

JiMU

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 **2020**



CHARACTERISTICS OF THE GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

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 and no assurance is given that there will be a liquid market in the securities traded on GEM.

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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 2020, together with the comparative unaudited figures of the corresponding periods in 2019.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE THREE AND NINE MONTHS ENDED 30 SEPTEMBER 2020

	NOTES	Three months ended 30 September		Nine months ended 30 September	
		2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Revenue from goods and services	5	18,796	26,563	53,977	99,361
Other income		157	1,806	6,048	8,253
Other gains and losses		21	908	1,246	1,214
Purchases and changes in inventories		(9,821)	(4,755)	(24,674)	(27,957)
Employee benefits expenses		(10,001)	(24,513)	(35,865)	(63,286)
Other operating expenses		(4,159)	(6,980)	(11,576)	(19,963)
Finance costs		(50)	(258)	(337)	(994)
Loss before taxation		(5,057)	(7,229)	(11,181)	(3,372)
Income tax credit (expense)	6	219	664	1,457	(2,155)
Loss for the period	7	(4,838)	(6,565)	(9,724)	(5,527)
Other comprehensive expense:					
<i>Item that will not be reclassified to profit or loss:</i>					
Exchange differences on translation from functional currency to presentation currency		196	–	72	–
<i>Item that may be reclassified subsequently to profit or loss:</i>					
Exchange differences arising on translation of financial statements of foreign operations		–	(413)	–	(485)
Total comprehensive expense for the period		(4,642)	(6,978)	(9,652)	(6,012)
Loss per share	9				
Basic (HK cents)		(1.01)	(1.37)	(2.03)	(1.15)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2020

	Attributable to owners of the Company					Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Translation reserve HK\$'000	Capital reserve HK\$'000	Accumulated losses HK\$'000	
At 1 January 2020 (Audited)	4,800	46,917	(177)	(67)	(48,624)	2,849
Loss for the period	-	-	-	-	(9,724)	(9,724)
Exchange differences on translation from functional currency to presentation currency	-	-	72	-	-	72
Total comprehensive expense for the period	-	-	72	-	(9,724)	(9,652)
Deemed contribution from a director (Note 1)	-	-	-	4,360	-	4,360
At 30 September 2020 (Unaudited)	4,800	46,917	(105)	4,293	(58,348)	(2,443)
At 31 December 2018 (Audited)	4,800	46,917	(67)	(67)	(11,039)	40,544
Adjustments (Note 2)	-	-	-	-	(4,240)	(4,240)
At 1 January 2019 (Restated)	4,800	46,917	(67)	(67)	(15,279)	36,304
Loss for the period	-	-	-	-	(5,527)	(5,527)
Exchange differences arising on translation of foreign operations	-	-	(485)	-	-	(485)
Total comprehensive expense for the period	-	-	(485)	-	(5,527)	(6,012)
At 30 September 2019 (Unaudited)	4,800	46,917	(552)	(67)	(20,806)	30,292

Note 1: An amount of HK\$4,360,000 representing the waiver of amount due to a director, who is also one of the major shareholders of the Company, pursuant to the deed of waiver agreement entered into between the director and Ever Smart International Enterprise Limited, a wholly owned subsidiary of the Group, during the nine months ended 30 September 2020.

Note 2: An impairment loss of HK\$4,240,000 is recognised at the date of the initial application of HKFRS 16 as the recoverable amount of the right-of-use assets is estimated to be less than its carrying amount.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2020

1. GENERAL

Jimu Group Limited (the “**Company**”) is a public listed company incorporated in the Cayman Islands as an exempted company with limited liability and its shares are listed on the GEM of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). The immediate holding company of the Company is Jimu Group Holdings Limited, a company incorporated in the British Virgin Islands. The ultimate holding company and ultimate controlling shareholder is Jimu Holdings Limited, a company incorporated in the British Virgin Islands. The registered office of the Company is Clifton House, 75 Fort Street, PO Box 1350, 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 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 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 of Securities on the GEM.

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 2020 are the same as those followed in the Group’s audited consolidated financial statements for the year ended 31 December 2019.

For the nine months ended 30 September 2020, the Group has applied the following amendments to HKFRSs issued by the HKICPA for the preparation of the Group's unaudited condensed consolidated financial statements:

Amendments to HKFRS 3	Definition of a Business
Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

The application of these amendments to HKFRSs during the nine months ended 30 September 2020 has had no material impact on the Group's financial performance and positions for the nine months ended 30 September 2020 and 2019 and/or on the disclosure set out in these unaudited condensed consolidated financial statements.

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 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 2020 (Unaudited)

	Footwear business HK\$'000	Loan facilitation service HK\$'000	Total HK\$'000
Revenue	34,096	19,881	53,977
Segment results	9,174	(13,784)	(4,610)
Unallocated expenses			(6,571)
Loss before taxation			(11,181)

Nine months ended 30 September 2019 (Unaudited)

	Footwear business HK\$'000	Loan facilitation service HK\$'000	Total HK\$'000
Revenue	31,024	68,337	99,361
Segment results	(6,952)	10,469	3,517
Unallocated expenses			(6,889)
Loss before taxation			(3,372)

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	
	2020 HK'000 (Unaudited)	2019 HK'000 (Unaudited)	2020 HK'000 (Unaudited)	2019 HK'000 (Unaudited)
Trading of footwear	12,550	5,097	34,096	31,024
Provision of loan facilitation service	6,246	21,466	19,881	68,337
	18,796	26,563	53,977	99,361

6. INCOME TAX (CREDIT) EXPENSE

	Three months ended 30 September		Nine months ended 30 September	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
PRC Enterprise Income Tax ("EIT")				
– Current Tax	269	–	2,042	–
Deferred tax	(488)	(664)	(3,499)	2,155
	(219)	(664)	(1,457)	2,155

Notes:

No provision for Hong Kong Profits Tax has been made in the condensed consolidated financial statements as the Group had no assessable profit for the nine months periods ended 30 September 2020 and 2019.

PRC EIT is calculated based on the statutory rate of 25% of the assessable profit of those subsidiaries established in the PRC for both periods, except for certain PRC subsidiaries operating in the Ningxia Hui Autonomous Region during the nine months ended 30 September 2020 which are subject to a lower concessionary tax rate of 15%.

7. LOSS FOR THE PERIOD

	Three months ended 30 September		Nine months ended 30 September	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Loss for the period has been arrived at after charging (crediting):				
Directors' remuneration	309	742	1,193	2,330
Other staff costs (excluding directors' remuneration)				
– Salaries, bonuses and other benefits	10,344	19,986	31,284	49,377
– Retirement benefit scheme contributions	(652)	3,785	3,388	11,579
Total staff costs	10,001	24,513	35,865	63,286
Depreciation of property, plant and equipment	133	278	268	959
Depreciation of right-of-use assets	–	1,060	589	3,109
Expenses relating to short-term leases	355	296	1,124	929
Interest income	(97)	(41)	(221)	(166)

8. DIVIDEND

No dividends were paid, declared or proposed during the nine months ended 30 September 2020 and 2019. The directors of the Company do not recommend payment of dividend for the nine months ended 30 September 2020 (for the nine months ended 30 September 2019: Nil).

9. LOSS PER SHARE

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

	Three months ended 30 September		Nine months ended 30 September	
	2020	2019	2020	2019
	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)
Loss:				
Loss for the period for the purpose of calculating basic loss per share	(4,838)	(6,565)	(9,724)	(5,527)

	Three months ended 30 September		Nine months ended 30 September	
	2020	2019	2020	2019
	'000 (Unaudited)	'000 (Unaudited)	'000 (Unaudited)	'000 (Unaudited)
Number of shares:				
Number of ordinary shares for the purpose of calculating basic loss per share	480,000	480,000	480,000	480,000

No diluted loss per share is being presented for three months and nine months periods ended 30 September 2020 and 2019 as there is no potential ordinary share in issue during both periods.

10. EVENTS AFTER THE REPORTING PERIOD

On 14 October 2020, the Company entered into a placing agreement with Riche Bright Securities Limited (“**Riche Bright**”) as placing agent where Riche Bright agreed to place on a best effort basis a maximum of 22,200,000 new shares of the Company (“**Placing Share**”) of HK\$0.01 each at HK\$0.438 per Placing Share to at least six placees. The intended use of proceeds from the share placement was for corporate and administrative expenses for the coming twelve months. The placing transaction was completed on 30 October 2020 and a total of 21,600,000 shares were issued. The gross and net proceeds were approximately HK\$9.5 million and HK\$9.0 million respectively. The net price was approximately HK\$0.415 per Placing Share. Details of the Placing Share were set out in the announcements of the Company dated 14 October 2020, 19 October 2020 and 30 October 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review and Outlook

The Group is engaged in the footwear business and the loan facilitation business.

Footwear Business

The Group is engaged in the provision of footwear design and development, production management (including quality control) and logistics management service. The Group offers formal and casual footwear for men, women and children to its customers. Over the years of its operations since 2009, 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. In 2020, the Group further expanded its customer portfolio to include branded wholesalers and retailers in the PRC.

Various uncertainties continue to cloud the global economy, which have adversely affected customer sentiment, as well as increasingly intense competition in the footwear industry (including competition from countries in South East Asia) which has led to increasingly depressing profit margins for overseas customer. The spread of Covid-19 in early 2020 and the subsequent lockdown imposed by the government of various countries had further worsen the overseas retail market.

On the other hand, PRC was one of the first major economy to emerge from the impact of Covid-19. The management seized on such opportunity and the Group had completed its first footwear order to renowned retailers in the PRC.

The footwear business segment recorded profit for the nine months ended 30 September 2020. The management believes that the footwear business is recovering after years of loss-making and shall continue to seek further development opportunities in both overseas and PRC market.

Loan Facilitation Business

The Group commenced the provision of loan facilitation services to customers in China in 2018. The Group has set up branch office network across different regions in China to provide assistance to customers with financing needs, with a particular focus on individual customers in 3rd and 4th 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. The Group has built a credit rating system which gives customers an internal credit score, taking into account the customer's financial condition, previous lending and repayment history and other behavior pattern. Our risk team periodically monitors and updates the algorithm to meet changing market conditions.

Our branch network, together with our IT infrastructure, allows us to tap into these markets with relative ease. Our credit rating system helps to filter customers with relatively poor credit rating and allows us to focus on more credible customers. The on-site credit team then performs site visits and other due diligence procedures to verify the authenticity of information. Based on these credit scores and due diligence materials, our credit assessment team will consider whether to make a loan recommendation to appropriate funding sources (which may include bank and non-bank institutions). Our branch offices liaise between customers and the funding sources and arrange for contract signing upon agreement by both parties.

Our branch offices provide customer care services to these customers even after the relevant loans are disbursed. Such services include repayment reminders, and financial health check-ups.

There is a significant downturn in the loan facilitation business for the nine months ended 30 September 2020.

There are two main reasons for the significant decline. First, the loan facilitation business was significantly affected by Covid-19. The PRC Government imposed a number of policies in early 2020 in an effort to contain the spread of Covid-19, including extension of the Lunar New Year holiday and different level of lockdown and travel restrictions across the PRC. The Group also implemented special working arrangements in the PRC, including but not limited to work-from-home arrangements and reduced business meetings with clients. These measures, together with the impact of Covid-19 on the PRC economy, had caused the demand for loan facilitation service to drop drastically. Second, Covid-19 had also significantly affected lenders and intermediary service platforms (collectively, the "Funding Sources"). These Funding Sources had become less willing to lend or may have even changed their business plans amid such economic condition.

The management expects the impact of Covid-19 to persist in 2020, and the management anticipates a very difficult time ahead. The management had already adopted plans to reduce costs and improve efficiency by closing down some of the branches and layoff under-performing staffs. On the other hand, the Group is actively seeking other Funding Sources include but not limited to banks, asset management companies, trusts and small loan companies.

Financial Review

Revenue

The Group recorded revenue of approximately HK\$54.0 million for the nine months ended 30 September 2020, a decrease of 45.7% compared with that of approximately HK\$99.4 million for the nine months ended 30 September 2019. Set out below is the revenue breakdown by segment for the nine months ended 30 September 2019 and 2020:

	For the nine months ended 30 September			
	2020		2019	
	HK\$'000	%	HK\$'000	%
Trading of footwear				
Men's footwear	19,361	35.9	12,131	12.2
Women's footwear	14,735	27.3	14,497	14.6
Children's footwear	-	-	4,396	4.4
	34,096	63.2	31,024	31.2
Provision of loan facilitation services				
Pre-loan facilitation services	9,873	18.3	57,204	57.6
Post-loan facilitation services	10,008	18.5	11,133	11.2
	19,881	36.8	68,337	68.8
Total	53,977	100.0	99,361	100.0

Footwear Business

Revenue from the footwear business segment increased by 9.9% from approximately HK\$31.0 million for the nine months ended 30 September 2019 to approximately HK\$34.1 million for the nine months ended 30 September 2020. This is mainly due to the successful expansion of the Group's customer portfolio to include branded wholesalers and retailers in the PRC.

Loan Facilitation Business

Revenue from the loan facilitation segment decreased by 70.9% from approximately HK\$68.3 million for the nine months ended 30 September 2019 to approximately HK\$19.9 million for the nine months ended 30 September 2020. The revenue dropped significantly mainly due to the impact of Covid-19 during the period.

Purchases and changes in inventories

The Group's purchases and changes in inventories decreased by approximately 11.7% from approximately HK\$28.0 million for the nine months ended 30 September 2019 to approximately HK\$24.7 million for the nine months ended 30 September 2020. Purchase cost to sales ratio was approximately 72.4% for the nine months ended 30 September 2020 comparing to approximately 84.5% for the nine months ended 30 September 2019. The decrease in purchase cost to sales ratio was mainly due to a higher margin for our domestic sales and the trading of certain obsolete footwear stock through our customer network.

Other income

Other income decreased to approximately HK\$6.0 million for the nine months ended 30 September 2020 from approximately HK\$8.3 million for the nine months ended 30 September 2019. The decrease is mainly due to the decrease in government grant received of approximately HK\$1.6 million for the nine months ended 30 September 2020.

Other gains and losses

Other gains (net) amounted to approximately HK\$1.2 million for the nine months ended 30 September 2020 as compared to approximately HK\$1.2 million for the nine months ended 30 September 2019. The balance for both period mainly represented the gain on derecognition of certain right-of-use assets.

Employee benefits expenses

Employee benefits expenses decreased to approximately HK\$35.9 million for the nine months ended 30 September 2020 from approximately HK\$63.3 million for the nine months ended 30 September 2019, which was mainly due to cost-cutting and restructuring plan implemented during the period.

Other operating expenses

Other operating expenses decreased to approximately HK\$11.6 million for the nine months ended 30 September 2020 from approximately HK\$20.0 million for the nine months ended 30 September 2019, which was mainly due to the decrease in business activities amid Covid-19 and the cost-cutting and restructuring plan implemented for the nine months ended 30 September 2020.

Finance costs

Finance costs decreased by approximately 66.1% to approximately HK\$0.3 million for the nine months ended 30 September 2020 from approximately HK\$1.0 million for the nine months ended 30 September 2019, which was mainly because the Group had repaid all bank borrowings in 2019. Finance cost for the period represented interest on lease liabilities.

Income tax credit (expense)

Income tax credit amounted to approximately HK\$1.5 million for the nine months ended 30 September 2020 as compared to income tax expenses of approximately HK\$2.2 million for the nine months ended 30 September 2019. This was mainly due to the recognition of deferred tax credit of HK\$3.5 million for the period, being partially offset by the current tax provision for the other subsidiaries.

Loss for the period

As a result of foregoing, loss for the period amounted to approximately HK\$9.7 million for the nine months ended 30 September 2020 as compared to loss for the period of approximately HK\$5.5 million for the nine months ended 30 September 2019.

Profit before taxation for the footwear business segment amounted to approximately HK\$9.2 million for the nine months ended 30 September 2020 as compared to loss before taxation of approximately HK\$7.0 million for the nine months ended 30 September 2019, which was mainly due to the higher gross profit margin and lower operating costs for the domestic footwear sales business.

Loss before taxation for the loan facilitation service segment amounted to approximately HK\$13.8 million for the nine months ended 30 September 2020 as compared to a profit before taxation of HK\$10.5 million for the nine months ended 30 September 2019. This is mainly due to the impact of Covid-19 and the resulting decrease in revenue as discussed above.

DIRECTORS' INTERESTS IN SECURITIES

As at 30 September 2020, 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 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	21,524,698 (ordinary shares)	29.90%
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%

Notes:

- 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.
- 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.
- 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.

Save as disclosed above, as at 30 September 2020, 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 2020, 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%
Huawen Industry Group Limited (formerly Known as 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 Huawen Industry Group Limited and Huawen Industry Group Limited is wholly owned by Jimu Holdings. Under the SFO, Jimu Holdings and Huawen Industry Group Limited are deemed to be interested in 350,400,000 Shares.

Save as disclosed above, as at 30 September 2020, 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 2020, 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.

INTERESTS IN COMPETING BUSINESS

For the nine months ended 30 September 2020, 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 three members, namely Mr. Hon Ping Cho Terence (Chairman), Mr. Guo Zhongyong and Mr. Li Tixin, all being independent non-executive Directors.

The Group’s quarterly results for the nine months ended 30 September 2020 were unaudited. Disclosure of financial information in this report complies with the applicable accounting standards, the requirements under the GEM Listing Rules and other applicable legal requirements. The Company’s Audit Committee has reviewed the unaudited condensed consolidated financial statements of the Group for the nine months ended 30 September 2020.

EVENT AFTER THE REVIEW PERIOD

Details of significant events occurring after the reporting date are set out in note 10 to the unaudited condensed consolidated financial statement.

By order of the Board
Jimu Group Limited
Dong Jun
Chairman

Hong Kong, 9 November 2020

As at the date of this report, the executive Directors are Mr. Dong Jun (Chairman), Mr. Huang Zexiong (Chief Executive Officer), Mr. Chen Zuze and Mr. Chen Chao; the non-executive Directors are Mr. Wen Cyrus Jun-ming, Mr. Lau Kai Pong and Mr. Chan Kwun Wah Derek; and the independent non-executive Directors are Mr. Guo Zhongyong, Mr. Hon Ping Cho Terence, Mr. Li Tixin and Mr. Ni Zhixing.