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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)

FURTHER CHANGE IN USE OF PROCEEDS

Reference is made to (a) the prospectus (the “**Prospectus**”) issued by Jimu Group Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) dated 20 May 2016 in relation to the listing of the Company’s issued shares on GEM of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”), (b) the announcement (the “**2017 Announcement**”) of the Company dated 6 September 2017 on change in use of proceeds and (c) the announcement (the “**2018 Announcement**”) of the Company dated 27 June 2018 on further change in use of proceeds. The board (the “**Board**”) of directors (the “**Directors**”) would like to announce that the Board has resolved to further adjust the intended use of proceeds from the Placing (as defined in the Prospectus) in the manner set out in this announcement.

Capitalised terms defined in the Prospectus have the same meaning when used in this announcement, unless the context requires otherwise.

USE OF PROCEEDS DISCLOSED IN THE PROSPECTUS AS ADJUSTED PURSUANT TO THE DISCLOSURE IN THE 2017 ANNOUNCEMENT AND THE 2018 ANNOUNCEMENT

In the paragraph headed “Use of proceeds” in the section headed “Future plans and use of proceeds” in the Prospectus, the Company disclosed its intended use of the estimated net proceeds from the Placing after deducting the underwriting commission and related expenses payable by the Company. By the 2017 Announcement and the 2018 Announcement, the Company announced certain changes in the use of the actual net proceeds (the “**Net Proceeds**”) from the Placing which amount to HK\$44.6 million. The adjusted intended use of the Net Proceeds as disclosed in the 2018 Announcement is as follows:

- approximately HK\$9.9 million, representing approximately 22.2% of the Net Proceeds, for broadening the Group’s customer base and product offerings;
- approximately HK\$5.9 million, representing approximately 13.3% of the Net Proceeds, for enhancing the Group’s design, development and production management capabilities;
- approximately HK\$7.9 million, representing approximately 17.7% of the Net Proceeds, for obtaining licences of multiple brands;

- approximately HK\$1.5 million, representing approximately 3.3% of the Net Proceeds, for enhancing the Group's corporate image;
- approximately HK\$3.0 million, representing approximately 6.7% of the Net Proceeds, for purchasing motor vehicles in Hong Kong;
- approximately HK\$4.1 million, representing approximately 9.3% of the Net Proceeds, for improving the Group's information technology system; and
- approximately HK\$12.3 million, representing approximately 27.5% of the Net Proceeds, for general working capital and other general corporate uses of the Group.

CHANGE IN USE OF PROCEEDS

For the reasons set out in the paragraph headed "Reasons for the change in use of proceeds" below, the Board has resolved to further adjust the intended use of the Net Proceeds as follows:

	Allocation disclosed in the 2018 Announcement <i>Approximately HK\$' million</i>	Adjusted allocation <i>Approximately HK\$' million</i>	Utilized Net Proceeds as at the date of this announcement <i>Approximately HK\$' million</i>	Unutilized Net Proceeds as at the date of this announcement <i>Approximately HK\$' million</i>	Adjusted allocation of the Unutilized Net Proceeds <i>Approximately HK\$' million</i>
Broadening customer base and product offerings	9.9	9.9	4.3	5.6	5.6
Enhancing design, development and production management capabilities	5.9	5.9	2.1	3.8	3.8
Obtaining licences of multiple brands	7.9	0.2	0.2	7.7	–
Enhancing corporate image	1.5	1.5	0.4	1.1	1.1
Purchasing motor vehicles in Hong Kong	3.0	3.0	3.0	–	–
Improving information technology system	4.1	4.1	0.7	3.4	3.4
General working capital and other general corporate uses	12.3	20.0	12.3	–	7.7
	<u>44.6</u>	<u>44.6</u>	<u>23.0</u>	<u>21.6</u>	<u>21.6</u>

REASONS FOR THE CHANGE IN USE OF PROCEEDS

As mentioned in the Company's third quarterly report for 2018, the footwear business segment recorded loss for the nine months ended 30 September 2018 due to sluggish market conditions. In April 2018, the Group commenced the provision of loan facilitation services to customers in China as part of the Group's effort to diversify its business scope, broaden the Group's sources of income and achieve better return to the shareholders of the Company. The loan facilitation business segment has already recorded profit for the nine months ended 30 September 2018. While the business diversification provided positive impact on the financial performance of the Group, the Group was still loss making for the nine months ended 30 September 2018.

Meanwhile, corporate expenses such as annual listing fees, audit fees and professional fees are inevitable expenses to maintain the listing status and normal daily operations of the Company. Such expenses are currently financed by the Net Proceeds as well as internal resources generated from business operations.

The Board has considered other options to finance the general working capital and other general corporate uses, such as bank loans, or share placements under general mandate. The Board is of the view that bank loans will lead to further finance costs and share placements will dilute the interests of existing shareholders. As such, the Board considers it more appropriate to reallocate existing cash from the Net Proceeds to finance general working capital and other general corporate uses. If good opportunities arise in the future which mandate the use of capital, the Company can still finance such opportunities through other fundraising channels.

Given limited internal resources generated by business operations in the short run, the limitation of other fundraising options, and the fact that the Net Proceeds allocated to working capital and general corporate use may soon be depleted, the Board has resolved that HK\$7.7 million of the Net Proceeds should be allocated to support the Company's general corporate expenses for the coming six months.

The Board considers it appropriate to reduce the allocation from "Obtaining licences of multiple brands" given the footwear market remained sluggish for the past few years and to continue in obtaining licences of brands is no longer a sound strategy.

The Board will continue to monitor the use of the Net Proceeds and shall consider the best way to utilize the Net Proceeds so as to achieve better return to the shareholders of the Company.

GENERAL

The Board considers that the above change in use of the Net Proceeds is beneficial to the continuous development of the Group's businesses, and is in the interests of the Company and its shareholders as a whole.

Save as disclosed above, there has been no other change in the use of the Net Proceeds.

By Order of the Board
JIMU GROUP LIMITED
Dong Jun
Chairman

Hong Kong, 31 January 2019

As at the date of this announcement, the executive Directors are Mr. Dong Jun (Chairman), Mr. Ho Kin Wai (Chief Executive Officer), Mr. Peng Shaoxin, Mr. Yan Taotao and Ms. Long Jingjie; the non-executive Directors are Mr. Wen Cyrus Jun-Ming and Mr. Zhang Songyi; and the independent non-executive Directors are Mr. Liu Jiangtao, Mr. Guo Zhongyong, Mr. Peng Chuang and Mr. Hon Ping Cho Terence.

This announcement, 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 Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief:– (1) the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive; and (2) there are no other matters the omission of which would make any statement herein or this announcement misleading.

This announcement will remain on the “Latest Company Announcements” page of the GEM website at <http://www.hkgem.com> for at least 7 days from the date of its posting and on the Company's website at <http://www.jimugroup.hk>.