.20 per Rights Share during the Review Period:



Source: website of the Stock Exchange

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As shown in the chart above, during the Review Period, the average closing price was approximately HK\$0.51 per Share (the “**Average Closing Price**”). The daily closing price ranged from HK\$0.173 per Share recorded on 24 May 2023 to 25 May 2023 (the “**Lowest Closing Price**”) to HK\$0.92 per Share recorded on 11 July 2022 to 14 July 2022 (the “**Highest Closing Price**”). We note that Shares were traded above the Subscription Price from 26 May 2022 to 14 April 2023 and were traded on or below since 17 April 2023. The Subscription Price of HK\$0.20 represents (i) a premium of approximately 15.6% to the Lowest Closing Price; (ii) a discount of approximately 78.3% to the Highest Closing Price; and (iii) a discount of approximately 60.5% to the Average Closing Price. As discussed in the section headed “Comparison with recent rights issues transactions” below, we note that it is a common practice (12 out of 12 Comparables, excluding the outlier) to set the subscription price at a discount to the prevailing trading prices of the relevant shares in order to increase the attractiveness and encourage shareholders to participate in the right issues.

There was an uptrend from early-May 2022 to mid-July 2022. The closing price of the Shares steadily increased from approximately HK\$0.7 at the beginning of May 2022 to the Highest Closing Price from 11 July 2022 to 14 July 2022. After reaching the Highest Closing Price, the closing price of the Shares then exhibited a downward trend and hit the Lowest Closing Price on 24 May 2023 and the Last Trading Day.

The reason for the substantial fall in Share price since 14 July 2022 (“**Downtrend Period**”) was unknown to us since:

- (i) the Management were not aware of any reason for such fall in Share price during the Downtrend Period; and
- (ii) we have reviewed all the announcements disclosed during the Downtrend Period, and we were not aware of any information which led to abrupt decrease of the Share prices during the Downtrend Period.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Historical trading liquidity of the Shares

Month	Total volume of Shares traded Shares	Number of trading days days	Approximate average daily trading volume of the Shares Shares	Percentage of average daily trading volume to total number of issued shares as at the end of the month/period (Note 1)
2022				
May	6,798,500	20	339,925	1.13%
June	7,849,000	21	373,762	1.24%
July	9,451,500	20	472,575	1.57%
August	9,545,500	23	415,022	1.38%
September	8,438,500	21	401,833	1.34%
October	5,055,000	20	252,750	0.84%
November	2,657,250	22	120,784	0.40%
December	9,682,500	20	484,125	1.34%
2023				
January	6,058,250	18	336,569	0.93%
February	2,546,500	20	127,325	0.35%
March	4,180,250	23	181,750	0.50%
April	1,316,750	17	77,456	0.21%
May (up to Last Trading Day)	1,049,250	18	58,292	0.16%

Source: website of the Stock Exchange

Note:

1. Based on the number of total issued Shares as at each month end as disclosed in the monthly returns of the Company.

As shown in the table above, the average daily trading volume of the Shares in each month ranged from 58,292 Shares in May 2023 (up to Last Trading Day) to 484,125 Shares in December 2022 during the Review Period, representing 0.16% to approximately 1.34% of the total number of issued shares as at the end of the month/period, respectively, indicating a relatively thin trading liquidity during the Review Period.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Given such relatively thin liquidity of the Shares during the Review Period, it would be difficult for the Shareholders to acquire a substantial block of the Shares in the open market without exerting a significant impact on the Share price. We consider that the prices, liquidity and general price trend of the Shares during the Review Period should have reflected market evaluation on the recent business performance of the Group.

In view of the above, we consider that it is fair and reasonable for the Company to determine the Subscription Price with reference to (i) the market price of the Shares prior to and including the Last Trading Day; (ii) the prevailing volatile market conditions under the uncertainty in local and global economy discussed in the earlier section headed “Reasons for and benefits of the Rights Issue and use of proceeds”; (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.

Comparison with recent rights issue transactions

In order to assess the fairness and reasonableness of the Subscription Price, we exhaustively conducted a search of recent proposed rights issue exercises, announced by the companies listed on GEM of the Stock Exchange (excluding those terminated or lapsed or announced but not yet completed) within approximately 12 months prior to the Last Trading Day (the “**Comparison Period**”) to understand the trend of the recent market practice. Based on our research, we have identified a total of 12 rights issue comparables (the “**Comparables**”) during the Comparison Period.

We consider the Comparison Period of approximately 12 months is adequate and appropriate given that (i) such period would provide us with the recent and relevant information to demonstrate the prevailing market practice prior to the Announcement under the prevailing market conditions; and (ii) we are able to identify sufficient and reasonable samples size for selection of Comparables within the Comparison Period. We note that the terms of the rights issue announced by the Comparables may not be directly comparable to the terms of the Rights Issue announced by the Group due to the differences in business activities and performances. We note that the business activities of the Comparables may not be directly comparable to the business activities carried out by the Group. We consider that despite the terms of the rights issue depend on various factors, including the dilution effect to shareholding, funding needs and use of proceeds, discounts to share price, etc., they are often influenced by the recent market trends for rights issue. Although the Comparables included rights issue on different basis of entitlement, and involved issuers which engaged in different business or with different financial performance and funding needs from the Company, we consider that the Comparables are suitable to serve as a general reference for the purpose of an assessment on the Subscription Price, as (i) all of the Comparables and the Company are listed on GEM of the Stock Exchange which are similar in size of operation as GEM is positioned as a market designed to accommodate small and mid

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sized companies; (ii) our analysis is mainly concerned with the comparison of subscription price to closing price, theoretical ex-rights price, maximum dilution on the shareholding and theoretical dilution effect; and (iii) the Comparables were included without any artificial selection or filtering on our part thus they represented a true and fair view of the recent market trends for rights issue.

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Table A

Date of announcement	Company (stock code)	Basis of entitlement	Maximum amount of funds to be raised from the rights issue HK\$ million	Discount of subscription price over the price per share on the respective last trading day Approximately %	Discount of the subscription price over the theoretical ex-rights price per share based on the closing price per share on the last trading day prior to announcement in relation to the respective rights issue Approximately %	Maximum dilution on the shareholding Approximately %	Theoretical dilution effect (Note 2) (Note 3) Approximately %	Excess Application/ Placing (Note 3)	Underwriting arrangement	Placing Commission %	Underwriting commission %
6/3/2023	CBK Holdings Limited (8428)	5 for 1	18.92	(15.9)	(2.9)	83.3	(13.2) Placing	Non-underwritten	3.5	N/A	N/A
10/1/2023	Kinetix Systems Holdings Limited (8606)	1 for 2	31.3	(29.4)	(21.7)	33.3	(9.8) Placing	Underwritten on a best effort basis	1.3	N/A	N/A
6/1/2023	SDM Education Group Holdings Limited (8363)	1 for 2	23.8	nil	nil	33.3	nil Excess application	Fully-underwritten	N/A	N/A	4
29/12/2022	New Amante Group Limited (8412)	1 for 2	12.6	(10.6)	(7.3)	33.3	(5.6) Excess application	Underwritten on a best effort basis	N/A	N/A	1.5
21/10/2022	C&N Holdings Limited (8430)	3 for 1	32.5	(13.3)	(3.7)	75.0	(10.0) Placing	Non-underwritten	1.5	N/A	N/A
23/9/2022	Tasy Concepts Holding Limited (8096)	5 for 2	41.3	(14.3)	(4.5)	71.4	(10.3) Placing	Non-underwritten	2.5	N/A	N/A
10/8/2022	Easy Repay Finance & Investment Limited (8079)	1 for 2	14.4	(45.0)	(35.1)	33.3	(16.1) Placing	Non-underwritten	7.1	N/A	N/A
4/8/2022	Xinyi Electric Storage Holdings Limited (8328)	1 for 10	393.9	(18.8)	(17.4)	9.1	(1.7) Excess application	Non-underwritten	N/A	N/A	N/A
14/7/2022	Wan Cheng Metal Packaging Company Limited (8291)	1 for 1	24.0	(25.0)	(14.3)	50.0	(16.5) Placing	Non-underwritten	2.5	N/A	N/A
17/6/2022	Ocean Star Technology Group Limited (8297)	1 for 2	31.5	(41.2)	(32.0)	33.3	(13.9) Excess application	Underwritten on a best effort basis	N/A	N/A	1
10/6/2022	Gameone Holdings Limited (8282)	1 for 2	22.4	(40.4)	(31.2)	33.3	(13.5) Excess application	Underwritten on a best effort basis	N/A	N/A	1.5
25/5/2022	F8 Enterprises (Holdings) Group Limited (8347)	1 for 2	17.1	(5.6)	(3.7)	33.3	(1.9) Excess application	Underwritten on a best effort basis	N/A	N/A	5
		Maximum		(45.0)	(35.1)	83.3	(16.5)		7.1		5.0
		Minimum		(5.6)	(2.9)	9.1	(1.7)		1.3		1.0
		Average		(23.6)	(15.8)	43.5	(10.2)		3.1		2.6
25/5/2023	The Group	2 for 1	144	15.6	4.7	66.7	nil Excess application	Fully underwritten	N/A	N/A	0.7

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Notes:

1. In order to calculate the average, minimum and maximum percentage of the placing commission of the Comparables, we have excluded the minimum placing commissions and absolute placing commissions.
2. The theoretical dilution effect is calculated in accordance with Rule 7.27B of the Rules Governing the Listing of Securities on the Stock Exchange or Rule 10.44A of the GEM Listing Rules.
3. Pursuant to Rule 10.31(1) of the GEM Listing Rule.
4. N/A represents the respective fundraising exercise did not involve underwriters nor placing agents.

Based on the Table A, we noted that (i) the subscription prices to the closing price on the Last Trading Day prior to the announcement of the Comparables ranged from a discount of approximately 5.6% to a discount of approximately 45.0%, with an average discount of approximately 23.6%. The premium of the Subscription Price to the theoretical closing price per Share as at the Last Trading Day of approximately 15.6% is out of the range; (ii) the theoretical ex-rights price per Share based on the closing price per share on the last trading day prior to announcement in relation to the respective ranged from a discount of approximately 2.9% to a discount of approximately 35.1%, with an average discount of approximately 15.8%. The premium of the Subscription Price to the theoretical ex-rights price per Share on the Last Trading Day of approximately 4.7% is out of the range; (iii) the theoretical dilution effect of the Comparables ranged from approximately 1.7% to approximately 16.5%, with an average discount of approximately 10.2%. Due to the facts that (a) no theoretical dilution effect represented by the Rights Issue; (b) the net proceeds from the Rights Issue would improve the Group's financial condition; and (c) the Subscription Price favors the Qualifying Shareholders to subscribe for the Rights Shares and maintain their respective pro-rata shareholding interests in the Company, we consider that the no theoretical dilution effect represented by the Rights Issue is acceptable so far as Independent Shareholders are concerned; and (iv) the maximum dilution on the shareholding of the Comparables ranged from approximately 9.1% to approximately 83.3%, with an average of approximately 43.5%. The maximum dilution on the shareholding of the Rights Issue of approximately 66.7% falls within the range of the Comparables. Taking into consideration the maximum dilution on the shareholding of the Rights Issue falls within the range of the Comparables, we are of the view that the proposed offer basis is in the interest of the Company and the Shareholders as a whole and so far as the Independent Shareholders are concerned.

Taking into consideration that, (i) the Subscription Price of the Rights Issue has a discount of 60.5% to the average Closing Price during the Review Period; (ii) the trading liquidity of the Shares were very thin during the Review Period and the Subscription Price at a discount to the average Closing Price may enhance the attractiveness of the Shares among the thin trading liquidity; (iii) the share price of the Company has been trading below its par value for some time; (iv) the Subscription Price represents the par value per Share; (v) a review period of 12 months prior to the Announcement to be exhaustive for a representation of proposed rights issue in the

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recent market; and (vi) the Independent Shareholders may subscribe the Rights Share with the Subscription Price close to the price of HK\$0.206 on the Latest Practicable Date under the thin trading liquidity, we are of the view that the setting of the Subscription Price is fair and reasonable so far as the Independent Shareholders are concerned and the Independent Shareholders are advised to subscribe for the entitlements.

Excess application

As mentioned in the Letter from the Board, Qualifying Shareholders shall be entitled to apply, by way of excess application, for (i) the Rights Shares representing the entitlement of the Non-Qualifying Shareholders and which cannot be sold at a net premium; and (ii) any Rights Shares provisionally allotted but not validly accepted by the Qualifying Shareholders or transferees of nil-paid Rights Shares.

Among the Comparables, 6 out of 12 of the Comparables allow application for excess rights shares. As such, we consider that the Rights Issue allowing application for excess Rights Shares and the possibility of applying for excess Rights Share under the Rights Issue are in line with the market practice.

Furthermore, the Rights Issue has already given the opportunity to all Qualifying Shareholders to maintain their proportionate interests in the Company should they so wish by applying for the Rights Shares in full and acquire additional nil-paid Rights Shares in the market, which we consider to be fair and reasonable.

Underwriting commission

As set out in the Letter from the Board, the terms of the Underwriting Agreement, including the rate of placing commission, were determined after arm's length negotiation between the Company and the Underwriter with reference to the market comparables, the existing financial position of the Group, the size of the Rights Issue, and the current and expected market condition. For further details of the principal terms of the Placing Agreement, please refer to section headed "Underwriting Agreement" in the Letter from the Board. The Underwriter to the Company will receive a lump sum amount of HK\$100,000.00, representing 0.7% of the placing price. According to the Comparables as set out in Table A, the underwriting commission of the Comparables ranged from 1.0% to 5.0%, with average placing commission of approximately 2.6% respectively. As the underwriting commission is below the range of the Comparables and the average underwriting commission, we are of the view that the underwriting commission is in the interests of the Company and Independent Shareholders as a whole.

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4. Dilution effect of the Rights Issue on the shareholding of the Company

As at the Latest Practicable Date, the Company has 36,115,200 existing Shares in issue. The table below sets out the shareholding structures of the Company (a) as at the Latest Practicable Date; (b) immediately after the Rights Issue (assuming all Rights Shares are subscribed for by the Qualifying Shareholders); and (c) immediately after the Rights Issue (assuming no Qualifying Shareholders takes up any of the Rights Shares and the Underwriter takes up all Rights Shares pursuant to the Underwriting Agreement).

	As at the Latest Practicable Date		Immediately after completion of the Rights Issue			
			Assuming all Rights Shares are subscribed for by the Qualifying Shareholders		Assuming no Qualifying Shareholders takes up any of the Rights Shares and the Underwriter takes up all Rights Shares pursuant to the Underwriting Agreement	
	<i>No. of Shares</i>	<i>Approx.% (Note 1)</i>	<i>No. of Shares</i>	<i>Approx.% (Note 1)</i>	<i>No. of Shares</i>	<i>Approx.% (Note 1)</i>
Mr. Shum Tsz Yeung Underwriter, sub-underwriter(s) and/or subscriber(s) procured by them (Notes 2 & 3)	6,750	0.02	20,250	0.02	6,750	0.006
Other public Shareholders	–	–	–	–	72,230,400	66.67
	<u>36,108,450</u>	<u>99.98</u>	<u>108,325,350</u>	<u>99.98</u>	<u>36,108,450</u>	<u>33.33</u>
Total	<u>36,115,200</u>	<u>100.00</u>	<u>108,345,600</u>	<u>100.00</u>	<u>108,345,600</u>	<u>100.00</u>

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) In any event and notwithstanding any provisions under the Underwriting Agreement, the Underwriter irrevocably undertakes to the Company that (i) each of the subscribers of the Untaken Shares procured by the Underwriter (or the Underwriter concerned, whichever shall be appropriate) shall be an Independent Third Party and are not acting in concert (within the meaning of the Takeovers Code) with the Underwriter and its associates; (ii) the Underwriter shall and shall cause the sub-underwriters to procure independent subscribers and/or placees to take up such number of Untaken Shares as necessary to ensure that the Company will comply with the public float requirement under the GEM Listing Rules upon completion of the Rights Issue; and (iii) the

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Underwriter or each subscriber procured by the Underwriter (together with parties acting in concert with the respective subscribers or any of the connected persons or associates of the respective subscribers) shall not hold in aggregate 30% or more of the voting rights of the Company immediately after the Rights Issue.

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.

All Qualifying Shareholders are entitled to subscribe for the Rights Shares. For those Qualifying Shareholders who take up their provisional allotments in full under the Rights Issue, their shareholding interests in the Company will remain unchanged upon completion of the Rights Issue (assuming full acceptance of the Rights Issue). Qualifying Shareholders who do not accept the Rights Issue entitlements can, subject to the then prevailing market conditions, consider selling their nil-paid Rights Shares in the market. However, those Qualifying Shareholders who do not take up the Rights Shares to which they are entitled and the Excluded Shareholders should note that their shareholdings in the Company will be diluted upon completion of the Rights Issue and their aggregate shareholding interests in the Company may be reduced by a maximum of 66.7%.

We also that as shown in the table of Comparables in the section headed “Comparison with recent rights issue transactions” above, the maximum dilution of the Comparables ranged from approximately 9.1% to approximately 83.3%. For the Non-Qualifying Shareholders and those Qualifying Shareholders who do not take up their full provisional allotments under the Rights Issue, depending on the extent to which they subscribe for the Rights Shares, their shareholding interests in the Company upon completion of the Rights Issue will be diluted by up to a maximum of approximately 66.7%, which fall within the range of the Comparables.

Having considered that (i) the dilution effect is not prejudicial as all Qualifying Shareholders are offered an equal opportunity to participate in the Rights Issue and public Shareholders’ interests in the Company will be not diluted if they choose to subscribe for their pro-rata entitlement of the Rights Shares; (ii) the Qualifying Shareholders have the opportunity to realize their nil-paid rights to subscribe for the Rights Shares in the market, subject to availability; (iii) shareholding dilution is inherent in the Rights Issue in general; and (iv) the positive impact on the financial position of the Group as a result of the Rights Issue as detailed in paragraph headed “Possible Financial Effect of the Rights Issue” below, we are of the view that the potential dilution effect on the shareholding, which may only happen to the Qualifying Shareholders who decide not to subscribe for their pro-rata Rights Shares, is acceptable.

5. Possible Financial Effect of the Rights Issue

Net tangible assets

According to the “Unaudited pro forma financial information of the Group” set out in Appendix II to the Circular, the audited consolidated net tangible assets of the Group attributable to owners of the Company was approximately HK\$1.2 million as at 31 December 2022; upon completion of the Rights Issue, the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company would increase to approximately HK\$14.6 million. As such, the Rights Issue is expected to have a positive impact on the financial position of the Group.

Liquidity

According to the Annual Report 2022, as at 31 December 2022, the cash and cash equivalents of the Group was approximately HK\$2.0 million and the Group had current assets of approximately HK\$29.6 million, current liabilities of approximately HK\$28.3 million. Accordingly, the current ratio of the Group (being the current assets of the Group divided by the current liabilities of the Group) as at 31 December 2022 was approximately 1.7 times. Immediately upon completion of the Rights Issue, the cash and cash equivalents of the Group is expected to increase by the expected net proceeds from the Rights Issue of approximately HK\$13.3 million. The current ratio of the Group will be increased from approximately 1.7 times to 2.6 times approximately. As such, the current ratio and the liquidity of the Group will be improved upon the completion of the Rights Issue.

After taking into consideration of the above, particularly, the improvement in liquidity position of the Group, we are of the view that the Rights Issue is in the interest of the Company and the Shareholders as a whole.

Shareholders should note that the aforesaid analyses are for illustrative purpose only and do not purport to represent the financial position of the Group upon completion of the Rights Issue and because of its hypothetical nature, does not provide any assurance or indication that any event will take place in the future and may not be indicative of (i) the financial position of the Company as at 31 December 2022 or any future date; or (ii) the net assets per Share of the Company as at 31 December 2022 or any future date.

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OPINION AND RECOMMENDATION

Having taken into consideration of the following principal factors and reasons regarding the major terms of the Rights Issue including:

- (i) the proceeds from the Rights Issue for repayments of the Group's loans, and the Directors expectation 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 under section headed "Reasons for the Rights Issue and use of proceeds" above in this letter;
- (ii) taking into account the benefits and cost of each of the alternatives, the Rights Issue represents a more cost effective, efficient and beneficial mean to the Company and the Shareholders as a whole as compared to raising fund by other means as stated under the paragraph headed "Fund raising alternatives" above in this letter;
- (iii) the Subscription Price represented a premium of approximately 15.6%, 12.9% and 12.3% to the closing price on the Last Trading Day, the five (5) consecutive trading days up to and including the Last Trading Day, and the ten (10) consecutive trading days up to and including the Last Trading Day, respectively;
- (iv) the Subscription Price is fair and reasonable in our view for the reasons set out in earlier sections headed "Subscription Price" and "Comparison to other rights issue" in this letter; and
- (v) Rights Issue is conducted on the basis that all Qualifying Shareholders have been offered the same opportunity to maintain their proportionate interests in the Company and allows the Qualifying Shareholders to participate in the future growth of the Company, and the maximum dilution effect only occur when the Qualifying Shareholders do not subscribe for their proportionate Rights Shares,

we are of the view that the terms of the Rights Issue are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned and the Rights Issue including the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders and the Independent Board Committee to advise the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the Rights Issue.

Yours faithfully
For and on behalf of
Silverbricks Securities Company Limited
Yau Tung Shing
Co-head of Corporate Finance

Note: Mr. Yau Tung Shing is licensed individual under the SFO, authorized to conduct Type 6 (advising on corporate finance) regulated activities in accordance with the SFO. He is considered responsible officer of Silverbricks Securities Company Limited. Mr. Yau Tung Shing possesses over 6 years of experience in the corporate finance industry.

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 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>

2. STATEMENT OF INDEBTEDNESS

As at 31 May 2023, being the most recent practicable date for the purpose of this indebtedness statement, the Group had the following indebtedness:

	As at 31 May 2023 HK\$'000
Current liabilities	
Interest-bearing borrowings – unsecured and unguaranteed	3,250
Lease liabilities – unsecured and unguaranteed	1,629
	4,879
Non-current liabilities	
Interest-bearing borrowings – unsecured and unguaranteed	13,257
Lease liabilities – unsecured and unguaranteed	1,206
	14,463
Total	19,342

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 31 May 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 circular 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 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.

		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 HK\$’000 (Note 2)	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 HK\$ (Note 3)	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 HK\$ (Note 4)
Audited consolidated net tangible assets of the Group attributable to owners of the Company as at 31 December 2022 HK\$’000 (Note 1)	Unaudited estimated net proceeds from the Rights Issue HK\$’000 (Note 2)	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 HK\$’000 (Note 2)	Audited 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 HK\$ (Note 3)	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 HK\$ (Note 4)
Based on 72,230,400 Rights Shares to be issued at the Subscription Price of HK\$0.2 per Rights Share	1,235	13,346	14,581	0.0342
	<u>1,235</u>	<u>13,346</u>	<u>14,581</u>	<u>0.0342</u>

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 Group 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\$0.2 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 circular issued by the Company on 7 July 2023 (the “**Circular**”) in connection with the proposed 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 Circular.

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.

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 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 circular 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 Rules.

Prism Hong Kong and Shanghai Limited

Certified Public Accountants

Dai Tin Yau

Practising certificate number: P06318

Hong Kong, 7 July 2023

1. RESPONSIBILITY STATEMENT

This circular, 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 circular 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 circular 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 by Qualifying Shareholders) were as follows:

(a) As at the Latest Practicable Date

HK\$

Authorised:

<u>50,000,000</u>	Shares of HK\$0.2 each	<u>10,000,000</u>
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Issued and fully paid:

<u>36,115,200</u>	Shares of HK\$0.2 each	<u>7,223,040</u>
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- (b) Immediately after completion of the Rights Issue (assuming the Increase in Authorised Share Capital having been effective and 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 by Qualifying Shareholders)

HK\$

Authorised:

<u>500,000,000</u>	Shares of HK\$0.2 each	<u>100,000,000</u>
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Issued and fully paid:

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 existing 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.

Neither part of the share capital nor any other securities of the Company is listed or dealt in on any stock exchange other than the Stock Exchange and no application is being made or is currently proposed or sought for the Shares or Rights Shares or any other securities of the Company to be listed or dealt in 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 circular 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;
- 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 the Company's shares 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.

9. EXPERTS AND CONSENTS

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

Name	Qualification
Prism Hong Kong and Shanghai Limited (“Prism”)	Certified Public Accountants
Silverbricks Securities Company Limited	a corporation licensed under the SFO to carry out type 1 (dealing in securities), type 2 (dealing in futures contracts) and type 6 (advising on corporate finance) regulated activities

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

Each of Prism and Silverbricks Securities 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 Mr. Ngai Tsz Hin Michael
Company secretary	Mr. Ngai Tsz Hin Michael
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
Independent Financial Adviser	Silverbricks Securities Company Limited Units 1004–1006, 10/F, 168–200 Connaught Road Central Sheung Wan 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. 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 circular:

- 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 circular;
- c. the letter of recommendation from the Independent Board Committee, the text of which is set out on page 32 of this circular;
- d. the letter of advice from IFA, the text of which is set out on pages IFA-1 to IFA-22 of this circular;
- e. the accountants’ report on the unaudited pro forma financial information of the Group set out in Appendix II to this circular; and
- f. the written consents of the experts referred to in the section headed “9. Experts and Consents” in this Appendix.

15. 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.

16. 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 this circular shall prevail over their respective Chinese text for the purpose of interpretation.

NOTICE OF EGM



JIMU GROUP LIMITED 積木集團有限公司

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

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “EGM”) of Jimu Group Limited (the “Company”) will be held at 22/F, Euro Trade Centre, 13–14 Connaught Road Central, Hong Kong on Thursday, 27 July 2023 at 11:00 a.m. for the purpose of considering and, if thought fit, passing with or without amendments, the following resolutions as ordinary resolution of the Company:

ORDINARY RESOLUTIONS

1. “**THAT:**

- (a) the authorised share capital of the Company be and is hereby increased from HK\$10,000,000 divided into 50,000,000 Shares of HK\$0.2 each to HK\$100,000,000 divided into 500,000,000 Shares by the creation of an additional 450,000,000 Shares, and that each such new Share, upon issue and fully paid, shall rank *pari passu* in all respects with the existing issued Shares and have the rights and privileges and be subject to the provisions contained in the memorandum and articles of association of the Company (the “**Authorised Share Capital Increase**”); and
- (b) any one or more Directors be and is/are hereby authorised to do all such acts, deeds and things, to sign and execute all such further documents or deeds and to take such steps as he/they may in his/their absolute discretion consider necessary, appropriate, desirable or expedient to carry out or to give effect to or in connection with the Authorised Share Capital Increase.”

2. “**THAT** conditional upon: (i) the passing of the resolution numbered 1 as set out above; (ii) The Stock Exchange of Hong Kong Limited granting or agreeing to grant (subject to allotment) and not having revoked the listing of and permission to deal in the Rights Shares (as defined below) to be allotted and issued to the shareholders of the Company (the “**Shareholder(s)**”) pursuant to the terms and conditions of the Rights Issue (as defined below); and (iii) the Underwriting Agreement (as defined below) becoming unconditional and not being terminated in accordance with its terms:

NOTICE OF EGM

- (a) the issue by way of rights issue (the “**Rights Issue**”) of up to 72,230,400 ordinary shares (the “**Rights Share(s)**”) at the subscription price of HK\$0.20 per Rights Share to the qualifying shareholders (the “**Qualifying Shareholders**”) of the Company whose names appear on the date (the “**Record Date**”) by reference to which entitlement under the Rights Issue will be determined (other than those shareholders (the “**Non-Qualifying Shareholders**”) with registered addresses outside Hong Kong whom the Directors, after making relevant enquiry, consider their exclusion from the Rights Issue to be necessary or expedient on account either of the legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place) in the proportion of two (2) Rights Shares for every one (1) share of the Company then held on the Record Date at the subscription price of HK\$0.20 per Rights Share and otherwise on the terms and conditions set out in the Circular be and is hereby approved;
- (b) the underwriting agreement (the “**Underwriting Agreement**”) dated 25 May 2023 and entered into among the Company and China Demeter Securities Limited (a copy of which has been produced to the EGM marked “A” and signed by the chairman of the EGM for the purpose of identification) and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;
- (c) the Directors be and are hereby authorised to allot and issue the Rights Shares pursuant to the Rights Issue notwithstanding the same may be offered, allotted or issued otherwise than pro-rata to the Qualifying Shareholders and, in particular, the Directors may (i) make such exclusions or other arrangements in relation to the Non-Qualifying Shareholders as they may deem necessary, desirable or expedient having regard to any restrictions or obligations under the articles of association of the Company or the laws of, or the rules and regulations of any recognised regulatory body or any stock exchange in, any territory outside Hong Kong; and (ii) offer for application under forms of excess application for any Rights Shares provisionally allotted but not accepted, and to do all such acts and things as they consider necessary, desirable or expedient to give effect to any or all other transactions contemplated in this resolution; and
- (d) the Directors be and are hereby authorised to sign or execute such documents and do all such acts and things in connection with the allotment and issue of the Rights Shares, the implementation of the Rights Issue and the Underwriting Agreement, the exercise or enforcement of any of the Company’s rights under the Underwriting Agreement and to make and agree to make such variations of the

NOTICE OF EGM

terms of the Underwriting Agreement as they may in their discretion consider to be appropriate, necessary, desirable or expedient to carry out, to give effect to or in connection with the Rights Issue or any transaction contemplated thereunder.”

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

Hong Kong, 7 July 2023

Notes:

1. Unless otherwise defined in this notice or the context otherwise requires, terms defined in the circular of the Company dated 7 July 2023 (the “**Circular**”) shall have the same meanings when used in this notice.
2. Voting at the EGM will be taken by poll as required under the GEM Listing Rules.
3. The register of members of the Company will be closed from Friday, 21 July 2023 to Thursday, 27 July 2023 (both days inclusive), during which period no transfer of shares will be effected. In order to be eligible to attend and vote at the extraordinary general meeting, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Hong Kong branch share registrar of the Company, Tricor Investor Services Limited, at 17/F, Far East Finance Centre 16 Harcourt Road Hong Kong for registration not later than 4:30 p.m. on Thursday, 20 July 2023.
4. Any member entitled to attend and vote at the meeting of the Company shall be entitled to appoint another person as his/her proxy to attend and vote instead of him/her. A member who is the holder of two or more shares may appoint more than one proxy to represent him/her and vote on his/her behalf at the meeting of the Company. A proxy need not be a member of the Company.
5. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his/her attorney duly authorized in writing or, if the appointor is a corporation, either under its seal or under the hand of an officer, attorney or other person authorized to sign the same. In the case of an instrument of proxy purporting to be signed on behalf of a corporation by an officer thereof it shall be assumed, unless the contrary appears, that such officer was duly authorized to sign such instrument of proxy on behalf of the corporation without further evidence of the facts.
6. The instrument appointing a proxy and (if required by the board of directors of the Company) the power of attorney or other authority (if any) under which it is signed, or a certified copy of such power or authority, shall be delivered to Tricor Investor Services Limited, at 17/F, Far East Finance Centre 16 Harcourt Road Hong Kong not less than forty-eight (48) hours before the time appointed for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote.
7. Delivery of an instrument appointing a proxy shall not preclude a member from attending and voting in person at the meeting convened and in such event, the instrument appointing a proxy shall be deemed to be revoked.
8. Where there are joint holders of any share any one of such joint holder may vote, either in person or by proxy, in respect of such share as if he were solely entitled thereto, but if more than one of such joint holders be present at the meeting the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.
9. The English text of this notice shall prevail over the Chinese text in case of inconsistency.

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10. If a black rainstorm warning signal, a tropical cyclone warning signal no. 8 or above or “extreme conditions” caused by super typhoons is in force at or at any time after 7:00 a.m. on the date of the meeting, the meeting will be postponed. The Company will publish an announcement on the Company’s website at www.jimugroup.hk and the website of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk to notify members of the date, time and place of the rescheduled meeting.
11. As at the date hereof, the executive director of the Company is Mr. Tsang Hing Bun; the non-executive director of the Company is Mr. Shum Tsz Yeung; and the independent non-executive directors of the Company are Mr. Hung Wai Che, Mr. Choi Ho Yan and Mr. Yiu Yu Hong John.