JIMU GROUP LIMITED

積木集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8187)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2018

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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 audited consolidated financial results of the Company and its subsidiaries (collectively the "**Group**") for the year ended 31 December 2018, together with the comparative audited figures of the year ended 31 December 2017.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 December 2018

	NOTES	**2018** **HK$'000**	2017 HK$'000
Revenue from goods and services	*3*	**219,353**	236,732
Other income		**4,494**	3,017
Other gains and losses		**(1,593)**	(1,359)
Purchases and changes in inventories		**(107,982)**	(204,586)
Employee benefits expenses		**(77,718)**	(20,937)
Other operating expenses		**(33,713)**	(20,673)
Interest on bank borrowings		**(967)**	(1,018)
Profit (loss) before taxation		**1,874**	(8,824)
Income tax expenses	*5*	**(5,865)**	(185)
Loss for the year	*6*	**(3,991)**	(9,009)
Other comprehensive expense			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**(335)**	(41)
Total comprehensive expense for the year		**(4,326)**	(9,050)
Loss per share	*8*		
Basic (*HK cents*)		**(0.83)**	(1.88)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2018

	NOTES	**2018** **HK$'000**	2017 HK$'000
Non-current assets			
Property, plant and equipment		**3,732**	5,372
Rental deposits		**1,163**	561
		4,895	5,933
Current assets			
Trade and bills receivables	*9*	**20,835**	46,288
Other receivables, prepayment and deposits		**10,184**	6,355
Contract assets	*10*	**35,473**	–
Pledged bank deposits		**120**	15,161
Bank balances and cash		**42,166**	45,512
		108,778	113,316
Current liabilities			
Trade payables	*11*	**8,677**	30,207
Other payables and accruals		**20,876**	12,731
Tax payables		**–**	173
Bank borrowings		**17,373**	31,268
Contract liabilities		**6,645**	–
Refund liabilities		**6,355**	–
		59,926	74,379
Net current assets		**48,852**	38,937
Total assets less current liabilities		**53,747**	44,870
Non-current liabilities			
Contract liabilities		**3,348**	–
Refund liabilities		**4,129**	–
Deferred tax liabilities		**5,726**	–
		13,203	–
Net assets		**40,544**	44,870
Capital and reserves			
Share capital	*12*	**4,800**	4,800
Reserves		**35,744**	40,070
Total equity		**40,544**	44,870

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018

	Share capital *HK$'000*	Share premium *HK$'000*	Translation reserve *HK$'000*	Capital reserve *HK$'000* *(Note)*	Retained profits (accumulated losses) *HK$'000*	Total *HK$'000*
At 1 January 2017	4,800	46,917	309	(67)	1,961	53,920
Loss for the year	–	–	–	–	(9,009)	(9,009)
Exchange differences arising on translation of foreign operations	–	–	(41)	–	–	(41)
Total comprehensive expense for the year	–	–	(41)	–	(9,009)	(9,050)
At 31 December 2017	4,800	46,917	268	(67)	(7,048)	44,870
Loss for the year	–	–	–	–	(3,991)	(3,991)
Exchange differences arising on translation of foreign operations	–	–	(335)	–	–	(335)
Total comprehensive expense for the year	–	–	(335)	–	(3,991)	(4,326)
At 31 December 2018	4,800	46,917	(67)	(67)	(11,039)	40,544

Note: Capital reserve represents i) an amount of HK$77,000 representing the difference between the carrying amount of the non-controlling interests which exceeded the fair value of the consideration paid for the acquisition of additional 60% non-controlling interests in a subsidiary, Alliance International Sourcing Limited ("Alliance") in previous years; and ii) an amount of HK$10,000 representing the sum of the share capital of certain group entities, including Ever Smart International Enterprise Limited, Dodge & Swerve Limited and Alliance, which have been transferred to capital reserve under the reorganisation in 2015.

NOTES:

1. GROUP INFORMATION AND BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

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.

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 Island 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 Company is an investment holding company. The Company and its subsidiaries (collectively referred to as the "Group") is principally engaged in the footwear business and the provision of loan facilitation service.

During the year ended 31 December 2018, the Group entered into a new business and established three wholly-owned subsidiaries 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 with 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 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 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 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 and administrative expenses have been reclassified to conform with the current year's presentation.

The functional currency of the Company is United States dollars ("US$"), the currency of the primary economic environment, in which the principal subsidiaries of the Company operate including all the sales price and cost of purchase for footwear products and all the Group's bank borrowings. For the convenience of financial statements users, the consolidated financial statements are presented in Hong Kong dollars ("HKD").

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

New and Amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year:

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

Except as described below, the application of the new and amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

2.1 HKFRS 15 Revenue from Contracts with Customers

The Group has applied HKFRS 15 for the first time in the current year. HKFRS 15 superseded HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and the related interpretations.

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this Standard recognised at the date of initial application, 1 January 2018. Any difference at the date of initial application is recognised in the opening accumulated losses and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the Standard retrospectively only to contracts that are not completed at 1 January 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 *Revenue* and HKAS 11 *Construction Contracts* and the related interpretations.

The Group recognises revenue from the following major sources which arise from contracts with customers:

- Revenue from trading of footwear; and
- Revenue from provision of loan facilitation service.

Information about the Group's performance obligations resulting from application of HKFRS 15 is disclosed in Note 3.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") – Continued

New and Amendments to HKFRSs that are mandatorily effective for the current year – Continued

2.1 HKFRS 15 Revenue from Contracts with Customers – Continued

Summary of effects arising from initial application of HKFRS 15

The directors of the Company considered that the initial application of HKFRS 15 has no material impact on opening accumulated losses of the Group or the timing and amount of revenue recognised.

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 January 2018. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31 December 2017	Reclassification	Carrying amounts under HKFRS 15 at 1 January 2018
	HK$'000	*HK$'000*	*HK$'000*
Current Liabilities			
Other payables and accruals	12,731	(4,099)	8,632
Contract liabilities	–	4,099	4,099

Note: As at 1 January 2018, receipt in advance from customers of HK$4,099,000 in respect of trading of footwear previously included in other payables and accruals were reclassified to contract liabilities.

The following tables summarise the impacts of applying HKFRS 15 on the Group's consolidated statement of financial position as at 31 December 2018 and its consolidated statement of cash flows for the current year for each of the line items affected. Line items that were not affected by the changes or arising from the loan facilitation business entered during the year have not been included.

Impact on the consolidated statement of financial position

	As reported	Adjustments	Amounts without application of HKFRS 15
	HK$'000	*HK$'000*	*HK$'000*
Current Liabilities			
Other payables and accruals	20,876	861	21,737
Contract liabilities	6,645	(861)	5,784

Note: As at 31 December 2018, receipt in advances from customers of HK$861,000 in respect of trading of footwear would be adjusted from contract liabilities to other payables without application of HKFRS 15.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") – Continued

New and Amendments to HKFRSs that are mandatorily effective for the current year – Continued

2.1 HKFRS 15 Revenue from Contracts with Customers – Continued

Summary of effects arising from initial application of HKFRS 15 – Continued

Impact on the consolidated statement of cash flows

	As reported	Adjustments	Amounts without application of HKFRS 15
	HK$'000	*HK$'000*	*HK$'000*
Operating Activities			
Increase in other payables and accruals	12,135	861	12,996
Increase in contract liabilities	5,895	(861)	5,034

2.2 HKFRS 9 Financial Instruments

In the current year, the Group has applied HKFRS 9 *Financial Instruments* and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses ("ECL") for financial assets and contract assets and 3) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the classification and measurement requirements (including impairment under ECL model) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018, if any, are recognised in the opening accumulated losses and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 *Financial Instruments: Recognition and Measurement*.

Summary of effects arising from initial application of HKFRS 9

The directors of the Company considered that the initial application of HKFRS 9 has no material impact on the consolidated financial statements of the Group in respect of the classification and measurement of financial instruments nor recognised additional impairment loss allowance as amounts involved are immaterial.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") – Continued

New and Amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 16	Leases[1]
HKFRS 17	Insurance Contracts[2]
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments[1]
Amendments to HKFRS 3	Definition of a Business[4]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 1 and HKAS 8	Definition of Material[5]
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement[1]
Amendments to HKAS 28	Long-term Interests in Associate and Joint Ventures[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 – 2017 Cycle[1]

[1] Effective for annual periods beginning on or after 1 January 2019

[2] Effective for annual periods beginning on or after 1 January 2021

[3] Effective for annual periods beginning on or after a date to be determined

[4] Effective for business combination for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020

[5] Effective for annual periods beginning on or after 1 January 2020

Except for the new and amendments to HKFRSs mentioned below, the directors of the Company anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

HKFRS 16 *Leases*

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 Leases and the related interpretations when it becomes effective.

HKFRS 16 distinguishes leases and service contracts on the basis of whether an identified asset is controlled by a customer. In addition, HKFRS 16 requires sales and leaseback transactions to be determined based on the requirements of HKFRS 15 as to whether the transfer of the relevant asset should be accounted as a sale. HKFRS 16 also includes requirements relating to subleases and lease modifications.

Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSS") – Continued

HKFRS 16 *Leases* – Continued

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents the operating lease payments as operating cash flows. Upon application of HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flow by the Group.

Other than certain requirements which are also applicable to lessor, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 December 2018, the Group has non-cancellable operating lease commitments of approximately HK$16,868,000. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of HKFRS 16, the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases.

In addition, the Group currently considers refundable rental deposits paid of HK$1,551,000 as rights under leases to which HKAS 17 applies. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortised cost. Adjustments to refundable rental deposits paid would be considered as additional lease payments and included in the carrying amount of right-of-use assets.

The application of new requirements may result in changes in measurement, presentation and disclosure as indicated above. The Group intends to elect the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and not apply this standard to contracts that were not previously identified as containing a lease applying HKAS 17. Therefore, the Group will not reassess whether the contracts are, or contain a lease which already existed prior to the date of initial application. Furthermore, the Group intends to elect the modified retrospective approach for the application of HKFRS 16 as lessee and will recognise the cumulative effect of initial application to opening accumulated losses without restating comparative information.

Amendments to HKAS 1 and HKAS 8 *Definition of Material*

The amendments provide refinements to the definition of material by including additional guidance and explanations in making materiality judgements. The amendments also align the definition across all HKFRSs and will be mandatorily effective for the Group's annual period beginning on 1 January 2020. The application of the amendments is not expected to have significant impact on the financial position and performance of the Group but may affect the presentation and disclosures in the consolidated financial statements.

3. REVENUE FROM GOODS AND SERVICES

A. For the year ended 31 December 2018

(i) Disaggregation of revenue from contracts with customers

Segments	**Footwear business** *HK$'000*	**Loan facilitation service** *HK$'000*	**Total** *HK$'000*
Types of goods or service			
Trading of footwear			
Men's footwear	61,382	–	61,382
Women's footwear	37,977	–	37,977
Children's footwear	23,768	–	23,768
	123,127	–	123,127
Provision of loan facilitation service			
Pre-loan facilitation service	–	93,303	93,303
Post-loan facilitation service	–	2,923	2,923
	–	96,226	96,226
Total	123,127	96,226	219,353
Geographical markets			
The PRC	37	96,226	96,263
Australia	50,948	–	50,948
United Kingdom	15,400	–	15,400
New Zealand	12,045	–	12,045
Belgium	7,843	–	7,843
United Arab Emirates	6,049	–	6,049
United States	4,188	–	4,188
Chile	3,979	–	3,979
Others	22,638	–	22,638
Total	123,127	96,226	219,353
Timing of revenue recognition			
At a point in time	123,127	93,303	216,430
Over time	–	2,923	2,923
Total	123,127	96,226	219,353

3. REVENUE FROM GOODS AND SERVICES – Continued

A. For the year ended 31 December 2018 – Continued

(ii) Performance obligations for contracts with customers

Revenue from trading of footwear

The Group provides footwear design and development, production management (including quality control) and logistics management service directly to international wholesalers and retailers which are brand owners and/or licensees of formal and casual footwear. Revenue is recognised at a point in time when control of the footwear products has transferred according to respective agreed terms of delivery. Following delivery, the customers has full discretion over the manner of distribution and price to sell the footwear products, has the responsibility when on selling the footwear products and bears the risks of obsolescence and loss in relation to the footwear products. The normal credit term ranges from 7 to 120 days upon delivery.

Under the Group's standard contract terms, there is no formal product return policy. Revenue is recognised for sales which are considered highly probable that a significant reversal in the cumulative revenue recognised will not occur. The Group requires certain customers to provide upfront deposits range from 50% to 100% of total contract sum. When the Group receives a deposit before production commences, this will give rise to contract liabilities which represent the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

Revenue from provision of loan facilitation service

The Group provides loan facilitation service which assists the qualified borrowers to obtain financing from various financial institutions or investors who have registered with online information intermediary service platforms and earns pre-loan facilitation service fees (e.g. business consulting and credit assessment services) and post-loan facilitation service fees.

The pre-loan facilitation and post-loan facilitation services are considered as the two distinct performance obligations to be provided by the Group. Since the Group does not provide these services separately, and there is no third-party evidence for the selling price for these services, the Group uses its best estimate of selling prices of these service obligations as the basis for the allocating the transaction price.

3. REVENUE FROM GOODS AND SERVICES – Continued

A. For the year ended 31 December 2018 – Continued

(ii) Performance obligations for contracts with customers – Continued

Revenue from provision of loan facilitation service – Continued

The transaction price allocated to the pre-loan facilitation service is recognised as revenue upon execution of loan agreements between investors and borrowers. When the Group provides post-loan facilitation service, the borrowers simultaneously receive and consume the benefits provided by the Group's performance and the transaction price allocated to the post-loan facilitation service is recognised over the period of the loan on a straight-line basis, which approximates the pattern of when the underlying services are performed.

The Group generally collects the service fees either at the inception of the loan or by instalments over the period of the loan after the loan is disbursed to the borrowers' bank accounts. Upon entering into a contract with customer, the Group obtains rights to receive consideration from the customer and assumes performance obligations to provide loan facilitation service to the borrowers. The combination of those rights and performance give rise to a net asset or a net liability depending on relationship between the remaining rights and performance obligations. The contract is an asset if the measure of remaining conditional rights to consideration exceeds the satisfied performance obligations. Contract asset is recognised over the period of the loan in which the loan facilitation service is performed representing the Group's right to consideration for the services performed because the rights are conditioned on the Group's future performance of the post-loan facilitation service. The contract assets are transferred to trade receivables when the rights become unconditional, i.e. by the end of the loan period. Conversely, the contract is a liability and recognised as contract liability for the portion of fees that the Group collected from the borrowers in relation to loan facilitation services that have not been performed.

The aggregate amount of the service fees is the gross amount of the service fee under a service contract before taking into account the impacts of variable considerations resulting from expected amounts of service fees to be refunded to borrowers in the contract period that would be unearned from borrowers due to an early repayment of loan. The estimated amounts of variable considerations, which are calculated using the expected value method, are deducted from the total transaction price for each service contract before allocating to different performance obligations based on their relative standalone selling prices.

A refund liability is recognised for the estimated amounts of service fee which was received but is expected to be refunded. They represent the amount of consideration received that the Group does not expect to be entitled to earn and thus is not included in the transaction price because it will be refunded to customers. Any subsequent changes in the transaction price are allocated to the performance obligations in the contract on the same basis as at the contract inception. Amounts allocated to a satisfied performance obligation shall be recognised as revenue, or as a reduction of revenue, in the period in which the transaction price changes. The refund liability is remeasured at each reporting date to reflect changes in the estimate, with a corresponding adjustment to revenue and contract liabilities.

3. **REVENUE FROM GOODS AND SERVICES – Continued**

A. For the year ended 31 December 2018 – Continued

(iii) Transaction price allocated to the remaining performance obligations for contracts with customers

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December 2018 and the expected timing of recognising revenue are as follows:

	Footwear business *HK$'000*	**Loan facilitation service** *HK$'000*	**Total** *HK$'000*
Within one year	861	9,048	9,909
More than one year but not more than two years	–	5,529	5,529
More than two years	–	290	290
	861	14,867	15,728

B. For the year ended 31 December 2017

An analysis of the Group's revenue for the year is as follows:

	2017 *HK$'000*
Trading of footwear	
Men's footwear	141,248
Women's footwear	38,936
Children's footwear	56,548
	236,732

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. This is also the basis upon which the Group is organised and specifically focuses on the Group's operating divisions.

In prior year, the CODM assesses the performance and allocates the resources of the Group as a whole, as all of the Group's activities are considered to be primarily the operation of trading of footwear. Therefore, CODM considers there is only one operating and reportable segment, i.e. footwear business.

4. SEGMENT INFORMATION – Continued

As disclosed in Note 1, during the year, the Group entered into a new business of provision of loan facilitation service, and it is considered as a new operating and reportable segment by the CODM. As a result, the segment information are reported to the CODM in current year as two operating divisions: (1) footwear business; and (2) loan facilitation service. The Group also reorganised its internal reporting structure which resulted in changes to the composition of its reportable segments, with certain interest income, central administration costs and directors' emoluments considered as unallocated income or unallocated expenses and certain bank balances and cash, other receivables and deposits and other payables considered as unallocated corporate assets or unallocated corporate liabilities. Prior year segment disclosures have been represented to conform with the current year's presentation.

Specifically, the Group's reportable and operating segments under HKFRS 8 Operating Segments are 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.

Segment revenue and results

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

For the year ended 31 December 2018

	Footwear business *HK$'000*	**Loan facilitation service** *HK$'000*	**Total** *HK$'000*
Segment revenue	**123,127**	**96,226**	**219,353**
Segment results	**(10,135)**	**24,296**	**14,161**
Unallocated expenses			**(12,382)**
Unallocated income			**95**
Profit before taxation			**1,874**

For the year ended 31 December 2017 (restated)

	Footwear business *HK$'000*	Loan facilitation service *HK$'000*	Total *HK$'000*
Segment revenue	236,732	–	236,732
Segment results	(132)	–	(132)
Unallocated expenses			(8,692)
Loss before taxation			(8,824)

4. **SEGMENT INFORMATION – Continued**

Segment revenue and results – Continued

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the current and prior years.

Segment results represent the profit or loss before taxation of each segments without allocation of interest income, central administration costs and directors' emoluments. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by operating and reportable segment:

Segment assets

	2018	2017
	HK$'000	*HK$'000*
		(restated)
Footwear business	**36,322**	85,178
Loan facilitation service	**55,979**	–
Total segment assets	**92,301**	85,178
Unallocated assets		
– Bank balances and cash	**20,908**	33,972
– Others	**464**	99
Consolidated assets	**113,673**	119,249

Segment liabilities

	2018	2017
	HK$'000	*HK$'000*
		(restated)
Footwear business	**31,346**	72,045
Loan facilitation service	**39,382**	–
Total segment liabilities	**70,728**	72,045
Unallocated liabilities		
– Others	**2,401**	2,334
Consolidated liabilities	**73,129**	74,379

4. **SEGMENT INFORMATION – Continued**

Segment assets and liabilities – Continued

For the purpose of monitoring segment performances and allocating resources between segments:

- all assets are allocated to operating segments other than unallocated corporate assets, including primarily certain bank balances and cash and other receivables and deposits.
- all liabilities are allocated to operating segments other than unallocated corporate liabilities, including certain other payables.

Geographical information

The Group's operations are located in Hong Kong and the PRC.

Information about the Group's revenue from external customers is presented based on the locations of the shipment destinations, irrespective of the origin of the goods, or the location of the loan facilitated is detailed below:

	2018	2017
	HK$'000	*HK$'000*
The PRC	**96,263**	–
Australia	**50,948**	103,676
United Kingdom	**15,400**	30,559
New Zealand	**12,045**	11,487
Belgium	**7,843**	8,933
United Arab Emirates	**6,049**	1,021
United States	**4,188**	22,246
Chile	**3,979**	11,263
Others*	**22,638**	47,547
	219,353	236,732

* The revenue from individual country included in "Others" did not contribute over 10% of the total revenue of the Group for the relevant year.

Information about the Group's non-current assets is presented based on the geographical location of the assets:

	2018	2017
	HK$'000	*HK$'000*
Hong Kong	**3,137**	4,091
PRC	**1,758**	1,842
	4,895	5,933

4. SEGMENT INFORMATION – Continued

Information about major customers

Revenue from customers of the corresponding years contributing over 10% of the Group's revenue are as follows:

	2018	2017
	HK$'000	*HK$'000*
Customer A[1]	**51,839**	104,599
Customer B[1]	**N/A[2]**	27,903

[1] Revenue from trading of footwear.

[2] The corresponding revenue did not contribute over 10% of the total revenue of the Group.

5. INCOME TAX EXPENSE

	2018	2017
	HK$'000	*HK$'000*
PRC Enterprise Income Tax ("EIT")		
– Current year	**–**	185
– Underprovision in respect of prior year	**1**	–
Deferred tax	**5,864**	–
	5,865	185

No provision for Hong Kong Profits Tax has been made in the consolidated financial statements as the Group had no assessable profit for the both years.

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

Under the Law of the PRC on EIT (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both years.

6. LOSS FOR THE YEAR

	2018	2017
	HK$'000	*HK$'000*
Loss for the year has been arrived at after charging:		
Directors' remuneration	**4,685**	4,378
Other staff costs (excluding directors' remuneration):		
– Salaries, allowances and benefits in kind	**61,643**	15,059
– Retirement benefit scheme contributions	**11,390**	1,500
Total staff costs	**77,718**	20,937
Auditor's remuneration	**2,729**	2,360
Depreciation of property, plant and equipment	**1,941**	1,232
Operating lease rental expense in respect of rental premises	**6,624**	2,013

7. DIVIDEND

No dividend was paid or proposed for the years ended 31 December 2018 and 2017, nor has any dividend been proposed since the end of the reporting period.

8. LOSS PER SHARE

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

	2018	2017
	HK$'000	*HK$'000*
Loss:		
Loss for the year for the purpose of basic loss per share	**(3,991)**	(9,009)

	2018	2017
	'000	*'000*
Number of shares:		
Number of ordinary shares for the purpose of basic loss per share	**480,000**	480,000

No diluted loss per share for the years ended 31 December 2018 and 2017 is presented as there were no potential ordinary shares in issue for both years.

9. TRADE AND BILLS RECEIVABLES

	2018	2017
	HK$'000	*HK$'000*
Trade receivables	**17,401**	34,882
Trade receivables discounted with recourse	**3,615**	10,626
Less: allowance for credit losses	**(475)**	(262)
	20,541	45,246
Bills receivables	**294**	1,042
	20,835	46,288

As at 31 December 2018 and 1 January 2018, trade receivables from contracts with customers amounted to HK$20,541,000 and HK$45,246,000 respectively.

The following is an ageing analysis of trade receivables net of allowance for credit losses presented based on the invoice dates at the end of the reporting period, which approximate the revenue recognition dates:

	2018	2017
	HK$'000	*HK$'000*
0 to 30 days	**9,723**	21,195
31 to 60 days	**8,113**	20,920
61 to 90 days	**1,597**	2,571
Over 90 days	**1,108**	560
	20,541	45,246

As at 31 December 2018, total bills received amounting to HK$294,000 (2017: HK$1,042,000) are held by the Group for future settlement of trade receivables. The Group continues to recognise their full carrying amounts at the end of the reporting period. The following is the aging analysis of bills receivables based on their time to maturity at the end of the reporting dates.

	2018	2017
	HK$'000	*HK$'000*
Within 30 days	**294**	1,042

As at 31 December 2018, included in the Group's trade receivables balance are debtors with aggregate carrying amount of HK$3,230,000 which are past due as at the reporting date. Out of the past due balances, HK$1,108,000 has been past due 90 days or more and is not considered as in default by considering the background of the debtors, subsequent settlement, historical payment arrangement and credit standing of these trade receivables.

10. CONTRACT ASSETS

	31/12/2018	1/1/2018*
	HK$'000	*HK$'000*
Loan facilitation service	**35,473**	–

* No contract asset is recognised after the adjustment from the application of HKFRS 15 since the new loan facilitation business is commenced in April 2018.

Contract assets primarily relate to the Group's right to consideration for loan facilitation service completed and not billed because the rights are conditioned on the Group's future performance. The contract assets are transferred to trade receivables when the rights become unconditional.

11. TRADE PAYABLES

	2018	2017
	HK$'000	*HK$'000*
Trade payables	**8,677**	30,207

The credit period on purchase of goods varies from 20 days to 45 days. The ageing analysis of the trade payables presented based on the invoice dates at the end of the reporting period is as follows:

	2018	2017
	HK$'000	*HK$'000*
0 – 30 days	**6,253**	20,435
31 – 60 days	**1,986**	8,087
61 to 90 days	**–**	253
Over 90 days	**438**	1,432
	8,677	30,207

12. SHARE CAPITAL

	Number of shares	Share capital
		HK$'000
Authorised ordinary shares at HK$0.01 per share:		
At 1 January 2017, 31 December 2017, 1 January 2018 and 31 December 2018	1,000,000,000	10,000
Issued and fully paid shares at HK$0.01 per share:		
At 1 January 2017, 31 December 2017, 1 January 2018 and 31 December 2018	480,000,000	4,800

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

Jimu Group Limited (the "Company") and its subsidiaries (collectively referred to as 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.

Various uncertainties continue to cloud the global economy, in particular, the continuous impact of the Brexit, sluggish economic growth in the EU and the US-China Trade War, 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 management had already adopted certain cost-cutting measures and slowed down certain business plan for the footwear business. The footwear business segment recorded loss for another year despite the management's continuous effort in improving business performance. The management shall evaluate the current business model and long-term viability of the footwear business so as to create most value for the shareholders.

Loan Facilitation Business

In April 2018, the Group commenced the provision of loan facilitation services to customers in China. As at the end of December 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 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.

China's economy showed signs of weakening growth amid certain uncertainties including the US-China Trade War, despite the fact that, our loan facilitation business remained strong in 2018. The management is optimistic about the future development of the loan facilitation business. The management intends to devote further resources into the loan facilitation business, including but not limited to increasing geographical coverage, expanding target customer group and other upstream/downstream expansion. We anticipate 2019 will be a challenging year mainly due to the continually softening economy, which may cause lenders to be more conservative. However, we believe China government's general direction of enhancing financial service support to rural areas will pose ample opportunities for the Group. With conscious cost control, robust management and close alignment with governmental directions in our development strategy, we believe we are able to withstand the challenges of 2019 and beyond.

FINANCIAL REVIEW

Revenue

The Group recorded revenue of approximately HK$219.4 million in 2018, a slight decrease of 7.3% compared with that of approximately HK$236.7 million for 2017. Set out below is the revenue breakdown by segment for the years ended 31 December 2018 and 2017:

	For the year ended 31 December			
	2018		2017	
	HK$'000	*%*	*HK$'000*	*%*
Trading of footwear				
Men's footwear	**61,382**	**28.0**	141,248	59.7
Women's footwear	**37,977**	**17.3**	38,936	16.4
Children's footwear	**23,768**	**10.8**	56,548	23.9
	123,127	**56.1**	236,732	100.00
Provision of loan facilitation services				
Pre-loan facilitation services	**93,303**	**42.5**	–	–
Post-loan facilitation services	**2,923**	**1.4**	–	–
	96,226	**43.9**	–	–
Total	**219,353**	**100.0**	236,732	100.0

Footwear Business

Revenue from the footwear business segment decreased significantly by 48.0% from approximately HK$236.7 million in 2017 to approximately HK$123.1 million in 2018. This is mainly due to various uncertainties clouding the global economy, in particular, the continuous impact of the Brexit, sluggish economic growth in the EU and the US-China Trade War, which have adversely affected customer sentiment.

Loan Facilitation Business

The Group commenced its operation in provision of loan facilitation services in April 2018. The Group provided consulting and credit assessment services to customers in third and fourth tier cities in China to help them to obtain financing at reasonable cost. The loan facilitation service segment contributed revenue of approximately HK$96.2 million for 2018.

Purchases and changes in inventories

The Group's purchases and changes in inventories decreased by approximately 47.2% from approximately HK$204.6 million for 2017 to approximately HK$108.0 million for 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 2018, sample and molding fees decreased by approximately HK$1.3 million as compared to 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 88% for 2018 comparing to approximately 86% for 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

Other income increased to approximately HK$4.5 million for 2018 from approximately HK$3.0 million for 2017, primarily attributable to an increase in commission income of approximately HK$2.6 million being partially offset by decrease in sample income and claims received of approximately HK$0.8 million and approximately HK$0.5 million, respectively. Commission income represented amount received for the referral of customers to third parties for the purchases of financial products, while claims received mainly represented the compensation the Group received from its footwear suppliers primarily for product quality defects and incorrect packaging reworks.

Employee benefits expenses

Employee benefits expenses increased to approximately HK$77.7 million for 2018 from approximately HK$20.9 million for 2017, which was mainly due to the increase in number of staff for the loan facilitation business.

Other operating expenses

Other operating expenses increased to approximately HK$33.7 million for 2018 from approximately HK$20.7 million for 2017, which was mainly due to the increase in general operating expenses in relation to the running of the branch offices for the loan facilitation business.

Income tax expenses

Income tax expenses increased to approximately HK$5.9 million for 2018 from approximately HK$0.2 million for 2017, which was mainly due to the increase in deferred tax expenses of HK$5.9 million for 2018. The deferred tax expenses arose due to timing differences on revenue recognition under PRC tax rules and relevant accounting standards.

Loss for the year

As a result of foregoing, loss for the year decreased to approximately HK$4.0 million for 2018 from approximately HK$9.0 million for 2017.

Loss for the footwear business segment increased to approximately HK$10.1 million for 2018 from approximately HK$0.1 million for 2017, which was mainly due to the decrease in revenue during the period.

Profit for the loan facilitation service segment amounted to approximately HK$24.3 million for 2018. This is a result of the foundation we built over the past few months and a strong demand for our loan facilitation services.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 December 2018, total borrowings of the Group amounted to approximately HK$17.4 million (2017: approximately HK$31.3 million) which represented the trust receipt loans for trade finance purpose and trade receivables transferred to banks by discounting those receivables on a recourse basis. As at 31 December 2018, the cash and cash equivalents and pledged bank deposit of the Group amounted to approximately HK$42.3 million (2017: approximately HK$60.7 million). As at 31 December 2018, debt to equity ratio of the Group was nil (2017: nil). Debt to equity ratio is calculated by dividing the net debt, which is defined as bank borrowings and bank overdrafts net of pledged bank deposits and bank balances and cash, by total equity at the end of the respective years. Current ratio as at 31 December 2018 was approximately 1.8 times (2017: approximately 1.5 times).

The Group maintained sufficient working capital as at 31 December 2018 with bank balances and cash of approximately HK$42.2 million (2017: approximately HK$45.5 million). The Board of Directors will continue to follow a prudent treasury policy in managing its cash balances and maintain a strong and healthy liquidity to ensure that the Group is well placed to take advantage of growth opportunities for the business.

As at 31 December 2018, the Group's net current assets amounted to approximately HK$48.9 million (2017: approximately HK$38.9 million). The Group's operations are financed principally by revenue generated from its business operation, available cash and bank balances and bank borrowings.

PLEDGE OF ASSETS

As at 31 December 2018, pledged bank deposits of approximately HK$0.1 million (2017: approximately HK$15.2 million); trade receivables of approximately HK$3.6 million (2017: approximately HK$10.6 million) and motor vehicle with a carrying value of nil (2017: approximately HK$0.5 million) of the Group were pledged to secure the Group's bank borrowings.

EXCHANGE RATE EXPOSURE

The Group's footwear business segment revenue is denominated in United States Dollars ("US$") due to the export-oriented nature of the Group's business. The Group's footwear business segment expenses, comprising primarily its payment to its footwear suppliers, are also mainly in US$. As HK$ is pegged to US$, the Group does not expect any significant fluctuation in the exchange rate of HK$ against US$. Revenue, cost and expenses of the Group's loan facilitation service segment are all denominated in Renminbi ("RMB"), as such the net exposure to fluctuation of HK$ against RMB is not material. The Group's management considers that the Group has no significant foreign exchange exposures. Foreign exchange risk arising from the normal course of operations is considered to be minimal. As at 31 December 2018, the Group did not use any financial instrument for hedging the foreign exchange risk.

SIGNIFICANT INVESTMENTS HELD

During the year ended 31 December 2018, there was no significant investment held by the Group.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

During the year ended 31 December 2018, the Group did not have other plans for material investments and capital assets.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

During the year ended 31 December 2018, the Group did not have any material acquisitions and disposals of subsidiaries and affiliated companies.

CONTINGENT LIABILITIES

As at 31 December 2018, the Group did not have any significant contingent liabilities (2017: nil).

CAPITAL COMMITMENTS

As at 31 December 2018, the Group did not have any significant capital commitments (2017: nil).

EMPLOYEES AND EMOLUMENT POLICIES

As at 31 December 2018, the total employees in mainland China and Hong Kong has increased from approximately 70 to approximately 750, which was mainly due to the commencement of loan facilitation service since April 2018. In order to recruit, develop and retain talented employees, the Group offers competitive remuneration packages to our staff, including internal promotion opportunities and performance based bonus. The Group enters into standard employment contracts with our staff which contain provisions on intellectual property rights and confidentiality.

The remuneration committee of the Company will make recommendation to the Board on the overall remuneration policy and structure relating to all Directors and senior management of the Group.

PRINCIPAL RISKS AND UNCERTAINTIES

Credit risk

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. As at 31 December 2018, approximately 97.7% and 44.0% of the total trade receivables were due from our five largest debtors (all being customers) and our largest debtor (being a customer) respectively. The Group will review and monitor the level of exposure to ensure that follow-up actions are taken to recover overdue debts. In addition, at the end of each reporting year, the Group performs impairment assessment under expected credit loss model so as to ensure that adequate impairment losses are made. The carrying amounts of trade receivables, other receivables and contract assets represent the Group's maximum exposure to credit risk in relation to financial assets.

Interest rate risk

The Group is exposed to interest rate risk through the impact of rate changes on interest-bearing financial liabilities, mainly the interest-bearing bank borrowings. The Group monitors the interest rate exposure on a continuous basis and adjusts the portfolio of bank borrowings where necessary.

Liquidity risk

The Group is exposed to minimal liquidity risk as a substantial portion of its financial assets and financial liabilities are due within one year and it can finance its operations from existing shareholders' funds and internally generated cash flows. For the liquidity risk, the Group monitors and maintains a level of bank balances and cash deemed adequate to finance the Group's operations and mitigate the effect of fluctuations in cash flows. The Group monitors current and expected liquidity requirements on a regular basis.

COMPLIANCE WITH LAWS AND REGULATIONS

As far as the Board is aware, the Group was in compliance in all material respects with the relevant laws and regulations applicable to the business operations of the Group.

ENVIRONMENTAL POLICIES AND PERFORMANCE

According to our business nature and pursuant to the laws of Hong Kong, there are no specific environmental standards and/or requirements for conducting the Group's business in Hong Kong. The Group is aware of environmental protection and social responsibility as an enterprise citizen and promotes healthy work place. The Group's Environmental, Social and Governance Report for the year ended 31 December 2018 will be published on the respective websites of the Stock Exchange and the Company on or before 30 April 2019.

KEY RELATIONSHIP WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

The Group maintains good relationship with its customers. The sales personnel and merchandisers make regular phone calls to the customers and visit them overseas periodically. If there is any complaint from customers, it will be reported to the management and immediate remedial action will be taken.

The Group also maintains a good relationship with its suppliers. During the year ended 31 December 2018, no complaint was received from the suppliers and there was no disputed debts or unsettled debts and all the debts are settled on or before due dates or a latest date as mutually agreed.

During the year ended 31 December 2018, there was no dispute on salary payments and all accrued remunerations were settled on or before their respective due dates, as stipulated under individual employee's employment contract. The Group also ensures that all the employees are reasonably remunerated by regular review the policies on salary increment, promotion, bonus, allowances and all other related benefits.

In view of the above and as at the date of the annual report, there is no circumstance or any event which will have a significant impact on the Group's business and on which the Group's success depends.

KEY PERFORMANCE INDICATORS

The key financial performance indicators of the Group for the year ended 31 December 2018 is set out in the section headed "Five Years' Financial Summary" of the annual report.

COMPARISON OF BUSINESS PLAN WITH ACTUAL BUSINESS PROGRESS

The following is a comparison of the Group's business plan as set out in the prospectus of the Company dated 20 May 2016 (the "Prospectus") with actual business progress up to 31 December 2018.

Business plan as set out in Prospectus	Progress up to 31 December 2018
Broadening customer base and product offerings	
– Approach potential customers for business opportunities through business referrals by existing customers and business network	The Group visited existing customers and approached potential customers overseas to explore business opportunities and strengthen the business relationship.
– Participate in global sales conferences of the major customers to explore business opportunities	The Group participated in global sales conferences of the major customers overseas to explore business opportunities.
– Plan to lease a new office incorporating a showroom to promote the quality products and services of the Group	The Group leased an office with showroom in Dongguan City, Guangdong, the PRC in May 2017 to June 2018 to promote the quality products and services of the Group. Currently, the group leased an office with a showroom in Hong Kong.
– Recruit additional sales representatives to broaden the customer base and product offerings	The Group employed a sales staff experienced in footwear market in Australia in October 2016 for broadening its customer base. That sales staff left the Group in October 2017.
Enhancing design, development and production management capabilities	
– Employ advance technology such as 3-dimensional ("**3D**") printing technology in footwear development to shorten the product development time	The Group purchased a 3D printer in February 2017 for employing 3D printing technology in footwear development.
– Recruit a specialized footwear 3D technician	The Group has employed a 3D technician in May 2017 to produce 3D modelling. The technician left the Group in September 2018.
– Recruit additional designers to expand the design and development team	The Group has employed a footwear designer in May 2017 to enhance the product design and development capabilities.
– Recruit an experienced shoe technician to enhance the knowledge on footwear technical requirements and standards of different customers	The Group has employed two shoe technicians in August 2016 to assist our designers in product design and development. Currently the Group has employed one shoe technician.
– Recruit additional quality control and shipping staff to reinforce the quality management and logistics management services of the Group	The Group has employed three quality control inspectors in July 2016 to enhance production management capabilities.

Business plan as set out in Prospectus	Progress up to 31 December 2018
***Obtaining licences of multiple brands** (note 1)*	
– Obtain licences of multiple footwear brands – Engage professional parties to assist the Group in performing research, investigation and due diligence on brand licensing	The Group entered into International Merchandising License Agreement ("License Agreement") with ENS Global Marketing Limited (the "Licensing Agent") and SEMK Products Limited (the "Licensor") in June 2017 for granting to the Group a non-exclusive right and licence to utilize the "B. Duck" brand for footwear. The Group terminated the License Agreement on 6 December 2017 after given the Licensor and Licensing Agent a 7 days' notice in writing pursuant to the terms of the License Agreement.
***Enhancing corporate image** (note 2)*	
– Participate in major footwear trade shows and fairs internationally to market the Group's quality products and services to attract new international brand owners and licensees to grow its business	The Group participated in footwear trade fairs in Italy and the US in early 2018.
– Purchase of motor vehicles in Hong Kong to provide a comfortable and convenient transportation to our existing and potential customers when they visit the Group in Hong Kong and the PRC	The Group purchased two motor vehicles in Hong Kong in September 2017.
Improving information technology system	
– Enhance and upgrade the Group's business management system for producing a more comprehensive information database of its customers, products, quality control, footwear suppliers and financial reporting	The Group has improved the information technology system by purchasing new computers and auxiliary products. The Group has contracted an outside party in June 2017 for the development of an "online shop" to promote our products. The Group seeks for the appropriate business management system and will utilize the fund as intended.

Note 1: According to the Company's announcement dated 27 June 2018 and 31 January 2019, the Group resolved to change allocation of net proceed of HK$8 million and HK$7.7 million, respectively from "obtaining licences of multiple brands" to "General working capital and other general corporate uses" as disclosed in the section headed "Future plans and use of proceeds – Use of proceeds" in the Prospectus.

Note 2: According to the Company's announcement dated 6 September 2017, the Group resolved to change the business objective of enhancing corporate image as disclosed in the section headed "Future plans and use of proceeds – Use of proceeds" in the Prospectus as to approximately HK$3 million for the purchase of motor vehicles in Hong Kong and the remaining part for the participation in major footwear trade shows and fairs.

USE OF PROCEEDS

The net proceeds from the issue of new shares of the Company through the placing of 120,000,000 ordinary shares of HK$0.01 each in the share capital of the Company at the price of HK$0.50 per share (the "Placing"), after deduction of the related underwriting fees and issuance expenses paid by the Company in connection therewith, were approximately HK$44.6 million, as compared to the estimated net proceeds of approximately HK$45.0 million as disclosed in the Prospectus. Accordingly, the Group has adjusted the use of proceeds on a pro-rata basis. The utilization of net proceeds from the Placing is set out below:

Use of net proceeds	**Total planned amount to be used (as adjusted on 27 June 2018)**	**Planned use of proceed up to 31 December 2018 (as adjusted on 27 June 2018)**	**Actual amount utilized up to 31 December 2018**	**Actual balance as at 31 December 2018**
	HK$'million	*HK$*'million	*HK$*'million	*HK$*'million
Broadening customer base and product offerings *(Note (a))*	9.9	9.9	4.2	5.7
Enhancing design, development and production management capabilities	5.9	5.9	2.0	3.9
Obtaining licences of multiple brands *(Note (b))*	7.9	7.9	0.2 *(Note (c))*	7.7
Enhancing corporate image *(Note (d))*	1.5	1.5	0.4	1.1
Purchasing motor vehicles in Hong Kong *(Note (d))*	3.0	3.0	3.0	–
Improving information technology system	4.1	4.1	0.7	3.4
General working capital and other general corporate uses of the Group *(Note (b))*	12.3	12.3	12.2	0.1
Total	44.6	44.6	22.7	21.9

Notes:

(a) In May 2017, the Group entered into a tenancy agreement with a landlord for leasing a property for office and showroom in Dongguan City, Guangdong, the PRC for a term of five years commencing from May 2017. The leasing of the property is for the purpose of implementing the Group's business objective of broadening customer base and product offerings as disclosed in the section headed "Future plans and use of proceeds – Use of proceeds" in the Prospectus. As mentioned in the announcement dated 5 May 2017, the Directors consider that the leasing of the property for office and showroom in the PRC would allow the Group to deploy its financial resources more effectively as the rental expense for the PRC office will be lower than that of a comparable Hong Kong office. The Group ceased renting such property in June 2018. The Group currently leased an office with showroom in Hong Kong.

(b) On 27 June 2018, the Group resolved to change the allocation of net proceed of HK$8 million from "Obtaining licences of multiple brands" to "General working capital and other general corporate uses" as disclosed in the section headed "Future plans and use of proceeds – Use of proceeds" in the Prospectus.

As at 31 January 2019, the Board futher resolved that HK$7.7 million of the Net Proceeds should be allocated to support the Company's general corporate expenses for the period from 1 February 2019 to 31 July 2019. Details of the change of use proceed are set out in the announcement of the Company dated 31 January 2019.

(c) Included a refund of legal fee of approximately HK$0.1 million due to the termination of the diligence on patent after the lapse of a memorandum of understanding on 1 February 2017.

(d) In September 2017, the Group applied approximately HK$3 million from net proceeds from the Placing to purchase two motor vehicles in Hong Kong. As mentioned in the announcement dated 6 September 2017, the Directors consider that it is not cost-effective for the Group's long-term development to use the entire portion of the originally allocated net proceeds of approximately HK$4.5 million ("Allocated Net Proceeds") for participating in footwear trade shows and fairs. The Group resolved to use part of the Allocated Net Proceeds of approximately HK$3.0 million for the purchase of motor vehicles in Hong Kong. The Directors consider that the above change in use of the unutilized Allocated Net Proceeds will facilitate the efficient use of financial resources of the Group, and enhance corporate image of the Group by providing a comfortable and convenient transportation to our existing and potential customers when they visit the Group in Hong Kong and the PRC.

The difference of approximately HK$21.9 million between the planned use of proceed up to 31 December 2018 of approximately HK$44.6 million and the actual amount utilized up to 31 December 2018 of approximately HK$22.7 million was mainly due to (i) the Group did not lease an office incorporating a showroom in Hong Kong but leased an office incorporating a showroom in the PRC from May 2017 to June 2018 in view of the current uncertain global economic environment; (ii) the Group was unable to identify appropriate licenses; and (iii) the Group has not yet engaged in enhancing and upgrading the business management system as the Group is in the course of seeking an appropriate system.

The Company has opened and maintained separate bank accounts in licensed banks in Hong Kong designated for proceeds from the Placing. All the unutilized balances have been placed in the designated bank accounts in the licensed banks in Hong Kong.

The Directors will constantly evaluate the Group's business objectives and will change or modify the plans against the changing market condition to suit the business growth of the Group.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The corporate governance practices of the Group are based on the principles and the code provisions in the Corporate Governance Code (the "**Code**") as set out in Appendix 15 to the Rules Governing the Listing of Securities on the GEM of the Stock Exchange ("**GEM Listing Rules**").

During the year ended 31 December 2018, the Company has complied with all the applicable code provisions of the Code, except for the following deviations:

Code Provision A.2.7 of the Code provides that the chairman should at least annually hold meetings with the nonexecutive directors (including independent non-executive directors) without the executive directors present. For the year ended 31 December 2018, a formal meeting was not arranged between the Chairman and the non-executive Directors (including independent non-executive Directors) without the executive Directors present due to the tight schedules of the Chairman and the independent non-executive Directors. Although such meeting was not held, the Chairman has delegated the company secretary of the Company to gather any concerns and/or questions that the independent non-executive Directors might have and report to him for arranging follow-up meetings, where necessary.

Pursuant to code provision A.6.7 of the Code stipulates that independent non-executive directors and other non-executive directors, as equal board members, should give the board and any committees on which they serve the benefit of their skills, expertise and varied backgrounds and qualifications through regular attendance and active participation. They should also attend general meetings and develop a balanced understanding of the views of shareholders. One independent non-executive Director and one non-executive director were unable to attend the annual general meeting of the Company held on 25 May 2018 due to their business engagements. All the other independent non-executive Directors and executive Directors were present and available to answer any questions from shareholders of the Company.

Pursuant to code provision A.4.1 of the Code stipulates that non-executive directors should be appointed for a specific term, subject to re-election. The existing non-executive Directors and the independent non-executive Directors were not appointed for a specific term as required under code provision A.4.1 but are subject to retirement by rotation and re-election at annual general meeting in accordance with the articles of association. As such, the Company considers that sufficient measures have been taken to ensure that the Company has good corporate governance practices.

DIRECTORS' SECURITIES TRANSACTIONS

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 for the year ended 31 December 2018 and up to the date of this announcement.

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 year ended 31 December 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.

SHARE OPTION SCHEME

The Company had adopted a share option scheme (the "**Share Option Scheme**") on 11 May 2016. Since the adoption of the Share Option Scheme and up to the date of this announcement, no share options have been granted pursuant to the Share Option Scheme.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND/OR SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 31 December 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	Number of shares or underlying shares held: Share options	Total	Approximate percentage of interest in such corporation
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 the 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 31 December 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.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND/OR SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 December 2018, so far as known to any Director or chief executive of the Company, the following persons (other than the Directors and chief executive of the Company) 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:

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 31 December 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, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the year ended 31 December 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.

EVENTS AFTER THE BALANCE SHEET DATE

As from 31 December 2018 to the date of this announcement, no significant events have occurred.

DIVIDENDS

The Board does not recommend the payment of a final dividend for the year ended 31 December 2018. (2017: nil).

ANNUAL GENERAL MEETING ("AGM")

The forthcoming AGM will be held on 24 May 2019. A notice convening the AGM will be published in due course.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Friday, 17 May 2019 to Friday, 24 May 2019, both days inclusive, during which period no transfer of Shares will be registered. For determining the entitlement of members of the Company to attend and vote at the AGM, all share transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, no later than 4:30 p.m. on Thursday, 16 May 2019.

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 Code. 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 had reviewed the first quarterly report of the Group for the three months ended 31 March 2018, the interim results of the Group for the six months ended 30 June 2018; the third quarterly results of the Group for the nine months ended 30 September 2018 and the final results for the year ended 31 December 2018 before submission to the Board for approval. The Audit Committee is of the view that the annual results complied with the applicable accounting standards, the requirements under the GEM Listing Rules and other applicable legal requirements, and that adequate disclosures had been made.

The Audit Committee held 4 meetings during the year ended 31 December 2018. Details of the attendance of the Audit Committee meetings are set out above.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2018 as set out in this preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

By order of the Board
JIMU GROUP LIMITED
Dong Jun
Chairman

Hong Kong, 22 March 2019

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

This announcement 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.