



JIMU GROUP LIMITED

積木集團有限公司

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

**FIRST QUARTERLY RESULTS
FOR THE THREE MONTHS ENDED 31 MARCH 2018**

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 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. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, 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 announcement, 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 announcement 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 announcement 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 months ended 31 March 2018, together with the comparative unaudited figures of the corresponding period in 2017.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months ended 31 March 2018

		(Unaudited) Three months ended 31 March	
	Notes	2018 HK\$'000	2017 HK\$'000
Revenue	4	36,743	39,311
Cost of sales		(33,274)	(36,279)
Gross profit		3,469	3,032
Other income		262	617
Other expenses		(99)	(1,030)
Other gains and losses		32	8
Selling and distribution expenses		(2,712)	(2,473)
Administrative expenses		(5,506)	(4,228)
Finance costs		(281)	(297)
Loss before taxation		(4,835)	(4,371)
Income tax expense	5	—	—
Loss for the period	6	(4,835)	(4,371)
Other comprehensive expense:			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		(35)	(11)
Total comprehensive expense for the period		(4,870)	(4,382)
Loss per share			
– Basic (<i>HK cents</i>)	8	(1.01)	(0.91)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 31 March 2018

	Attributable to owners of the Company					
	Share capital HK\$'000	Share premium HK\$'000	Translation reserve HK\$'000	Capital reserve HK\$'000	Retained profits (accumulated losses) HK\$'000	Total equity HK\$'000
At 1 January 2017 (Audited)	4,800	46,917	309	(67)	1,961	53,920
Exchange differences arising on the translation of foreign operations	–	–	(11)	–	–	(11)
Loss for the period	–	–	–	–	(4,371)	(4,371)
Total comprehensive expense for the period	–	–	(11)	–	(4,371)	(4,382)
At 31 March 2017 (Unaudited)	<u>4,800</u>	<u>46,917</u>	<u>298</u>	<u>(67)</u>	<u>(2,410)</u>	<u>49,538</u>
At 1 January 2018 (Audited)	4,800	46,917	268	(67)	(7,048)	44,870
Exchange differences arising on the translation of foreign operations	–	–	(35)	–	–	(35)
Loss for the period	–	–	–	–	(4,835)	(4,835)
Total comprehensive expense for the period	–	–	(35)	–	(4,835)	(4,870)
At 31 March 2018 (Unaudited)	<u>4,800</u>	<u>46,917</u>	<u>233</u>	<u>(67)</u>	<u>(11,883)</u>	<u>(40,000)</u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended 31 March 2018

1. GENERAL

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. Its parent holding company is Jimu Group Holdings Limited, which is incorporated in the British Virgin Islands. The ultimate holding and controlling shareholder is Jimu Holdings Limited (previously known as Pintec 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 Company is an investment holding company. The principal activities of the Group are design, development, sourcing, marketing and sale of footwear.

The unaudited condensed consolidated financial statements are presented in Hong Kong dollars (“**HK\$**”), which is different from the functional currency of the Company, being United States dollars (“**US\$**”). 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 three months ended 31 March 2018 are the same as those followed in the Group’s audited consolidated financial statements for the year ended 31 December 2017.

For the three months ended 31 March 2018, 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.

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 application of the amendments to HKFRSs during the three months ended 31 March 2018 has had no material impact on the Group's financial performance and positions for the three months ended 31 March 2018 and 2017 and/or on the disclosure set out in these unaudited condensed consolidated financial statements.

4. REVENUE

The revenue of the Group arose from footwear design and development, production management (including quality control) and logistics management service.

	(Unaudited)	
	Three months ended 31 March	
	2018	2017
	HK\$'000	HK\$'000
Design, development, sourcing, marketing and sale of footwear	<u>36,743</u>	<u>39,311</u>

5. INCOME TAX EXPENSE

	(Unaudited)	
	Three months ended 31 March	
	2018	2017
	HK\$'000	HK\$'000
Hong Kong Profits Tax charge (<i>Note i</i>)	—	—
People's Republic of China ("PRC")		
Enterprise Income Tax ("EIT") charge (<i>Note ii</i>)	<u>—</u>	<u>—</u>
	<u>—</u>	<u>—</u>

Notes:

(i) Hong Kong

No provision for Hong Kong Profits Tax has been made in the unaudited condensed consolidated financial statements as the Group has no assessable profit for the three months ended 31 March 2018 and 2017.

(ii) PRC

No provision for PRC EIT has been made in the unaudited condensed consolidated financial statements as the subsidiary established in the PRC has no assessable profit for the three months ended 31 March 2018 and 2017.

6. LOSS FOR THE PERIOD

(Unaudited)
Three months ended 31 March
2018 2017
HK\$'000 HK\$'000

Loss for the period has been arrived at after charging (crediting):

Directors' remuneration	1,053	1,069
Other staff costs (excluding directors' remuneration)		
– Salaries, bonuses and other benefits	3,578	3,864
– Retirement benefit scheme contributions	371	337
	<hr/>	<hr/>
Total staff costs	5,002	5,270
	<hr/>	<hr/>
Depreciation of property, plant and equipment	438	267
Cost of inventories recognised as an expense	33,274	36,279
Operating lease rental expense in respect of rental premises	801	259
Interest income	(21)	(30)

7. DIVIDEND

No dividends were paid, declared or proposed during the three months ended 31 March 2018 and 2017. The directors of the Company do not recommend payment of interim dividend for the three months ended 31 March 2018.

8. LOSS PER SHARE

(Unaudited)
Three months ended 31 March
2018 2017
HK\$'000 HK\$'000

Loss:

Loss for the purpose of calculating basic loss per share

(Loss for the period attributable to the owners of the Company) (4,835) (4,371)

(Unaudited)
Three months ended 31 March
2018 2017
'000 '000

Number of shares:

Weighted average number of ordinary shares for the purpose of
calculating basic loss per share

480,000 480,000

No diluted loss per share is being presented for three months ended 31 March 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 6.5% from approximately HK\$39.3 million for the three months ended 31 March 2017 to approximately HK\$36.7 million for the three months ended 31 March 2018. The decrease in revenue during the period under review as compared to the corresponding period in 2017 mainly resulted from various uncertainties clouded the global economy which have adversely affected customer sentiment.

During the three months ended 31 March 2018, the Group's gross profit increased by approximately 14.4% from approximately HK\$3.0 million for the three months ended 31 March 2017 to approximately HK\$3.5 million for the three months ended 31 March 2018. The Group's cost of sales comprises purchase cost and other costs including mainly staff costs, sample and molding fees and other overheads. The purchase cost to sales ratio was approximately 84.2% for the three months ended 31 March 2018 comparing to approximately 84.1% for the three months ended 31 March 2017. During the three months ended 31 March 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. As a result mainly of the foregoing, the Group's gross profit margin increased from approximately 7.7% for the three months ended 31 March 2017 to approximately 9.4% for the three months ended 31 March 2018.

Other income decreased to approximately HK\$0.3 million for the three months ended 31 March 2018 from approximately HK\$0.6 million for the corresponding period in 2017, primarily attributable to a decrease in samples and molding income of approximately HK\$0.3 million. Other expenses decreased to approximately HK\$0.1 million for the three months ended 31 March 2018 from approximately HK\$1.0 million for the corresponding period in 2017, the decrease is primarily attributable to a decrease in claims paid of approximately HK\$0.9 million which represents the compensation paid to the Group's customers for product quality defects and incorrect packaging reworks.

Selling and distribution expenses increased to approximately HK\$2.7 million for the three months ended 31 March 2018 from approximately HK\$2.5 million for the corresponding period in 2017, which was mainly due the net effect of an increase in oversea travelling expenses and promotion fee of approximately HK\$0.7 million so as to broaden customer base and product offering, largely offset by a decrease in salary of approximately HK\$0.5 million as certain senior staff left the Group in late 2017.

Administrative expenses increased by HK\$1.3 million from approximately HK\$4.2 million for the three months ended 31 March 2017 to approximately HK\$5.5 million for the corresponding period in 2018, which was mainly due to (i) increase in legal and professional fee of approximately HK\$0.5 million; (ii) increase in salary of approximately HK\$0.3 million due to increase in number of accounting and administrative staff during the period; and (iii) increase in rent and rates of approximately HK\$0.4 million as a result of leasing an additional office with showroom in the People's Republic of China (the "PRC") during 2017.

As a result of the foregoing, the Group recorded a net loss for the three months ended 31 March 2018 of approximately HK\$4.9 million, as compared to a net loss of approximately HK\$4.4 million for the corresponding period in 2017.

BUSINESS REVIEW AND OUTLOOK

The Group is principally 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.

The successful listing of the Company's shares on the GEM on 30 May 2016 by way of placing was a milestone for the Group in improving capital strength and corporate governance as well as enhancing its competitive edge.

We embark on other significant new development in 2017. Asia Matrix Investments Limited has successfully completed the transfer of equity interest of the Group to Jimu Group Holdings Limited on 11 October 2017. Name change has also been approved on extraordinary general meeting dated 22 January 2018. The new management team is actively looking into business diversification for mitigating risks and achieving long term sustainability.

On 24 April 2018, the Company announced that two indirectly wholly-owned subsidiaries of the Company, namely 立鼎萊博(北京)科技有限公司 (the “**Company A**”) and 積木時代(天津)商務信息諮詢有限公司 (the “**Company B**”), have been established in the PRC for the provision of consulting services including business consulting, market information consulting, big data processing, internet technology and credit assessment services (the “**New Business**”). Company A was incorporated in the PRC as a wholly foreign-owned enterprise with limited liability and Company B was incorporated as a PRC domestic company with limited liability.

Notwithstanding the Group's intention to explore the New Business, the existing principal business of the Group in the provision of footwear design and development, production management (including quality control) and logistics management services will continue to be the core business of the Group.

The Board considers that the New Business provides a prime opportunity for the Group to diversify the Group's business scope, broaden the Group's sources of income and achieve better return to the shareholders of the Company (the “**Shareholders**”). The Board is of the view that the setting up of the New Business would be in the interest of the Company and the Shareholders as a whole.

DIRECTORS' INTERESTS IN SECURITIES

As at 31 March 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			Approximate percentage of interest in such corporation
		Ordinary shares	Share options	Total	
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 Investments Limited (“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/ Nature	No. share(s) held	Approximate percentage of interest in such corporation
Mr. Dong Jun (“Mr. Dong”)	Jimu Holdings Limited (formerly known as Pintec Holdings Limited) (“Jimu Holdings”) (Note 1)	Interest of controlled corporation	23,722,804 (ordinary shares)	32.95%
Mr. Wen Cyrus Jun-Ming (“Mr. Wen”)	Jimu Holdings (Note 2)	Interest of controlled corporation	2,366,957 (series C preferred shares)	5.54%
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. These 23,722,804 ordinary shares are held by Victory Bridge Capital Partners Limited. Mr. Dong beneficially owns 100% of the issued share capital of Victory Bridge Capital Partners Limited.
2. These 2,366,957 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 31 March 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 31 March 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 such corporation
Jimu Group Holdings Limited	Beneficiary owner	350,400,000	73%
Jimu Times Limited	Interest in a controlled corporation (<i>Note</i>)	350,400,000	73%
Jimu Holdings	Interest in a controlled corporation (<i>Note</i>)	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 31 March 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, SALES OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the period ended 31 March 2018, the Company or its subsidiaries did not redeem, purchase or sell any of the Company's listed securities.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company also made specific enquiry with all Directors, and the Company was not aware of any non-compliance with the required standard of dealings and its code of conduct regarding 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 three months ended 31 March 2018, none of the Directors 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 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 three months ended 31 March 2018 and this quarterly announcement and is of the view that the financial statements and announcement have complied with the applicable accounting standards and the requirements under the GEM Listing Rules, and that adequate disclosures have been made.

By order of the Board
JIMU GROUP LIMITED
Dong Jun
Chairman

Hong Kong, 11 May 2018

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 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>.