Jimu Group Limited
積木集團有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 8187

THIRD QUARTERLY REPORT 2018

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*This report, for which the directors (the "**Directors**") of Jimu Group Limited (the "**Company**") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (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 the information contained in this report 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 report misleading.*

RESULTS

The board (the "**Board**") of directors ("**Directors**") of Jimu Group Limited (the "**Company**") presents the unaudited condensed consolidated financial statements of the Company and its subsidiaries (collectively the "**Group**") for the three and nine months ended 30 September 2018, together with the comparative unaudited figures of the corresponding periods in 2017.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE THREE AND NINE MONTHS ENDED 30 SEPTEMBER 2018

		Three months ended 30 September		**Nine months ended 30 September**	
	NOTES	**2018 HK$'000 (Unaudited)**	2017 HK$'000 (Unaudited)	**2018 HK$'000 (Unaudited)**	2017 HK$'000 (Unaudited)
Revenue from goods and services	5	**66,359**	66,022	**140,331**	157,033
Other income		**1,169**	1,125	**2,010**	2,432
Other gains and losses		**(7)**	54	**(822)**	53
Purchases and changes in inventories		**(25,138)**	(56,929)	**(79,541)**	(135,574)
Employee benefits expenses		**(30,267)**	(5,106)	**(52,603)**	(16,034)
Other operating expenses		**(9,437)**	(4,724)	**(21,136)**	(13,029)
Interest on bank borrowings		**(231)**	(253)	**(775)**	(754)
Profit (loss) before taxation		**2,448**	189	**(12,536)**	(5,873)
Income tax expense	6	**–**	(30)	**(1)**	(30)
Profit (loss) for the period	7	**2,448**	159	**(12,537)**	(5,903)
Other comprehensive expense:					
Item that may be reclassified subsequently to profit or loss:					
Exchange differences on translation of financial statements of foreign operations		**(30)**	(5)	**(4)**	(29)
Total comprehensive income (expense) for the period		**2,418**	154	**(12,541)**	(5,932)
Earnings (loss) per share	9				
Basic (HK cents)		**0.51**	0.03	**(2.61)**	(1.23)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2018

	Attributable to owners of the Company					
	Share capital HK$'000	Share premium HK$'000	Translation reserve HK$'000	Capital reserve HK$'000	(Accumulated losses) retained profits HK$'000	Total HK$'000
At 1 January 2018 (Audited)	**4,800**	**46,917**	**268**	**(67)**	**(7,048)**	**44,870**
Loss for the period	**–**	**–**	**–**	**–**	**(12,537)**	**(12,537)**
Exchange differences on translation of financial statements of foreign operations	**–**	**–**	**(4)**	**–**	**–**	**(4)**
Total comprehensive expense for the period	**–**	**–**	**(4)**	**–**	**(12,537)**	**(12,541)**
At 30 September 2018 (Unaudited)	**4,800**	**46,917**	**264**	**(67)**	**(19,585)**	**32,329**
At 1 January 2017 (Audited)	4,800	46,917	309	(67)	1,961	53,920
Loss for the period	–	–	–	–	(5,903)	(5,903)
Exchange differences on translation of financial statements of foreign operations	–	–	(29)	–	–	(29)
Total comprehensive expense for the period	–	–	(29)	–	(5,903)	(5,932)
At 30 September 2017 (Unaudited)	4,800	46,917	280	(67)	(3,942)	47,988

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 30 September 2018

1. GENERAL INFORMATION

Jimu Group Limited (formerly known as Ever Smart International Holdings Limited) (the "**Company**") was incorporated in the Cayman Islands as an exempted company with limited liability on 6 February 2015. The shares of the Company were listed on the GEM of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 30 May 2016. The parent holding company of the Company is Jimu Group Holdings Limited, which is incorporated in the British Virgin Islands. The ultimate holding company and ultimate controlling shareholder is Jimu Holdings Limited (previously known as Pintec Holdings Limited), a company incorporated in the British Virgin Islands.

Pursuant to an Extraordinary General Meeting held on 22 January 2018, the Certificate of Incorporation on Change of Name of the Company issued by the Registry of Companies in the Cayman Islands on 26 January 2018 and the Certificate of Registration of Alteration of Name of Registered Non-Hong Kong Company issued by the Registrar of Companies in Hong Kong on 12 February 2018, the Company changed its name to Jimu Group Limited (formerly known as Ever Smart International Holdings Limited) and adopted the Chinese name of "積木集團有限公司" as the secondary name to replace "永駿國際控股有限公司" which has been used for identification purpose only.

The registered office of the Company is PO Box 1350, Clifton House, 75 Fort Street, Grand Cayman KY1-1108, Cayman Islands and principal place of business of the Company is Suite 2207, 22/F, Prudential Tower, The Gateway, Harbour City, Kowloon, Hong Kong. The Company is an investment holding company. The principal activities of the Group are design, development, sourcing, marketing and sale of footwear and the provision of loan facilitation service.

The unaudited condensed consolidated financial statements are presented in Hong Kong dollars ("**HK$**"), which is different from the functional currency of the Company. The management of the Group considers that presenting the unaudited condensed consolidated financial statements in HK$ is preferable as the Company listed its shares on the Stock Exchange and most of its potential investors are located in Hong Kong.

2. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") as well as with the applicable disclosure requirements of Chapter 18 of the Rules Governing the Listing Securities on the GEM of the Stock Exchange.

The Group entered into a new business in the People's Republic of China (the "**PRC**") for the provision of loan facilitation service which assists qualified borrowers to obtain financing from various financial institutions or investors who have registered on online information intermediary service platforms. The Group facilitates the loan origination process and provides on-going loan servicing to the borrowers over the loan period. In order to provide a more comprehensive and informative presentation of the results of the Group to the financial statements users, the management of the Company has reconsidered the presentation in the unaudited condensed consolidated statement of profit or loss and other comprehensive income. All the cost of sales and expenses have been disclosed as separate line items according to their nature on the face of the unaudited condensed consolidated statement of profit or loss and other comprehensive income. As a result, the relevant amounts of cost of sales, other expenses, selling and distribution expenses and administrative expenses have been reclassified and disclosed as separate line items as "Purchases and changes in inventories", "Employee benefits expenses" and "Other operating expenses" on the face of the unaudited condensed consolidated statement of profit or loss and other comprehensive income. Accordingly, the relevant comparative amounts of cost of sales, other expenses, selling and distribution expenses, administrative expenses have been reclassified to conform with the current period's presentation.

3. PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated financial statements have been prepared on the historical cost basis.

Except as described below, the accounting policies and the methods of computation used in the unaudited condensed consolidated financial statements for the nine months ended 30 September 2018 are the same as those followed in the Group's audited consolidated financial statements for the year ended 31 December 2017.

For the nine months ended 30 September 2018, the Group has applied the following new and amendments to HKFRSs issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 January 2018 for the preparation of the Group's unaudited condensed consolidated financial statements:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014 – 2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

The new and amendments to HKFRSs have been applied in accordance with the relevant transition provisions in the respective standards and amendment which result in changes in accounting policies, amounts reported and/or disclosure are described in the Group's interim report for the period ended 30 June 2018.

4. SEGMENT INFORMATION

Information reported to the Chief Executive Officer of the Company, being the Chief Operating Decision Maker ("**CODM**"), for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided. The Group is currently organised into two operating divisions. These operating divisions are the basis upon which the information that is regularly reviewed by the CODM is prepared and are analysed under HKFRS 8 as follows:

- Footwear business – design, development, sourcing, marketing and sale of footwear; and
- Loan facilitation service – provision of pre-loan facilitation service and post-loan facilitation service.

The Group entered into a new business of loan facilitation service during the nine months ended 30 September 2018. The above operating divisions constitute the operating and reportable segments of the Group.

The following is an analysis of the Group's revenue and results by operating and reportable segments:

Nine months ended 30 September 2018 (Unaudited)

	Footwear business HK$'000	**Loan facilitation service HK$'000**	**Total HK$'000**
Revenue	**90,455**	**49,876**	**140,331**
Segment results	**(8,979)**	**4,385**	**(4,594)**
Unallocated expenses			**(7,942)**
Loss before taxation			**(12,536)**

Nine months ended 30 September 2017 (Unaudited)

	Footwear business HK$'000	Loan facilitation service HK$'000	Total HK$'000
Revenue	157,033	–	157,033
Segment results	(1,069)	–	(1,069)
Unallocated expenses			(5,014)
Unallocated income			210
Loss before taxation			(5,873)

Segment revenue reported above represents revenue generated from external customers.

5. REVENUE FROM GOODS AND SERVICES

An analysis of the Group's revenue from goods and services is as follows:

	Three months ended 30 September		Nine months ended 30 September	
	2018	2017	**2018**	2017
	HK'000	HK'000	**HK'000**	HK'000
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Trading of footwear	**28,292**	66,022	**90,455**	157,033
Provision of loan facilitation service	**38,067**	–	**49,876**	–
	66,359	66,022	**140,331**	157,033

6. INCOME TAX EXPENSE

	Three months ended 30 September		Nine months ended 30 September	
	2018	2017	**2018**	2017
	HK$'000	HK$'000	**HK$'000**	HK$'000
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
PRC Enterprise Income Tax ("**EIT**")				
– Current tax	**–**	30	**–**	30
– Underprovision in prior periods	**–**	–	**1**	–
	–	30	**1**	30

Notes:

No provision of Hong Kong Profits Tax has been made in the unaudited condensed consolidated financial statements as the Group has no assessable profit for the nine months ended 30 September 2018 and 2017.

PRC EIT is calculated based on the statutory rate of 25% of the assessable profit for the subsidiaries established in the PRC for the nine months ended 30 September 2018 and 2017, as determined in accordance with the relevant income tax rules and regulations in the PRC.

7. PROFIT (LOSS) FOR THE PERIOD

	Three months ended 30 September		Nine months ended 30 September	
	2018	2017	**2018**	2017
	HK$'000	HK$'000	**HK$'000**	HK$'000
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Profit (loss) for the period has been arrived at after charging (crediting):				
Directors' remuneration	**1,663**	1,072	**3,768**	3,214
Other staff costs (excluding directors' remuneration)				
– Salaries, bonuses and other benefits	**24,309**	3,700	**41,552**	11,815
– Retirement benefit scheme contributions	**4,295**	334	**7,283**	1,005
Total staff costs	**30,267**	5,106	**52,603**	16,034
Depreciation of property, plant and equipment	**428**	302	**1,366**	826
Operating lease rental in respect of rental premises	**2,032**	385	**4,269**	1,018
Interest income	**(55)**	(30)	**(99)**	(86)

8. DIVIDEND

No dividends were paid, declared or proposed during the nine months ended 30 September 2018 and 2017. The directors of the Company do not recommend payment of dividend for the nine months ended 30 September 2018 (for the nine months ended 30 September 2017: Nil).

9. EARNINGS (LOSS) PER SHARE

The calculation of the basic earnings (loss) per share is based on the following data:

	Three months ended 30 September		Nine months ended 30 September	
	2018	2017	**2018**	2017
	HK$'000	HK$'000	**HK$'000**	HK$'000
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Earnings (loss):				
Earnings (loss) for the period for the purpose of calculating basic earnings (loss) per share	**2,448**	159	**(12,537)**	(5,903)

	Three months ended 30 September		Nine months ended 30 September	
	2018	2017	**2018**	2017
	'000	'000	**'000**	'000
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Number of shares:				
Number of ordinary shares for the purpose of calculating basic earnings (loss) per share	**480,000**	480,000	**480,000**	480,000

No diluted earnings (loss) per share is being presented for three months and nine months periods ended 30 September 2018 and 2017 as there is no potential ordinary share in issue during both periods.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

The Group's revenue decreased by approximately 10.6% from approximately HK$157.0 million for the nine months ended 30 September 2017 to approximately HK$140.3 million for the nine months ended 30 September 2018. The decrease in revenue during the period under review as compared to the corresponding period in 2017 mainly resulted from a decrease in revenue from the footwear business segment being partially offset by revenue from the newly formed loan facilitation service segment.

The decrease in revenue for the footwear business segment is mainly due to various uncertainties clouding the global economy, in particular, the continuous impact of Brexit and the resulting depreciation in the British pound as well as sluggish economic growth in the EU, which have adversely affected customer sentiment.

The Group commenced its operation in provision of loan facilitation services in April 2018. The loan facilitation service segment contributed revenue of approximately HK$49.9 million for the nine months ended 30 September 2018. Revenue from the loan facilitation service segment increased by 222.4% from approximately HK$11.8 million for the three months ended 30 June 2018 to approximately HK$38.1 million for the three months ended 30 September 2018, which is a result of our effort in expanding the new business.

During the nine months ended 30 September 2018, the Group's purchases and changes in inventories decreased by approximately 41.3% from approximately HK$135.6 million for the nine months ended 30 September 2017 to approximately HK$79.5 million for the nine months ended 30 September 2018. The Group's purchases and changes in inventories comprises purchase cost and other costs including mainly sample and molding fees and other overheads. During the nine months ended 30 September 2018, sample and molding fees decreased by approximately HK$0.6 million as compared to the corresponding period in 2017 which was attributable to the decreased number of molds of samples for developments for brands that are new to the Group as requested by the Group's customers for potential orders. However, the purchase cost to sales ratio was approximately 84.7% for the nine months ended 30 September 2018 comparing to approximately 83.8% for the nine months ended 30 September 2017. The increase in purchase cost to sales ratio was mainly due to the decreasing ability of the Group to persuade our suppliers to absorb sample and molding fees due to intense competition in the market, and also the decreasing ability of the Group to pass on the sample and molding fees to customers due to the sluggish customer sentiment.

Other income decreased to approximately HK$2.0 million for the nine months ended 30 September 2018 from approximately HK$2.4 million for the corresponding period in 2017, primarily attributable to a decrease in claims received of approximately HK$0.6 million.

Employee benefits expenses increased to approximately HK$52.6 million for the nine months ended 30 September 2018 from approximately HK$16.0 million for the corresponding period in 2017, which was mainly due to the increase in number of staff for the loan facilitation services.

Other operating expenses increased to approximately HK$21.1 million for the nine months ended 30 September 2018 from approximately HK$13.0 million for the corresponding period in 2017, which was mainly due to the increase in general operating expenses of approximately HK$8.9 million in relation to the running of the new loan facilitation services .

As a result of foregoing, loss for the period increased to approximately HK$12.5 million for the nine months ended 30 September 2018 from approximately HK$5.9 million for the corresponding period in 2017. Profit for the three months ended 30 September 2018 of approximately HK$2.5 million is mainly driven by the loan facilitation service segment.

Loss for the footwear business segment increased to approximately HK$9.0 million for the nine months ended 30 September 2018 from approximately HK$1.1 million for the corresponding period in 2017, which was mainly due to the decrease in revenue during the period.

Profit for the loan facilitation service segment amounted to approximately HK$4.4 million for the nine months ended 30 September 2018. This is a result of the foundation we built over the past few months and a strong demand for our loan facilitation services.

Business Review and Outlook

The Group is engaged in the provision of footwear design and development, production management (including quality control) and logistics management service since 2009. The Group offers formal and casual footwear for men, women and children to its customers. Over the years of its operations, the Group has built a diverse global customer portfolio comprising mainly international wholesaler and retailers which are brand owners and/or licensees of formal and casual footwear.

The Group embarked on other significant new development in 2017. Asia Matrix Investments Limited ("**Asia Matrix**") has successfully completed the transfer of equity interest of the Group to Jimu Group Holdings Limited on 11 October 2017. Name change of the Company has also been approved in the extraordinary general meeting dated 22 January 2018. The new management team has actively explored and studied business diversification plans for mitigating risks and achieving long term sustainability.

Various uncertainties continue to cloud the global economy, in particular, the continuous impact of the Brexit as well as sluggish economic growth in the EU, which have adversely affected customer sentiment, as well as increasingly intense competition in the footwear industry which has led to increasingly depressing profit margins and declining revenue. The footwear business segment recorded loss for another quarter despite the management's continuous effort in improving business performance. While the loss is primarily due to sluggish market conditions, the management will start to look at other cost-cutting measures especially when the uncertainties from the US-China Trade War looms large.

In April 2018, the Group commenced the provision of loan facilitation services to customers in China through two newly setup subsidiaries. As at the end of September 2018, the Group has already set up over 40 branch offices across different regions in China to provide assistance to customers with financing needs, with a particular focus on individual customers in third and fourth tier cities in China, who in general, compared to individuals in first tier cities, have weaker knowledge or access of financing solutions available in the market. Through personal outreach to customers, continuous education on financing solutions, data collection and analysis and consultation, the Group aims to assist the customers to obtain appropriate financing solutions from third parties such as financial institutions and/or other financing platforms, and also provide continuous customer support. The Board is of the view that the newly commenced business is consistent with China's overall policy of broad financial inclusion and will be scalable.

The loan facilitation services represent a prime opportunity for the Group 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 services segment has already achieved remarkable result in the past few months. The management will continue to develop the loan facilitation services as well as to explore other business opportunities so as to create value for the shareholders of the Company.

DIRECTORS' INTERESTS IN SECURITIES

As at 30 September 2018, the interests and short positions of the Directors or chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "**SFO**")), which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO; or (b) pursuant to Section 352 of the SFO, to be recorded in the register referred therein; or (c) pursuant to Rule 5.46 of the GEM Listing Rules to be notified to the Company and the Stock Exchange, were as follows:

Long position in shares or underlying shares of the Company

Name of Director	Capacity	Number of shares or underlying shares held: Ordinary shares	Share options	Total	Approximate percentage of interest in the Company
Mr. Ho Kin Wai ("**Mr. Ho**")	Interest of controlled corporation *(Note)*	9,600,000 ordinary shares	–	9,600,000	2%

Note: These 9,600,000 shares are held by Asia Matrix. Mr. Ho beneficially owns 100% of the issued share capital of Asia Matrix.

Long position in shares or underlying shares of associated corporation

Name of Director	Name of associated corporation	Capacity	No. share(s) held in each class	Approximate percentage of interest in the associated corporation in each class
Mr. Dong Jun ("**Mr. Dong**")	Jimu Holdings Limited (formerly known as Pintec Holdings Limited) ("**Jimu Holdings**") *(Note 1)*	Founder of discretionary trust	23,722,804 (ordinary shares)	32.95%
Mr. Wen Cyrus Jun-ming ("**Mr. Wen**")	Jimu Holdings *(Note 2)*	Interest of controlled corporation	2,210,630 (series C preferred shares)	5.17%
Mr. Wen	Jimu Holdings *(Note 3)*	Interest of controlled corporation	235,000 (ordinary shares)	0.33%
Mr. Zhang Songyi ("**Mr. Zhang**")	Jimu Holdings *(Note 4)*	Interest of controlled corporation	3,359,553 (series C preferred shares)	7.86%

Notes:

1. Mr. Dong is the founder of a discretionary trust. Mr. Dong is deemed to be interested in the shares of Jimu Holdings in which the discretionary trust is interested has.

2. These 2,210,630 series C preferred shares are held by Delight Treasure Holdings Limited. Mr. Wen beneficially owns 100% of the issued share capital of Delight Treasure Holdings Limited.

3. These 235,000 ordinary shares are held by Delight Treasure Holdings Limited. Mr. Wen beneficially owns 100% of the issued share capital of Delight Treasure Holdings Limited.

4. Out of these 3,359,553 series C preferred shares, 1,908,837 shares are held by Woo Foong Hong Limited and 1,450,716 shares are held by Mandra iBase Limited. Woo Foong Hong Limited is owned as to 51% by Beansprouts Limited, which in turn is owned as to 50% by Mr. Zhang. Mandra iBase Limited is wholly owned by Beansprouts Limited.

Save as disclosed above, as at 30 September 2018, none of the Directors or chief executive of the Company had any interest or short position in shares, debentures or underlying shares of the Company and its associated corporations which was required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO; or (b) pursuant to Section 352 of the SFO, to be recorded in the register referred therein; or (c) pursuant to Rule 5.46 of the GEM Listing Rules to be notified to the Company and the Stock Exchange.

INTERESTS DISCLOSEABLE UNDER THE SFO AND SUBSTANTIAL SHAREHOLDERS

As at 30 September 2018, so far as known to any Director or chief executive of the Company, the following persons had interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO, or recorded in the register required to be kept under Section 336 of the SFO:

Long position in shares or underlying shares of the Company

Name of shareholder	Capacity	Number of shares or underlying shares held	Approximate percentage of interest in the Company
Jimu Group Holdings Limited	Beneficiary owner	350,400,000	73%
Jimu Times Limited	Interest in a controlled corporation *(Note)*	350,400,000	73%
Jimu Holdings	Interest in a controlled corporation *(Note)*	350,400,000	73%

Note: Jimu Group Holdings Limited is a registered owner holding 73% shareholding interest in the Company. Jimu Group Holdings Limited is owned as to 85% by Jimu Times Limited and Jimu Times Limited is wholly-owned by Jimu Holdings. Under the SFO, Jimu Holdings and Jimu Times Limited are deemed to be interested in 350,400,000 Shares.

Save as disclosed above, as at 30 September 2018, the Directors were not aware of any other persons who had interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO, or recorded in the register required to be kept under Section 336 of the SFO.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the period ended 30 September 2018, the Company did not redeem any of its shares, and neither did the Company nor any of its subsidiaries purchase or sell any of the Company's shares.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Group has adopted the required standard of dealing, as set out in Rules 5.48 to 5.67 of the GEM Listing Rules, as the code of conduct for securities transactions by the Directors in respect of the shares of the Company. Having made specific enquiry of all Directors, all Directors have confirmed that they have complied with the required standard of dealing and the code of conduct for securities transactions by directors during the period under review.

INTEREST OF THE COMPLIANCE ADVISER

As confirmed by the Company's compliance adviser, Orient Capital (Hong Kong) Limited (the "**Compliance Adviser**"), save for the compliance adviser agreement entered into between the Company and the Compliance Adviser dated 30 October 2017, none of the Compliance Adviser or its directors, employees or close associates (as defined under the GEM Listing Rules) had any interest in the Group or in the share capital of any member of the Group which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules.

INTERESTS IN COMPETING BUSINESS

For the nine months ended 30 September 2018, none of the Directors, controlling shareholders or substantial shareholders of the Company or any of their respective close associates (all as defined under the GEM Listing Rules) are engaged in any business that competes or may compete, directly or indirectly, with the business of the Group or have any other conflicts of interest with the Group nor are they aware of any other conflicts of interest which any such persons has or may have with the Group.

AUDIT COMMITTEE

The Company established the audit committee of the Company (the "**Audit Committee**") on 11 May 2016 with written terms of reference in compliance with the code provisions of the Corporate Governance Code as set out in Appendix 15 to the GEM Listing Rules. The primary duties of the Audit Committee are to make recommendation to the Board on the appointment and removal of external auditors; review financial statements and material advice in respect of financial reporting; and oversee internal control procedures of the Company.

The Audit Committee currently consists of four members, namely Mr. Hon Ping Cho Terence (Chairman), Mr. Liu Jiangtao, Mr. Guo Zhongyong and Mr. Peng Chuang, all being independent non-executive Directors. The Audit Committee has reviewed the unaudited condensed consolidated financial statements of the Group for the nine months ended 30 September 2018 and this report, and is of the view that the financial statements and report have complied with the applicable accounting standards and the requirements under the GEM Listing Rules, and that adequate disclosures have been made.

EVENT AFTER THE REVIEW PERIOD

There is no material subsequent event undertaken by the Company or by the Group after 30 September 2018 and up to the date of this report.

By order of the Board
Jimu Group Limited
Dong Jun
Chairman

Hong Kong, 9 November 2018

As at the date of this report, 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.