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 (formerly known as Ever Smart International Holdings 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 the Growth Enterprise Market ("**GEM**") of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") and (b) the announcement (the "**2017 Announcement**") of the Company dated 6 September 2017 on change in use of proceeds. The board (the "**Board**") of directors (the "**Directors**") would like to announce that the Board has resolved to 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

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, 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 2017 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$15.9 million, representing approximately 35.6% 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$4.3 million, representing approximately 9.6% 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 2017 Announcement *Approximately HK$' million*	**Adjusted allocation** *Approximately HK$' million*	**Utilized Net Proceeds as at the date of this announcement** *Approximately HK$' million*	**Unutilized Net Proceeds as at the date of this announcement** *Approximately HK$' million*	**Adjusted allocation of the Unutilized Net Proceeds** *Approximately HK$' million*
Broadening customer base and product offerings	9.9	9.9	3.4	6.5	6.5
Enhancing design, development and production management capabilities	5.9	5.9	1.6	4.3	4.3
Obtaining licences of multiple brands	15.9	7.9	0.2	15.7	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	4.3	12.3	3.8	0.5	8.5
	44.6	44.6	13.1	31.5	31.5

REASONS FOR THE CHANGE IN USE OF PROCEEDS

As mentioned in the Company's annual report for the year ended 31 December 2017, the footwear market had been challenging in 2017 due to impact of Brexit and other political unrest, which negatively impacted our sales in Europe. The Company had been suffering a net loss for two consecutive years, and net cash flows from operating activities had also been negative for two consecutive years. While the management is working hard to improve our business operations and financial performance, such measures may not yield immediate returns.

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$8 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 (1) it is in general difficult to obtain licences of brands given the competitive market landscape (proven by the fact that, in October 2016 and June 2017 respectively, the Company had commenced negotiations with brand owners but both negotiations had to discontinue as the licence pricing was not acceptable to the Company); and (2) the allocation amount reduced is moderate and will not prevent the Company from obtaining suitable brand licences in the future should such opportunities arise.

UPDATE ON TENANCY AGREEMENT FOR OFFICE AND SHOWROOM

As disclosed in the section headed "Future Plans and Use of Proceeds" of the Prospectus, the use of proceeds for leasing of a new office incorporating a showroom and in proximity to the Group's existing office in Hong Kong amounted to HK$5.4 million. On 5 May 2017, the Company announced that the Group leased a property for office and showroom in the PRC having considered the current uncertain global economic environment.

The Group is planning to terminate the tenancy agreement for leasing of an office and showroom in the PRC in July 2018 and the Group will utilize the remaining balance of the Net Proceeds under "Broadening customer base and product offerings" to lease an office incorporating a showroom in Hong Kong as originally planned. It is considered that the leasing of the property for office and showroom in Hong Kong would allow the Group to deploy its financial resources more effectively as the Group's customers are more willingly to visit Hong Kong office for discussing the terms of sales with the senior management than that of taking a long way to the PRC office.

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 from the Placing.

By Order of the Board
JIMU GROUP LIMITED
Dong Jun
Chairman

Hong Kong, 27 June 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, 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.