Jimu Group Limited
積木集團有限公司

(Formerly known as Ever Smart International Holdings Limited)
(Incorporated in the Cayman Islands with limited liability)
Stock Code : 8187

ANNUAL REPORT 2017

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This report, for which the directors (the "Directors") of Jimu Group Limited (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.

CONTENT

Board of Directors

Executive Directors

Mr. Dong Jun *(Chairman)*
Mr. Ho Kin Wai *(Chief Executive Officer)*
Mr. Peng Shaoxin
Mr. Yan Taotao
Ms. Long Jingjie

Non-Executive Directors

Mr. Wen Cyrus Jun-Ming
Mr. Zhang Songyi

Independent Non-Executive Directors

Mr. Liu Jiangtao
Mr. Guo Zhongyong
Mr. Peng Chuang
Mr. Hon Ping Cho Terence

Company Secretary

Ms. Wong Po Ling, Pauline

Compliance Officer

Ms. Long Jingjie

Authorised Representatives

Ms. Long Jingjie
Ms. Wong Po Ling, Pauline

Audit Committee

Mr. Hon Ping Cho Terence *(Chairman)*
Mr. Liu Jiangtao
Mr. Guo Zhongyong
Mr. Peng Chuang

Remuneration Committee

Mr. Liu Jiangtao *(Chairman)*
Mr. Peng Shaoxin
Mr. Hon Ping Cho Terence

Nomination Committee

Mr. Dong Jun *(Chairman)*
Mr. Guo Zhongyong
Mr. Peng Chuang

Risk Management Committee

Mr. Yan Taotao *(Chairman)*
Mr. Wen Cyrus Jun-Ming
Mr. Zhang Songyi

Stock Code

8187

Registered Office

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75 Fort Street
Grand Cayman KY1-1108
Cayman Islands

Head Office and Principal Place of Business in Hong Kong

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Harbour City
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Principal Share Registrar and Transfer Office

Estera Trust (Cayman) Limited
PO Box 1350
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75 Fort Street
Grand Cayman KY1-1108
Cayman Islands

Hong Kong Branch Share Registrar and Transfer Office

Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

Principal Bankers

Dah Sing Bank
DBS Bank (Hong Kong) Limited
The Bank of East Asia
The Hongkong and Shanghai Banking Corporation Limited

Auditor

Deloitte Touche Tohmatsu
35/F, One Pacific Place
88 Queensway
Hong Kong

Legal Adviser

Troutman Sanders

Compliance Adviser

Orient Capital (Hong Kong) Limited

Company's Website

jimugroup.hk

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board (the "Board") of directors (the "Directors") of Jimu Group Limited (the "Company", and together with its subsidiaries, the "Group"), I am pleased to present the annual report of the Company for the year ended 31 December 2017.

During 2017, the Group recorded revenue of approximately HK$236.7 million, representing a slight decrease of approximately 1.9% as compared to that of last year. The footwear market has been challenging in 2017. Various uncertainties clouded the European economy including the continuous impact of Brexit on the UK's economy and political unrest in certain European countries, have adversely affected customer sentiment which have in turn affected our sales in Europe. And yet, with the rich industry experience and expertise of our Directors and management, the Group's operations were well managed with the best effort to alleviate the impact from those unpredictable global instability events. We achieved healthy business development with almost all of the Group's footwear was exported overseas with shipment destinations covering about 30 countries. This proved our continuous effort in expanding our client base especially in the Australia and US market successful with sales in respective regions surged by approximately 4.5% and 127.0% for the year ended 31 December 2017.

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

Whereas for the current principal business, in view of the uncertain global economic and political environment, we will continue to implement stringent cost control measures and broaden our customer base as well as product offerings to capture market opportunities. On the other hand, we will put effort in maintaining close working relationship with our existing customers and explore new business opportunities. We will also participate in major overseas trade fairs to attract new international brand owners and licensees to grow our business. The management will endeavour to work best at maintaining healthy growth of the business and enhancing its overall competitiveness.

Finally, on behalf of the Board and the management, I wish to extend my sincere appreciation to all of our staff for their tireless efforts, diligence and contribution during 2017, and express my utmost gratitude to all shareholders, investors, customers, suppliers and business partners for their continued and valuable support and trust to the Group.

Dong Jun
Chairman

Hong Kong, 21 March 2018

BUSINESS REVIEW AND OUTLOOK

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

During the year ended 31 December 2017, almost all of the Group's footwear was exported overseas with shipment destinations covering about 30 countries including Australia, United Kingdom, Chile, New Zealand and United States. Any change in economic conditions of our export countries, such as interest rates, currency exchange rates, inflation, deflation, political uncertainty, taxation, stock market performance and general consumer confidence, may affect the volume of purchase of our customers. Any change in the sales orders from our customers in our export countries resulting from any change in global or regional economic conditions may affect our business operations and financial performance.

The Group's revenue decreased by approximately 1.9% from approximately HK$241.4 million for the year ended 31 December 2016 to approximately HK$236.7 million for the year ended 31 December 2017. The Group's sales to customers with shipment destination to the United Kingdom (the "UK") and other European countries decreased by approximately 42.1% from approximately HK$71.5 million for the year ended 31 December 2016 to approximately HK$41.4 million in 2017. Various uncertainties clouded the European economy during 2017, including the continuous impact of Brexit on the UK's economy and political unrest in certain European countries, which have adversely affected customer sentiment in Europe. However, owing to the continuous effort of the Group in expanding our customer base and establishing solid business relationship with our customers, the sales to customers with shipment destination to Australia and United States (the "US") increased by approximately 4.5% and 127.0%, respectively, for the year ended 31 December 2017 as compared to the previous year. Such increase in sales partially offset the decrease in sales to customers with shipment destination to the UK and other European countries.

In order to deal with the challenging market conditions and the rising operating costs, the Group streamlined the sales team structure during the late 2017 so as to enhance the Group's sales capabilities after the leaving of certain senior sales personnel. The Group continues to maintain close working relationship with our customers by visiting them to understand their latest business development and product requirements and explore business opportunities by approaching potential customers through referrals by existing customers. The Group will also participate in major overseas trade fairs in the coming year to market the Group's quality products and services to attract new international brand owners and licensees to grow its business.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

For the year ended 31 December 2017, the Group recorded revenue of approximately HK$236.7 million, a slight decrease of 1.9% compared with that of approximately HK$241.4 million for the year ended 31 December 2016. Set out below is the revenue breakdown of the footwear during the years ended 31 December 2016 and 2017:

	For the year ended 31 December			
	2017		2016	
	HK$'000	**%**	HK$'000	%
Men's footwear	**141,248**	**59.7**	140,589	58.3
Children's footwear	**56,548**	**23.9**	71,554	29.6
Women's footwear	**38,936**	**16.4**	29,246	12.1
Total	**236,732**	**100.0**	241,389	100.0

The sales of men's footwear slightly increased by approximately 0.5% for the year ended 31 December 2017 as compared with that of the previous year. The sales of children's footwear decreased by approximately 21.0% for the year ended 31 December 2017 as compared with that of the previous year which was mainly attributable to the decrease in sales to customers with shipment destination to the UK and other European countries. The sales of women's footwear increased by approximately 33.1% for the year ended 31 December 2017 as compared with that of the previous year. We will continue to put in more effort to expand the sales of men's and women's footwear in order to enhance our revenue.

Cost of sales and gross profit

During the year ended 31 December 2017, the Group's gross profit increased by approximately 3.6% from approximately HK$24.6 million for the year ended 31 December 2016 to approximately HK$25.5 million for the year ended 31 December 2017. The Group's cost of sales comprises purchase cost and other costs including mainly staff costs, sample and molding fees and other overhead. The purchase cost to sales ratio was at approximately 84% for the year ended 31 December 2017, broadly stable compared to that of approximately 85% for the year ended 31 December 2016. The improved purchase cost to sales ratio reflected the stringent control of supplier monitoring procedures of the Group. During the year ended 31 December 2017, sample and molding fees decreased slightly by approximately HK$0.3 million as compared to the previous year which was attributable to the decreased number of samples for developments for brands that are new to the Group as requested by the Group's customers for potential orders. As a result, the Group's gross profit margin increased from approximately 10.2% for the year ended 31 December 2016 to approximately 10.8% for the year ended 31 December 2017.

Other income and other expense

Other income decreased to approximately HK$3.0 million for the year ended 31 December 2017 from approximately HK$6.7 million for the year ended 31 December 2016, primarily attributable to decrease in samples and molding income and claims received of approximately HK$1.7 million and HK$2.1 million, respectively. Samples and molding income represented the income received from our customers for the making of samples and molds. Claims received mainly represented the compensation the Group received from its footwear suppliers primarily for product quality defects and incorrect packaging reworks. Other expenses decreased to approximately HK$2.8 million for the year ended 31 December 2017 from approximately HK$4.4 million in 2016, primarily attributable to decrease in claims paid of approximately HK$1.8 million which represented the compensation paid to the Group's customers for product quality defects and incorrect packaging reworks.

Other gains and losses

Other losses increased to approximately HK$1.4 million for the year ended 31 December 2017 from approximately HK$0.2 million for the year ended 31 December 2016. The increase was largely caused by the increase in impairment loss on other receivables of approximately HK$1.5 million, while there was no such impairment loss in the previous year.

Selling and distribution expenses

Selling and distribution expenses increased to approximately HK$11.0 million for the year ended 31 December 2017 from approximately HK$10.2 million for the previous year, which was principally due to an increase in salary for sales staff of approximately HK$2.1 million as compared with the previous year as a result of the employment of additional sales staff during 2017 for increasing the Group's efforts in approaching potential and existing customers for business opportunities and broadening the Group's customer base and product offerings. Such increase in salary of sales staff was partially offset by (i) decrease in freight expense for the delivery of footwear to customers of approximately HK$0.3 million which was mainly due to the decrease in sales to customers with shipment destination to the UK; (ii) an aggregate decrease in entertainment and overseas travelling of approximately HK$0.4 million; (iii) decrease in commissions paid for business development of approximately HK$0.3 million; and (iv) decrease in promotion expense of approximately HK$0.4 million.

Administrative expenses

Administrative expenses increased by HK$1.9 million from approximately HK$19.2 million for the year ended 31 December 2016 to approximately HK$21.1 million for the year ended 31 December 2017, which was mainly due to (i) increase in rent and rates of approximately HK$0.3 million as a result of leasing an additional office with showroom in the People's Republic of China (the "PRC") during 2017; (ii) increase in compliance-related printing expenses of approximately HK$0.3 million; (iii) increase in computer handling fee of approximately HK$0.3 million mainly for software development expenses related to 3-dimensional printing; and (iv) increase in depreciation charges on newly purchased motor vehicles of approximately HK$0.2 million.

Loss for the year

As a result of the foregoing, the loss for the year amounted to approximately HK$9.0 million for the year ended 31 December 2017 as compared with the loss of approximately HK$13.7 million for the year ended 31 December 2016.

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 December 2017, total borrowings of the Group amounted to approximately HK$31.3 million (2016: approximately HK$38.3 million) which represented the trust receipt loans for trade finance purpose, trade receivables transferred to banks by discounting those receivables on a recourse basis and hire purchase loan. As at 31 December 2017, the cash and cash equivalents and pledged bank deposit of the Group amounted to approximately HK$60.7 million (2016: approximately HK$67.3 million). As at 31 December 2017, debt to equity ratio of the Group was nil (2016: 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 2017 was approximately 1.5 times (2016: approximately 1.8 times).

The Group maintained sufficient working capital as at 31 December 2017 with bank balances and cash of approximately HK$45.5 million (2016: approximately HK$49.2million). 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 2017, the Group's net current assets amounted to approximately HK$38.9 million (2016: approximately HK$51.5 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 2017, pledged bank deposits of approximately HK$15.2 million (2016: approximately HK$18.1 million); trade receivables of approximately HK$10.6 million (2016: approximately HK$16.7 million) and motor vehicle with a carrying value of approximately HK$0.5 million (2016: approximately HK$1.0 million) of the Group were pledged to secure the Group's bank borrowings.

EXCHANGE RATE EXPOSURE

The Group's revenue is denominated in United States dollars ("US$") due to the export-oriented nature of the Group's business. The Group's expenses, comprising primarily its payment to its footwear suppliers, are also mainly in US$, which is the functional currency of the Group. As HK$ is pegged to US$, the Group does not expect any significant fluctuation in the exchange rate of HK$ against US$. 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 2017, the Group did not use any financial instrument for hedging the foreign exchange risk.

SIGNIFICANT INVESTMENTS HELD

During the year ended 31 December 2017, there was no significant investment held by the Group.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

During the year ended 31 December 2017, 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 2017, the Group did not have any material acquisitions and disposals of subsidiaries and affiliated companies.

CONTINGENT LIABILITIES

As at 31 December 2017, the Group did not have any significant contingent liabilities (2016: nil).

CAPITAL COMMITMENTS

As at 31 December 2017, the Group did not have any significant capital commitments (2016: nil).

EMPLOYEES AND EMOLUMENT POLICIES

The Group had 67 employees (including Directors) as at 31 December 2017 (2016: 70 employees) in mainland China and Hong Kong. The Group places emphasis on work experience in the footwear industry in hiring its designers, merchandising staff and quality control staff. 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 2017, approximately 92% and 62% 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 recoverability of each trade debt is evaluated so as to ensure that adequate impairment losses are made for irrecoverable amounts. The carrying amounts of bank balances, trade receivables and other receivables 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 2017 will be published on the respective websites of the Stock Exchange and the Company on or before 30 April 2018.

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 2017, 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 2017, 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 2017 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 2017.

Business plan as set out in Prospectus	Progress up to 31 December 2017
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 promote the quality products and services of the Group.
– 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.

MANAGEMENT DISCUSSION AND ANALYSIS

Business plan as set out in Prospectus	Progress up to 31 December 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.
– 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.
Obtaining licences of multiple brands	
– 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.

Business plan as set out in Prospectus	Progress up to 31 December 2017
***Enhancing corporate image** (note)*	
– 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 sourced footwear samples during 2017 for preparing the participation 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: 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. The utilization of net proceeds from the Placing is set out below:

Use of net proceeds	**Total planned amount to be used**	**Planned use of proceed up to 31 December 2017**	**Actual amount utilized up to 31 December 2017**	**Actual balance as at 31 December 2017**
	HK$'million	HK$' million	HK$' million	HK$' million
Broadening customer base and product offerings *(Note (a))*	9.9	7.1	2.9	7.0
Enhancing design, development and production management capabilities	5.9	4.8	1.3	4.6
Obtaining licences of multiple brands	15.9	11.3	0.2 *(Note (c))*	15.7
Enhancing corporate image *(Note (b))*	4.5	4.4	3.1	1.4
Improving information technology system	4.1	4.1	0.5	3.6
General working capital and other general corporate uses of the Group	4.3	2.9	2.9	1.4
Total	44.6	34.6	10.9	33.7

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 intends to utilize the remaining balance of the proceeds to lease a new office incorporating a showroom in Hong Kong as originally planned when an appropriate property in Hong Kong is identified.

(b) 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.

(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.

The difference of approximately HK$23.7 million between the planned use of proceed up to 31 December 2017 of approximately HK$34.6 million and the actual amount utilized up to 31 December 2017 of approximately HK$10.9 million was mainly due to (i) the Group leased the property for office and showroom in the PRC in May 2017 but the rental expense for the PRC office had been lower than that of a comparable Hong Kong office as originally planned; (ii) the Group has not yet recruited one designer and one shipping staff as the Group is in the course of seeking appropriate personnel; (iii) the Group is still in the process of identifying appropriate licences; and (iv) 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.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Friday, 18 May 2018 to Friday, 25 May 2018, 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, 17 May 2018.

REPORT OF THE DIRECTORS

The board (the "Board") of directors (the "Directors") of Jimu Group Limited (the "Company") presents herewith the annual report together with the audited consolidated financial statements of the Company and its subsidiaries (the "Group") for the year ended 31 December 2017.

CHANGE OF COMPANY NAME

Pursuant to a special resolution passed at the extraordinary general meeting of the Company held on 22 January 2018 and approved by the Registrar of Companies in Cayman Islands, the name of the Company was changed from "Ever Smart International Holdings Limited" to "Jimu Group Limited".

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The Group is principally engaged in the provision of footwear design and development, production management (including quality control) and logistics management service. The Group offers formal and casual footwear for men, women and children to its customers.

The activities of its principal subsidiaries are set out in note 30 to the consolidated financial statements.

BUSINESS REVIEW

The business review of the Group for the year ended 31 December 2017 is set out in the sections headed "Chairman's Statement" and "Management Discussion and Analysis" of the annual report.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2017 and the financial position of the Company and the Group as at 31 December 2017 are set forth in the audited consolidated financial statements on page 51 to 97 of the annual report.

The Board does not recommend the payment of a final dividend for the year ended 31 December 2017 (2016: nil).

FINANCIAL SUMMARY

A summary of the published results and assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the audited consolidated financial statements in the annual report and the Prospectus, is set out on page 98. This summary does not form part of the audited consolidated financial statements in the annual report.

RESERVES

Movements in reserves of the Group during the year are set out in the consolidated statement of changes in equity on pages 53.

DISTRIBUTABLE RESERVES

As at 31 December 2017, the Company has distributable reserves of approximately HK$39,869,000 available for distribution to shareholders of the Company (2016: approximately HK$48,878,000). Under the Companies Law (Revised) of the Cayman Islands, the share premium of the Company is distributable to the Shareholders provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business. The share premium may also be distributed in form of fully paid bonus shares.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment during the year are set out in note 15 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in share capital of the Company during the year are set out in note 21 to the consolidated financial statements.

DONATIONS

Donations by the Group for charitable and other purposes amounted to HK$0.6 million (2016: HK$0.4 million).

DIRECTORS

The Directors during the year ended 31 December 2017 and up to the date of this report were:

Executive Directors

Mr. Dong Jun* *(Chairman)*
Mr. Ho Kin Wai *(Chief Executive Officer)*
Mr. Peng Shaoxin*
Mr. Yan Taotao*
Ms. Long Jingjie*
Mr. Ho Kin Pong#

Non-Executive Directors

Mr. Wen Cyrus Jun-Ming*
Mr. Zhang Songyi*

Independent Non-Executive Directors

Mr. Liu Jiangtao*
Mr. Guo Zhongyong*
Mr. Peng Chuang*
Mr. Hon Ping Cho Terence*
Mr. Yuen Poi Lam William#
Mr. Lu Tak Ming#
Mr. Liu Chun Kit#

* *appointed on 11 December 2017*
\# *resigned on 11 December 2017*

In accordance with article 108(a) of the Articles of Association of the Company, Mr. Ho Kin Wai, Ms. Long Jingjie, Mr. Wen Cyrus Jun-Ming and Mr. Hon Ping Cho Terence will retire by rotation at the forthcoming annual general meeting, and all being eligible, will offer themselves for re-election as Directors at the forthcoming annual general meeting.

REPORT OF THE DIRECTORS

DIRECTORS' SERVICE CONTRACTS

Each of Mr. Dong Jun, Mr. Ho Kin Wai, Mr. Peng Shaoxin, Mr. Yan Taotao and Ms. Long Jingjie being an executive Director, has entered into a service agreement with the Company for a term of three years commencing from 11 December 2017 which may be terminated by either party by giving not less than three months' prior written notice.

Each of Mr. Wen Cyrus Jun-Ming and Mr. Zhang Songyi, being an non-executive Director, has entered into a letter of appointment with the Company for an unfixed term commencing from 11 December 2017 which may be terminated by either party by giving not less than one month's prior written notice.

Each of Mr. Liu Jiangtao, Mr. Guo Zhongyong, Mr. Peng Chuang, Mr. Hon Ping Cho Terence, being an independent non-executive Director, has entered into a letter of appointment with the Company for an unfixed term commencing from 11 December 2017 which may be terminated by either party by giving not less than one month's prior written notice.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

The biographical details of the Directors and senior management are disclosed in the section headed "Biographies of Directors and Senior Management" on pages 40 to 44 in the annual report.

DIRECTORS' REMUNERATIONS

Details of the remunerations of the Directors are set out in note 12 to the consolidated financial statements in the annual report.

INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received, from each of the independent non-executive Directors, an annual confirmation of his independence pursuant to Rule 5.09 of the Rules Governing the Listing of Securities on GEM ("GEM Listing Rules"). The Company considers all of the independent non-executive Directors are independent.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the paragraph headed "Directors' and Chief Executives' Interests and/or Short Positions in Shares, Underlying Shares and Debentures of the Company or any associated corporation" below, at no time during the year or at the end of the year has been/was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTEREST IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

There has been no transaction, arrangement or contract of significance to which the Company, its holding Company, or any of its subsidiaries or fellow subsidiaries was a party and in which a Director or an entity connected with the Director is or was materially interested, either directly or indirectly, subsisting during or at the end of the year.

EQUITY-LINKED AGREEMENTS

Other than the share option scheme of the Company as disclosed below, no equity-linked agreements that will or may result in the Company issuing shares or that require the Company to enter into any agreements that will or may result in the Company issuing shares were entered into by the Company during the year or subsisted at the end of the year.

MAJOR CUSTOMERS AND SUPPLIERS

Sales to the Group's five largest customers accounted for approximately 73.8% and sales to the Group's largest customer amounted to approximately 44.2% of the total sales for the year, respectively. Purchases from the Group's five largest suppliers accounted for approximately 72.2% and purchases from the Group's largest supplier amounted to approximately 51.2% of the total purchases for the year.

To the best knowledge of the Directors, neither the Directors, their close associates, nor any shareholders (which to the knowledge of the Directors) owned more than 5% of the Company's issued shares, had any beneficial interest in any of the Group's five largest customers or suppliers during the year.

RELATED PARTY TRANSACTIONS

Related party transactions of the Group during the year are disclosed in note 24 to the consolidated financial statements. They did not constitute connected transactions or continuing connected transactions, which are required to comply with the disclosure requirements in accordance with Chapter 20 of the GEM Listing Rules.

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

During the year ended 31 December 2017, 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.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Articles of Association or the laws of the Cayman Islands which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or existed during the year ended 31 December 2017.

CONTRACTS OF SIGNIFICANCE

No contract of significance in relation to the Group's business to which any member of the Group was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year ended 31 December 2017.

No contract of significance (including provision of services) between the Company, or any of its subsidiaries, and a controlling shareholder or any of its subsidiaries subsisted during the year ended 31 December 2017.

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 2017, the interests and short positions of the Directors or chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")), which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO; or (b) pursuant to Section 352 of the SFO, to be recorded in the register referred therein; or (c) pursuant to Rule 5.46 of the GEM Listing Rules to be notified to the Company and the Stock Exchange, were as follows:

Long position in shares or underlying shares of the Company

Name of Director	Capacity	Number of shares or underlying shares held Ordinary shares	 Share options	Total	Approximate percentage of interest in such corporation
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/Nature	Number of shares held	Approximate percentage of interest in such corporation
Mr. Dong Jun ("Mr. Dong")	Jimu Holdings Limited (formerly known as Pintec Holdings Limited) ("Jimu Holdings") *(Note 1)*	Interest of controlled corporation	23,722,804 (ordinary shares)	32.95%
Mr. Wen Cyrus Jun-Ming ("Mr. Wen")	Jimu Holdings *(Note 2)*	Interest of controlled corporation	2,366,957 (series C preferred shares)	5.54%
Mr. Zhang Songyi ("Mr. Zhang")	Jimu Holdings *(Note 3)*	Interest of controlled corporation	3,359,553 (series C preferred shares)	7.86%

Notes:

1. These 23,722,804 ordinary shares are held by Victory Bridge Capital Partners Limited. Mr. Dong beneficially owns 100% of the issued share capital of Victory Bridge Capital Partners Limited.

2. These 2,366,957 series C preferred shares are held by Delight Treasure Holdings Limited. Mr. Wen beneficially owns 100% of the issued share capital of Delight Treasure Holdings Limited.

3. 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 Beansprout Limited, which in turn is owned as to 50% by Mr. Zhang. Mandra iBase Limited is wholly owned by Beansprout Limited.

Save as disclosed above, as at 31 December 2017, 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 2017, 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 such corporation
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 2017, 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.

SHARE OPTIONS

The Company adopted a share option scheme (the "Share Option Scheme") on 11 May 2016. The following is a summary of the principal terms and conditions of the Share Option Scheme.

1. Purpose of the Share Option Scheme

The Share Option Scheme enables the Company to grant options (the "Options") to eligible persons, which mean among others, any full-time or part-time employee of the Company or any member of the Group, including any executive, non-executive directors and independent non-executive directors, advisors, consultants of our Company or any of the subsidiaries ("Eligible Person") as incentives or rewards for their contributions to our Group.

2. Who may join

The Board may, at its discretion, invite any Eligible Persons to take up Options at a price calculated in accordance with sub-paragraph (4) below. Upon acceptance of the Option, the Eligible Person shall pay HK$1.00 to the Company by way of consideration for the grant. The Option will be offered for acceptance for a period of not less than 5 business days from the date on which the Option is granted.

3. Grant of Option

Any grant of Options must not be made after an inside information has come to the Company's knowledge until it has announced the information in accordance with the requirements of the GEM Listing Rules. In particular, during the period commencing one month immediately preceding the earlier of (a) the date of our Board meeting (as such date is first notified to the Stock Exchange in accordance with the GEM Listing Rules) for the approval of the Company's results for any year, half-year, quarter-year period or any other interim period (whether or not required under the GEM Listing Rules), and (b) the deadline for the Company to publish an announcement of its results for any year, half-year, quarter-year period under the GEM Listing Rules or any other interim period (whether or not required under the GEM Listing Rules), and ending on the date of the results announcement, no Option may be granted. The period during which no Option may be granted will cover any period of delay in the publication of a result announcement.

The total number of Shares issued and to be issued upon exercise of the Options granted to a Eligible Person who accepts or is deemed to have accepted the offer of any Option in accordance with the terms of the Share Option Scheme ("Participant") under the Share Option Scheme and other schemes (including both exercised and outstanding Options) in any 12-month period must not exceed 1% of the Shares in issue from time to time, and provided that if approved by Shareholders in general meeting with such Participant and his close associates (or his associates if the participant is a connected person) abstaining from voting, the Company may make a further grant of Options to such Participant (the "Further Grant") notwithstanding that the Further Grant would result in the Shares issued and to be issued upon exercise of all Options granted and to be granted under the Share Option Scheme and other schemes to such Participant (including exercised, cancelled and outstanding Options) in the 12-month period up to and including the date of the Further Grant representing in aggregate over 1% of the Shares in issue from time to time. In relation to the Further Grant, the Company must send a circular to its Shareholders, which discloses the identity of the relevant Participant, the number and the terms of the Options to be granted (and Options previously granted to such Participant under the Share Option Scheme and other schemes) and the information required under the GEM Listing Rules. The number and terms (including the exercise price) of Options which is the subject of the Further Grant shall be fixed before the relevant Shareholders' meeting and the date of meeting of our Board for proposing the Further Grant should be taken as the date of grant for the purpose of calculating the Exercise Price (as defined below).

Where Options are proposed to be granted to a director, chief executive or substantial shareholder of the Company or any of their respective associates, the proposed grant must be approved by the independent non-executive Directors (excluding any independent non-executive Director who is the proposed Participant). If a grant of Options to a substantial shareholder of the Company or an independent non-executive Director, or any of their respective associates will result in the total number of the Shares issued and to be issued upon exercise of the Options granted and to be granted (including Options exercised, cancelled and outstanding) to such person in any 12-month period up to and including the date of the grant (i) representing in aggregate over 0.1% (or such other percentage as may from time to time specified by the Stock Exchange) of the Shares in issue, and (ii) having an aggregate value, based on the closing price of the Shares at the date of the grant, in excess of HK$5 million, then the proposed grant of Options must be approved by the Shareholders on a poll in a general meeting.

4. Price of Shares

The exercise price for the Shares subject to Options will be a price determined by the Board ("Exercise Price") and notified to each Participant and shall be the highest of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the Options, which must be a Trading Day; (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five Trading Days immediately preceding the date of grant of the Options; and (iii) the nominal value of a Share.

5. Maximum number of Shares

The total number of Shares which may be issued upon the exercise of all Options to be granted under the Share Option Scheme and other schemes must not, in aggregate, exceed 10% of the Shares in issue (the "Scheme Mandate Limit") unless approved by the Shareholders pursuant to the terms of the Share Option Scheme. Options lapsed in accordance with the terms of the Share Option Scheme or other scheme will not be counted for the purpose of calculating the Scheme Mandate Limit. On the basis of 480,000,000 Shares in issue, the Scheme Mandate Limit will be equivalent to 48,000,000 Shares, representing 10% of the Shares in issue.

Subject to the approval of Shareholders in general meeting, the Company may renew the Scheme Mandate Limit to the extent that the total number of Shares which may be issued upon exercise of all Options to be granted under the Share Option Scheme and other schemes under the Scheme Mandate Limit as renewed must not exceed 10% of the Shares in issue as at the date of such Shareholders' approval provided that Options previously granted under the Share Option Scheme and other schemes (including those outstanding, cancelled, exercised or lapsed in accordance with the terms thereof) will not be counted for the purpose of calculating the Scheme Mandate Limit as renewed.

The Company may not grant any Options if the number of Shares which may be issued upon exercise of all outstanding Options granted and yet to be exercised under the Share Option Scheme and other schemes in aggregate exceeds 30% of the Shares in issue from time to time.

6. Time of exercise of Option

An Option may be exercised in accordance with the terms of the Share Option Scheme at any time during the applicable option period, provided that, among others, the period within which the Option must be exercised shall not be more than 10 years from the date of the grant of Option. The exercise of an Option may be subject to the achievement of performance target and/or any other conditions to be notified by the Board to each Participant, which the Board may in its absolute discretion determine.

7. Period of Share Option Scheme

The Share Option Scheme will be valid and effective for a period of ten years commencing on 30 May 2016, after which period no further Options may be granted but the provisions of the Share Option Scheme shall remain in full force and effect in all other respects and Options granted during the life of the Share Option Scheme may continue to be exercisable in accordance with their terms of issue.

No share option has been granted since the adoption of the Share Option Scheme and there was no share option outstanding as at 31 December 2017.

INTERESTS IN COMPETING BUSINESS

For the year ended 31 December 2017, 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.

NON-COMPETITION UNDERTAKINGS

Mr. Ho, Asia Matrix and Mr. Ho Kwok Choi (the "Controlling Shareholders"), being the controlling shareholders (as defined under the GEM Listing Rules) of the Company, have given a non-competition undertaking in favour of the Company (the "Non-competition Undertaking"). Each of the Controlling Shareholders has undertaken under the Non-Competition Undertaking that he or it shall provide to the Company from time to time with all information necessary for the annual review by the independent non-executive Directors with regard to compliance of the terms of the Non-Competition Undertaking by the Controlling Shareholders and the enforcement of the Non-Competition Undertaking. Details of the Non-Competition Undertakings have been disclosed in the section headed "Relationship with Controlling Shareholders" of the Prospectus.

Each of the Controlling Shareholders has confirmed his or its compliance with the terms of the Non-Competition Undertaking and the independent non-executive Directors were not aware of any non-compliance of the Non-Competition Undertaking given by the Controlling Shareholders during the year ended 31 December 2017 and up to the date of the annual report.

On 10 October 2017, the Asia Matrix as vendor entered into the sale and purchase agreement with Jimu Group Holdings Limited, in relation to the sale of 350,400,000 Shares, representing 73.00% equity interest in the Company. Mr. Ho, Asia Matrix and Mr. Ho Kwok Choi have ceased to be the Controlling Shareholders accordingly.

BUSINESS ACTIVITIES IN SANCTIONED COUNTRIES

The United States ("US") government and other jurisdictions, including the European Union ("EU"), the United Nations and the Australian government, have comprehensive or broad economic sanctions targeting the Sanctioned Countries. "Sanctioned Countries" are those countries which are the targets of economic sanctions as administered by the U.S., the EU, the United Nations and Australia.

The Board had effectively monitored and evaluated our business exposure to sanctions risk, including (i) the establishment of a risk management committee (the "Risk Management Committee"), comprising Mr. Yan Taotao, Mr. Wen Cyrus Jun-Ming and Mr. Zhang Songyi. The responsibilities of the Risk Management Committee include, among others, monitoring our exposure to sanctions risk and our implementation of the related internal control procedures; (ii) assigned members of our merchandising department and order processing department to review the information relating to our customer(s) or the counterparty(ies) of the contract (including its full name, country of incorporation or registration and country of shipment destination) before entering into any business transaction with any of them. Our designated staff will check the information of our customer(s) or the counterparty(ies) against various lists of restricted parties and countries maintained by the US, the EU, Australia or the United Nations, including, without limitation, any government, individual or entity that is the subject of any OFAC-administered sanctions (the "International Sanctions List"), and determine whether our customer(s) or the counterparty(ies) (i) is/are registered or operate(s) in the Sanctioned Countries; (ii) is/are owned or controlled by a sanctioned person; or (iii) has/have shipment destination which is located in the Sanctioned Countries.

During the year ended 31 December 2017 and up to the date of the annual report, none of our products were sold to any Sanctioned Countries. The Group has not entered into any sanctionable transactions that would or may expose our Group, the Stock Exchange, HKSCC, HKSCC Nominees and our shareholders or investors to any risk of being sanctioned. Also, the Company has not used any of the proceeds from the Placing as well as any other funding raised through the Stock Exchange to finance or facilitate, directly or indirectly, activities or business with, or for the benefit of, the Sanctioned Countries or any other government, individual or entity sanctioned by the US, the EU, Australia or the United Nations, which include, without limitation, any government, individual or entity that is the subject of any OFAC-administered sanction. During the year, the Company has opened and maintained separate bank accounts in licensed banks in Hong Kong which are designated for proceeds from the Placing.

DIRECTORS' EMOLUMENT POLICY

The remuneration committee of the Company was established for reviewing the Group's emolument policy and structure for all remuneration of the Directors and senior management of the Group having regard to the Group's operating results, individual performance and comparable market standard and practices. The Company has adopted a share option scheme as an incentive to the Directors and eligible employees, details of which are set out in the section headed "Share Option Scheme" of this report.

INTERESTS OF 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.

CONNECTED TRANSACTIONS

During the year, the Company had not entered into any connected transaction which is subject to the disclosure requirements under the GEM Listing Rules.

CORPORATE GOVERNANCE

The Company is committed to maintain a high standard of corporate governance. Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 28 to 39.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and to the best knowledge of the Directors, the Company has maintained the prescribed public float under the GEM Listing Rules for the year ended 31 December 2017.

PERMITTED INDEMNITY PROVISION

Pursuant to the Articles of Association of the Company, subject to the applicable laws and regulations, every Director shall be indemnified and secured harmless out of the assets and profits of the Company against all actions, costs, charges, losses, damages and expenses which they or any of them may incur or sustain in or about the execution of their duty in their offices. Such permitted indemnity provision has been in force throughout the year. The Company has arranged appropriate directors' and officers' liability insurance coverage for the directors and officers of the Group.

AUDITOR

The consolidated financial statements for the year ended 31 December 2017 have been audited by Deloitte Touche Tohmatsu. A resolution will be proposed at the forthcoming annual general meeting of the Company to re-appoint Deloitte Touche Tohmatsu as auditor of the Company.

EVENTS AFTER THE REPORTING PERIOD

As from 31 December 2017 to the date of this report, no significant events have occurred.

On behalf of the Board
Mr. Dong Jun
Chairman and Executive Director

Hong Kong, 21 March 2018

CORPORATE GOVERNANCE REPORT

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The corporate governance practices of Jimu Group Limited (the "Company") and its subsidiaries (collectively referred to as 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 ("GEM Listing Rules") Governing the Listing of Securities on the GEM of The Stock Exchange of Hong Kong Limited ("Stock Exchange").

During the year ended 31 December 2017, the Company has complied with all the applicable code provisions of the Code, except for the following deviations:

Pursuant to code provision A.2.1 of the Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. Ho Kin Wai is the chairman and the chief executive officer of our Company prior to 11 December 2017. As Mr. Ho Kin Wai is one of the founders of our Group and has been operating and managing our Group since 2009, the board (the "Board") of directors (the "Directors") believes that it is in the best interest of our Group to have Mr. Ho Kin Wai taking up both roles for effective and efficient management, strategic planning and business development for our Group, notwithstanding that it is a deviation from code provision A.2.1 of the Code.

From 11 December 2017, Mr. Ho Kin Wai has resigned as chairman of the Company and Mr. Dong Jun has been appointed as chairman of the Company. The Company is in compliance with Code Provision A.2.1 since 11 December 2017.

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 was unable to attend the annual general meeting of the Company held on 18 May 2017 due to his 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.

APPOINTMENT, RE-ELECTION AND RETIREMENT OF THE DIRECTORS

In accordance with article 108 of the articles of association (the "Articles") of the Company, at each annual general meeting ("AGM") one-third of the Directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement at an AGM at least once every three years.

In accordance with article 112 of the Articles, any director appointed by the Board either to fill a casual vacancy shall hold office only until the first general meeting of the Company after his appointment and be subject to re-election at such meeting and any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following AGM of the Company and shall then be eligible for re-election.

Pursuant to article 108(a) of the Articles, Mr. Ho Kin Wai, Ms. Long Jingjie, Mr. Wen Cyrus Jun-Ming and Mr. Hon Ping Cho Terence will retire from office as Directors by rotation at the forthcoming AGM, and being eligible, will offer themselves for re-election.

Each of Mr. Dong Jun, Mr. Ho Kin Wai, Mr. Peng Shaoxin, Mr. Yan Taotao and Ms. Long Jingjie being an executive Director, has entered into a service agreement with the Company for a term of three years commencing from 11 December 2017 which may be terminated by either party by giving not less than three months' prior written notice.

Each of Mr. Wen Cyrus Jun-Ming and Mr. Zhang Songyi, being an non-executive Director, has entered into a letter of appointment with the Company for an unfixed term commencing from 11 December 2017 which may be terminated by either party by giving not less than one month's prior written notice.

Each of Mr. Liu Jiangtao, Mr. Guo Zhongyong, Mr. Peng Chuang, Mr. Hon Ping Cho Terence, being an independent non-executive Director, has entered into a letter of appointment with the Company for an unfixed term commencing from 11 December 2017 which may be terminated by either party by giving not less than one month's prior written notice.

No Director proposed for re-election at the AGM has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

MODEL CODE FOR 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 during the year ended 31 December 2017.

CORPORATE GOVERNANCE REPORT

BOARD OF DIRECTORS

The Directors who held office during the year ended 31 December 2017 and as at the date of this report are as follows:

Board of Directors

Executive Directors

Mr. Dong Jun* *(Chairman)*
Mr. Ho Kin Wai *(Chief Executive Officer)*
Mr. Peng Shaoxin*
Mr. Yan Taotao*
Ms. Long Jingjie*
Mr. Ho Kin Pong#

Non-Executive Directors

Mr. Wen Cyrus Jun-Ming*
Mr. Zhang Songyi*

Independent Non-Executive Directors

Mr. Liu Jiangtao*
Mr. Guo Zhongyong*
Mr. Peng Chuang*
Mr. Hon Ping Cho Terence*
Mr. Yuen Poi Lam William#
Mr. Lu Tak Ming#
Mr. Liu Chun Kit#

* *appointed on 11 December 2017*

\# *resigned on 11 December 2017*

The brief biographic details of the Directors are set out in the section headed "Biographies of Directors and Senior Management" on pages 40 to 44 of the annual report.

The Company has complied with the requirements under Rule 5.05(1) and (2), and 5.05A of the GEM Listing Rules during the year ended 31 December 2017. All independent non-executive Directors also meet the guidelines for assessment of their independence as set out in Rule 5.09 of the GEM Listing Rules.

FUNCTIONS OF THE BOARD

The Board supervises the management of the business and affairs of the Company. The Board's primary duty is to ensure the viability of the Company and to ensure that it is managed in the best interests of the Shareholders as a whole while taking into account the interests of other stakeholders. The management is delegated with the authority and responsibility by the Board for the management and administration of the Group. The Group has adopted internal guidelines in setting forth matters that require the Board's approval. Apart from its statutory responsibilities, the Board approves the Group's strategic plan, key operational initiatives, major investments and funding decisions. It also reviews the Group's financial performance, identifies principal risks of the Group's business and ensures implementation of appropriate systems to manage these risks. Daily business operations and administrative functions of the Group are delegated to the management.

The Board is also delegated with the corporate governance functions under code provision D.3.1 of the Code. The Board has reviewed and discussed the corporate governance policy of the Group and is satisfied with the effectiveness of the corporate governance policy.

BOARD MEETINGS AND PROCEDURES

Board members were provided with complete, adequate and timely information to allow them to fulfill their duties properly. In compliance with code provision A.1.3 of the Code, at least 14 days' notice has been given for a regular Board meeting to give all Directors an opportunity to attend. Notice, agenda and board papers of regular Board meetings are sent to all Directors within reasonable time and at least 3 days prior to the meetings. Directors are free to contribute and share their views at meetings and major decisions will only be taken after deliberation at Board meetings. Directors who are considered having conflict of interests or material interests in the proposed transactions or issues to be discussed will not be counted in the quorum of meeting and will abstain from voting on the relevant resolutions. Full minutes are prepared after the meetings and the draft minutes are sent to all Directors for their comments before the final version of which are endorsed in the subsequent Board meeting.

Details of the attendance of the Board meetings, audit committee (the "Audit Committee") meetings, remuneration committee (the "Remuneration Committee") meetings, nomination committee (the "Nomination Committee") meetings, risk management committee (the "Risk Management Committee") meetings and general meetings of the Company held during the year ended 31 December 2017 are summarized as follows:

	Board meeting	Audit Committee meeting	Remuneration Committee meeting	Nomination Committee meeting	Risk Management Committee meeting	General meeting
Executive Directors						
Mr. Dong Jun*	0/0	N/A	N/A	0/0	N/A	0/0
Mr. Ho Kin Wai	15/15	N/A	1/1	1/1	1/1	1/1
Mr. Peng Shaoxin*	0/0	N/A	0/0	N/A	N/A	0/0
Mr. Yan Taotao*	0/0	N/A	N/A	N/A	0/0	0/0
Ms. Long Jingjie*	0/0	N/A	N/A	N/A	N/A	0/0
Mr. Ho Kin Pong#	14/15	N/A	N/A	N/A	1/1	1/1
Non-executive Directors						
Mr. Wen Cyrus Jun-Ming*	0/0	N/A	N/A	N/A	0/0	0/0
Mr. Zhang Songyi*	0/0	N/A	N/A	N/A	0/0	0/0
Independent Non-executive Directors						
Mr. Liu Jiangtao*	0/0	0/0	0/0	N/A	N/A	0/0
Mr. Guo Zhongyong*	0/0	0/0	N/A	0/0	N/A	0/0
Mr. Peng Chuang*	0/0	0/0	N/A	0/0	N/A	0/0
Mr. Hon Ping Cho Terence*	0/0	0/0	0/0	N/A	N/A	0/0
Mr. Yuen Poi Lam William#	12/15	4/4	1/1	N/A	1/1	1/1
Mr. Lu Tak Ming#	13/15	3/4	N/A	1/1	N/A	0/1
Mr. Liu Chun Kit#	14/15	4/4	1/1	1/1	N/A	1/1

* *appointed on 11 December 2017*

\# *resigned on 11 December 2017*

BOARD COMMITTEES

The Board has established specific committees, namely the Audit Committee, the Remuneration Committee, the Nomination Committee and the Risk Management Committee to oversee particular aspects of the Company's affairs. The Board committees are provided with sufficient resources to discharge their duties.

The written terms of reference of the Audit Committee, the Remuneration Committee and the Nomination Committee are posted on the respective websites of the Stock Exchange and the Company.

AUDIT COMMITTEE

The Company established the Audit Committee on 11 May 2016 with written terms of reference in compliance with the code provisions of the 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.

Before 11 December 2017, the Audit Committee consists of three members, namely Mr. Yuen Poi Lam William (Chairman), Mr. Lu Tak Ming and Mr. Liu Chun Kit, being independent non-executive Directors (the "Old Audit Committee"). The Old Audit Committee had reviewed the first quarterly results of the Group for the three months ended 31 March 2017, the interim results of the Group for the six months ended 30 June 2017 and the third quarterly results of the Group for the nine months ended 30 September 2017. Since 11 December 2017, the Audit Committee consists of four members, namely Mr. Hon Ping Cho Terence (Chairman), Mr. Liu Jiangtao, Mr. Guo Zhongyong and Mr. Peng Chuang, being independent non-executive Directors (the "New Audit Committee"). The Group's final results for the year ended 31 December 2017 had been reviewed by the New Audit Committee 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 Old Audit Committee held 4 meetings during the year ended 31 December 2017. Details of the attendance of the Old Audit Committee meetings are set out above.

REMUNERATION COMMITTEE

The Company established the Remuneration Committee on 11 May 2016 with written terms of reference in compliance with the code provisions of the Code. The primary duties of the Remuneration Committee are to make recommendation to the Board on the overall remuneration policy and structure relating to all Directors and senior management of our Group; review performance based remuneration; and ensure none of our Directors determine their own remuneration.

Before 11 December 2017, the Remuneration Committee consists of three members, namely, Mr. Liu Chun Kit (Chairman), Mr. Yuen Poi Lam William, being independent non-executive Directors, and Mr. Ho Kin Wai, an executive Director (the "Old Remuneration Committee"). Since 11 December 2017, the Remuneration Committee consists of three members, namely Mr. Liu Jiangtao (Chairman), Mr. Hon Ping Cho Terence, being independent non-executive Directors, and Mr. Peng Shaoxin, an executive Director (the "New Remuneration Committee"). The majority of the members of the Remuneration Committee are independent non-executive Directors. The remuneration of the Directors was determined with reference to, among other things, market level of salaries paid by comparable companies, the respective responsibilities of the Directors and the performance of the Group. The Remuneration Committee makes recommendations to the Board on remuneration packages of individual executive Directors and the members of senior management.

The Old Remuneration Committee held 1 meeting during the year ended 31 December 2017. Details of the attendance of the Old Remuneration Committee meetings are set out above.

At the meeting, the Old Remuneration Committee had reviewed the remuneration packages and performance of the Directors and the senior management during the year ended 31 December 2017.

NOMINATION COMMITTEE

The Company established the Nomination Committee on 11 May 2016 with written terms of reference in compliance with the code provisions of the Code. The primary duties of the Nomination Committee are to review the structure, size and composition of the Board on regular basis; identify individuals suitably qualified to become Board members; assess the independence of independent non-executive Directors; and make recommendations to the Board on relevant matters relating to the appointment or re-appointment of Directors.

Before 11 December 2017, the Nomination Committee consists of three members, namely, Mr. Ho Kin Wai (Chairman), an executive Director, Mr. Lu Tak Ming and Mr. Liu Chun Kit, being independent non-executive Directors (the "Old Nomination Committee"). Since 11 December 2017, the Nomination Committee consists of three members, namely, Mr. Dong Jun (Chairman), an executive Director, Mr. Guo Zhongyong and Mr. Peng Chuang, being independent non-executive Directors (the "New Nomination Committee"). The majority of the members of the Nomination Committee are independent non-executive Directors.

The Old Nomination Committee held 1 meeting during the year ended 31 December 2017. Details of the attendance of the Old Nomination Committee meeting are set out above.

At the meeting, the Old Nomination Committee had reviewed the structure, size and composition of the Board, assessed the independence of the independent non-executive Directors, reviewed the qualifications of the Directors, the progress on the implementation of the board diversity policy and other related matters of the Company.

RISK MANAGEMENT COMMITTEE

The Company established the Risk Management Committee on 11 May 2016. The primary duties of the Risk Management Committee are to review the Company's risk management policies and monitor the Company's exposure to sanctions law risks and our implementation of the related internal control procedures.

Before 11 December 2017, the Risk Management Committee consists of three members, namely Mr. Ho Kin Wai (Chairman) and Mr. Ho Kin Pong, being executive Directors and Mr. Yuen Poi Lam William, an independent non-executive Director (the "Old Risk Management Committee"). Since 11 December 2017, the Risk Management Committee comprises of three members, namely Mr. Yan Taotao (Chairman), an executive Director, Mr. Wen Cyrus Jun-Ming and Mr. Zhang Songyi, being non-executive Directors (the "New Risk Management Committee").

The Old Risk Management Committee held 1 meeting during the year ended 31 December 2017. Details of the attendance of the Old Risk Management Committee meeting are set out above.

At the meeting, the Old Risk Management Committee had reviewed and discussed the scope of internal control review and the appointment of an internal control consultant of the Group for the year ended 31 December 2017.

DIVERSITY OF THE BOARD

The Group has adopted policy in relation to the diversity of the members of the Board and the summary of the policy is as follows:

(1) selection of Board members will be based on a range of diversity perspectives, which would include but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service; and

(2) the Nomination Committee will monitor the implementation of the diversity policy from time to time to ensure the effectiveness of the diversity policy.

INDEPENDENT NON-EXECUTIVE DIRECTORS

All independent non-executive Directors have been appointed for an unfixed term. Every Director is subject to re-election on retirement by rotation in accordance with the articles of association of the Company. The Company has received from each of the independent non-executive Directors an annual confirmation of independence pursuant to Rule 5.09 of the GEM Listing Rules and considers the independent non-executive Directors to be independent as at the date of the annual report.

DIRECTORS' INDUCTION AND CONTINUING PROFESSIONAL DEVELOPMENT

Each newly appointed Director receives a formal, comprehensive and tailored induction on the first occasion of his appointment to ensure that he has a proper understanding of the Company's operations and business and is fully aware of the director's responsibilities under the statues and common law, the GEM Listing Rules, legal and other regulatory requirements and the Company's business and governance policies. The Directors had attended training sessions on obligations, duties and responsibilities of directors conducted by the Company's Hong Kong legal advisers.

The Company will from time to time provide briefings to all Directors to refresh their duties and responsibilities. All Directors are also encouraged to attend relevant training courses at the Company's expense and they have been requested to provide the Company with their training records. According to the training records maintained by the Company, the trainings received by each of the Directors (including directors' induction training) up to 31 December 2017 are summarised as follows:

Name of Directors	Type of trainings
Mr. Dong Jun*	B
Mr. Ho Kin Wai	A, B
Mr. Peng Shaoxin*	A, B
Mr. Yan Taotao*	A, B
Ms. Long Jingjie*	B
Mr. Ho Kin Pong#	A, B
Mr. Wen Cyrus Jun-Ming*	A, B
Mr. Zhang Songyi*	A, B
Mr. Liu Jiangtao*	A, B
Mr. Guo Zhongyong*	A, B
Mr. Peng Chuang*	A, B
Mr. Hon Ping Cho Terence*	A, B
Mr. Yuen Poi Lam William#	A, B
Mr. Lu Tak Ming#	A, B
Mr. Liu Chun Kit#	A, B

A: attending seminars/conferences/forums

B: reading newspapers, journals and updates relating to the economy, general business, corporate governance and directors' duties and responsibilities

* *appointed on 11 December 2017*

\# *resigned on 11 December 2017*

COMPANY SECRETARY

Ms. Wong Po Ling, Pauline has been engaged and appointed by the Company from an external service provider, as its company secretary of the Company since December 2017. Its primary contact person at the Company is Mr. Lui Siu Man, Matthew, financial controller of the Company. In accordance with Rule 5.15 of the GEM Listing Rules, Ms. Wong has taken no less than 15 hours of relevant professional training during the year ended 31 December 2017.

All Directors have access to the advice and services of the company secretary. The company secretary reports to the Chairman on board governance matters, and are responsible for ensuring that board procedures are followed, and for facilitating communications among Directors as well as with shareholders of the Company (the "Shareholders") and management.

SENIOR MANAGEMENT'S AND MANAGEMENT'S REMUNERATION

The senior management's and management's remuneration payment of the Group during the year ended 31 December 2017 falls within the following bands:

	Number of individuals
HK$1,000,000 or below	2
HK$1,000,001 to HK$1,500,000	2
HK$1,500,001 to HK$2,000,000	1

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors are responsible for the preparation of the consolidated financial statements of the Group for each financial period to give a true and fair view of the state of affairs of the Group and of the results and cash flows for that period in accordance with accounting principles generally accepted in Hong Kong. The statement by the auditor of the Company about its responsibilities for the financial statements is set out in the independent auditor's report contained in the annual report. The Directors adopt the going concern approach in preparing the consolidated financial statements and are not aware of any material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

EXTERNAL AUDITOR'S REMUNERATION

The Company engaged Deloitte Touche Tohmatsu as its principal auditor for the year ended 31 December 2017. There was no disagreement between the Board and the Audit Committee on the selection, appointment, resignation or dismissal of the principal auditor. During the year ended 31 December 2017, the fee payable to Deloitte Touche Tohmatsu in respect of its statutory audit services provided to the Group was HK$1,810,000. The principal auditor of the Company also provided non-audit services in the sum of HK$550,000, Non-audit services mainly included interim review of HK$300,000, review of indebtedness of HK$160,000 and others of HK$90,000.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledges that it is its duty to monitor the risk management and internal control systems of the Group on an ongoing basis and review their effectiveness. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

During the year ended 31 December 2017, the Board, through the Risk Management Committee, conducted review of both design and implementation effectiveness of the risk management and internal control systems of the Group, covering all material controls, including financial, operational and compliance controls, with a view to ensuring that resources, staff qualifications and experience, training programmes and budget of the Group's accounting, internal audit and financial reporting functions are adequate. In this respect, the Risk Management Committee communicates any material issues to the Board.

During the year ended 31 December 2017, the Group appointed Baker Tilly Hong Kong Risk Assurance Limited ("Baker Tilly") to:

1. assist in identifying and assessing the risks of the Group through a series of workshops and interviews; and

2. independently perform internal control review and assess effectiveness of the Group's risk management and internal control systems.

The results of the independent review and assessment were reported to the Risk Management Committee and the Board. Moreover, improvements in internal control and risk management measures as recommended by Baker Tilly to enhance the risk management and internal control systems of the Group and mitigate risks of the Group were adopted by the Board. Based on the findings and recommendations of Baker Tilly as well as the comments of the Risk Management Committee, the Board considered the internal control and risk management systems effective and adequate.

Our Enterprise Risk Management Framework

The Company established its enterprise risk management framework in 2016. While the Board has the overall responsibility to ensure that sound and effective internal controls are maintained, management is responsible for designing and implementing an internal control system to manage all kinds of risks faced by the Group.

Through the risk identification and assessment processes, risks are identified, assessed, prioritized and allocated treatments. Our risk management framework follows the COSO Enterprise Risk Management – Integrated Framework, which allows the Board and management to manage the risks of the Group effectively. The Board receives regular reports through the Risk Management Committee that oversights risk management and internal audit functions.

Our Risk Control Mechanism

The Group adopts a "three lines of defence" corporate governance structure with operational management and controls performed by operations management, coupled with risk management monitoring carried out by the finance and compliance team and independent internal audit outsourced to and conducted by Baker Tilly. The Group maintains a risk register to keep track of all identified major risks of the Group. The risk register provides the Board, the Risk Management Committee, and management with a profile of its major risks and records management's action taken to mitigate the relevant risks. Each risk is evaluated at least annually based on its likelihood of occurrence and potential impact upon the Group. The risk register is updated by management as the risk owners with addition of new risks and/or removal of existing risks, if applicable, at least annually, after the annual risk evaluation has been performed. This review process can ensure that the Group proactively manages the risks faced by it in the sense that all risk owners have access to the risk register and are aware of and alert to those risks in their area of responsibility so that they can take follow-up action in an efficient manner.

Our risk management activities are performed by management on an ongoing process. The effectiveness of our risk management framework will be evaluated at least annually, and periodic management meeting is held to update the progress of risk monitoring efforts. Management is committed to ensuring that risk management forms part of the daily business operation processes in order to align risk management with corporate goals in an effective manner.

The Company will continue to engage external independent professionals to review the Group's system of internal controls and risk management annually and further enhance the Group's internal control and risk management systems as appropriate.

There is currently no internal audit function within the Group. The directors have reviewed the need for an internal audit function and are of the view that in light of the size, nature and complexity of the business of the Group, it would be more cost effective to appoint external independent professionals to perform internal audit function for the Group in order to meet its needs. Nevertheless, the directors will continue to review at least annually the need for an internal audit function.

THE SHAREHOLDERS' RIGHTS TO CONVENE AN EXTRAORDINARY GENERAL MEETING

Pursuant to article 64 of the Articles, extraordinary general meetings shall be convened on the requisition of one or more Shareholders holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Board or the company secretary of the Company for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within 2 months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner.

COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

In order to keep Shareholders well informed of the business activities and direction of the Group, information about the Group has been provided to the Shareholders through financial reports and announcements. The Company has established its own corporate website (jimugroup.hk) as a channel to facilitate effective communication with its Shareholders and the public. The Company will continue to enhance communications and relationships with its Shareholders and investors. A shareholders communication policy was adopted on 11 May 2016 to comply with code provision E.1.4 of the Code.

Shareholders, investors and interested parties can make enquiries directly to the Company through the following e-mail: enquiry@esmart.hk.

PROCEDURES FOR DIRECTING SHAREHOLDERS' ENQUIRIES TO THE BOARD

Shareholders may at any time send their enquiries and concerns to the Board in writing. Contact details are as follows:

Jimu Group Limited

Address:	Suite 2207, 22/F, Prudential Tower, The Gateway, Harbour City, Kowloon, Hong Kong
Tel:	(852) 2789-3123
Fax:	(852) 2789-3991
E-mail:	enquiry@esmart.hk

Shareholders' enquiries and concerns will be forwarded to the Board and/or relevant committees of the Board, where appropriate, to answer the Shareholders' questions.

PROCEDURES FOR PUTTING FORWARD PROPOSALS AT GENERAL MEETINGS BY SHAREHOLDERS

Pursuant to article 113 of the Articles, no person (other than a retiring Director) shall be eligible for election to the office of Director at any general meeting unless a notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected shall have been lodged at the head office or at the office of the branch share registrar and transfer office of the Company in Hong Kong no earlier than the day after the despatch of the notice of the general meeting appointed for such election and end no later than 7 days prior to the date of such general meeting and the minimum length of the period during which such notices to the Company may be given will be at least 7 days. The procedures for Shareholders to propose a person for election as a Director is posted on the website of the Company.

SIGNIFICANT CHANGES IN CONSTITUTIONAL DOCUMENTS

There had been no significant changes in the constitutional documents of the Company during the year ended 31 December 2017.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Executive Directors

Mr. Dong Jun（董駿）
Executive Director and Chairman

Mr. Dong, aged 40, was appointed as an executive Director and the chairman of the Company on 11 December 2017. Mr. Dong is the founder and the chief executive officer of Jimu Holdings Limited (previously known as Pintec Holdings Limited) ("JIMU HOLDINGS"). Mr. Dong has 13 years of financial services and capital market experience. He previously served as a bond trader and fixed income portfolio manager at the New York Branch of Bank Hapoalim. Mr. Dong holds a bachelor degree from Yunnan University, a Master of Business Administration degree from the University of Connecticut, and an Executive Master of Business Administration degree from the China Europe International Business School (CEIBS). He is a Chief Financial Analyst Charterholder and holds Certified Management Accountants and Certified Financial Manager designations. Mr. Dong is a director of Jimu Times Limited ("JIMUTIMES"), which owns 85% of the issued share capital of Jimu Group Holdings Limited ("JIMUGROUP"), the controlling shareholder of the Company. He is also a director of JIMU, which is the 100% parent company of JIMUTIMES.

Mr. Ho Kin Wai（何建偉）
Executive Director and Chief Executive Officer

Mr. Ho, aged 42, is one of the founder of the Group and was appointed as director of the Company (the "Director") on 6 February 2015. He was then redesignated as an executive Director and appointed as the chairman and chief executive officer of the Company on 18 September 2015 and ceased to be the chairman of the Company with effect from 11 December 2017. Mr. Ho is responsible for the overall business development, sales, strategic planning and major decision-making of the Group.

Mr. Ho obtained a bachelor of science in management in August 1999 from Royal Holloway and Bedford New College, University of London in the UK (currently known as Royal Holloway, University of London) and a master of science in interactive multimedia in June 2001 from Middlesex University in the UK.

Mr. Ho has over 12 years of experience in the footwear industry. He has been a director of Ever Smart International Enterprise Limited, a wholly-owned subsidiary of the Company, since January 2009. Prior to joining the Group, he served as senior merchandiser of Betastar Trading Limited from July 2003 to January 2009, the principal business of which is trading of children's footwear, responsible for sourcing footwear manufacturers, developing footwear, and handling and monitoring order process. Mr. Ho is also currently an independent non-executive director of Lapco Holdings Limited (stock code: 8472) from 24 June 2017.

Mr. Peng Shaoxin（彭少新）
Executive Director

Mr. Peng, aged 44, was appointed as an executive Director on 11 December 2017. Mr. Peng has more than 10 years of experience in commercial banking and micro-credit management. He previously worked for the Chinese Academy of Social Sciences as an official in its Funding the Poor Cooperative project, was a regional manager in Zhong An Credit's IPC micro-lending business unit, and was the sales department head of Sunshine Insurance Group's credit insurance division. Mr. Peng, who joined JIMU HOLDINGS in 2014, holds a bachelor's degree in Mathematics from the Xiamen University and an MBA from the University of Staffordshire in the United Kingdom. He has the Financial Risk Manager (FRM) certification offered by the Global Association of Risk Professionals (GARP).

Mr. Yan Taotao（閆陶陶）
Executive Director

Mr. Yan, aged 38, was appointed as an executive Director on 11 December 2017. Mr. Yan recently joined JIMU HOLDINGS group and is currently serving as its Chief Risk Officer. He has close to 15 years of experience at various financial institutions, focusing on Risk Management and Analytics. In 2004, Mr. Yan joined Capital One and was responsible for creating and maintaining various Valuation and Risk models. In 2015, he joined HSBC Asia Pacific Regional team where he led Asia Pacific Risk Strategy Analytics team and was responsible for creating and overseeing the Risk Tier framework, covering HSBC Asia Retail Portfolio. Mr. Yan received his dual bachelor degree in Computer Science and Economics from Cornell University.

Ms. Long Jingjie（龍晶潔）
Executive Director

Ms. Long, aged 32, was appointed as an executive Director on 11 December 2017. Ms. Long is currently the vice president of strategy at 北京積木時代信息諮詢有限公司 (Beijing Jimu Times Information Consulting Co., Ltd.), a member of the JIMU HOLDINGS group. She was previously at The Boston Consulting Group where she worked on various projects advising financial institutions, including banks, credit card centers, private equities and micro-lenders. After joining JIMU HOLDINGS in 2014, she has been responsible for strategy, capital market and innovative businesses. Ms. Long holds a Master of Business Administration from Yale University and a bachelor's degree from Beihang University. She is a director of JIMUGROUP.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Non-executive Directors

Mr. Wen Cyrus Jun-Ming (聞俊銘)
Non-Executive Director

Mr. Wen, aged 32, was appointed as a non-executive Director on 11 December 2017. Mr. Wen is a partner of STI Asset Management Limited and joined the company since 2012. He is responsible for the sourcing, evaluating, structuring, executing, monitoring and divesting of the company's businesses and investments. He is a non-executive director of Fresh Express Delivery Holdings Group Co., Limited (Stock Code: 1175) since 8 December 2016. He was a non-executive director of Sanai Health Industry Group Company Limited (formerly known as Wuyi International Pharmaceutical Company Limited) (Stock Code: 1889) for the period from 15 June 2015 to 3 March 2016. Prior to joining STI Financial Group, he worked at various financial service companies, such as VMS Investment Group, Kazakhstan Hong Kong Development Fund, and Citigroup during the period from August 2008 to November 2012. He has around 10 years of experience in the financial service industry.

Mr. Wen obtained a bachelor of science degree in business administration from Washington University in St. Louis in United States in May 2008. He is a responsible officer of STI Asset Management Limited with license to carry on type 1 (dealing in securities), type 4 (advising on securities) and type 9 (asset management) regulated activities under the SFO.

Mr. Zhang Songyi (張頌義)
Non-Executive Director

Mr. Zhang, aged 62, was appointed as a non-executive Director on 11 December 2017. Mr. Zhang currently serves in management and board capacities in several companies, including acting as the chairman of Mandra Capital and a director of SINA Corporation and Athenex, Inc., companies listed on the NASDAQ Stock Market. In addition, he is currently an independent non-executive director of each of China Longyuan Power Group Corporation Limited and China Renewable Energy Investment Limited, the shares of which are listed on the Stock Exchange. Prior to founding Mandra Capital, Mr. Zhang served as a managing director of Morgan Stanley. He obtained a Juris Doctor degree from Yale University in 1985.

Independent non-executive Directors

Mr. Liu Jiangtao (劉江濤)
Independent Non-Executive Director

Mr. Liu, aged 39, was appointed as an independent non-executive Director on 11 December 2017. Mr. Liu is the chairman and CEO of Hna-Caissa Travel Group, a public company (SZ. 000796).

Mr. Guo Zhonyong（郭忠勇）
Independent Non-Executive Director

Mr. Guo, aged 47, was appointed as an independent non-executive Director on 11 December 2017. Mr. Guo is Chief Investment Officer at Asia Capital Reinsurance Group ("ACR") in Singapore. Before joining ACR in 2008, he was with XL Capital Group in New York, where he was responsible for structuring and executing asset-backed transactions and investments, focusing on Asia Pacific-Rim. Prior to that, he was with Swiss Re Group in Zurich, London and Hong Kong. Mr. Guo holds an MBA from Columbia University, New York, and a Master in Economics from Shanghai University of Finance & Economics. He is a CFA Charterholder.

Mr. Peng Chuang（彭創）
Independent Non-Executive Director

Mr. C Peng, aged 32, was appointed as an independent non-executive Director on 11 December 2017. Mr. C Peng is currently the managing partner at Beijing Hongtai Tongchuang Investment Management Co., Ltd. He was formerly at the Hillhouse Capital Group, and served as partner for Crystal Stream, a VC arm of Hillhouse Capital. Mr. C Peng holds a Master of Business Administration from Yale University and a bachelor's degree from Peking University.

Mr. Hon Ping Cho, Terence（韓炳祖）
Independent Non-Executive Director

Mr. Hon, aged 58, was appointed as an independent non-executive Director on 11 December 2017. Mr. Hon is currently chief financial officer and company secretary of DTXS Silk Road Investment Holdings Company Limited (Stock Code: 620) ("DTXS") since 2 June 2016 and 30 November 2016, respectively. He is also an independent non-executive director of Xiabuxiabu Catering Management (China) Holdings Co., Ltd. (Stock Code: 520) since 28 November 2014. Prior to joining DTXS, from 1996 to 2016, Mr. Hon was appointed as chief financial officer/group finance director at Auto Italia Holdings Limited, China Dongxiang (Group) Co., Ltd., Ka Wah Materials (HK) Limited, TOM Group Limited and Ng Fung Hong Limited, all of which are/were listed on the Stock Exchange. Before moving into commercial sector, he worked with KPMG, an international accounting firm. Mr. Hon is a fellow member of the Association of Chartered Certified Accountants, a member of the Hong Kong Institute of Certified Public Accountants and a member of the Institute of Chartered Accountants in England and Wales. He obtained a Master's degree in Business Administration (Financial Services) from The Hong Kong Polytechnic University.

COMPANY SECRETARY

Ms. Wong Po Ling, Pauline（王寶玲）

Ms. Wong Po Ling, Pauline, aged 39, obtained a bachelor's degree in accountancy and a master's degree in corporate governance from The Hong Kong Polytechnic University. She is a member of the Hong Kong Institute of Certified Public Accountants and the Institute of Chartered Accountants in England and Wales. She is also a member of the Institute of Chartered Secretaries and Administrator and the Hong Kong Institute of Chartered Secretaries. Ms. Wong has more than 15 years of experience in financial management, mergers and acquisitions and corporate governance matters.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

Mr. Lui Siu Man, Matthew（呂少文）
Financial Controller

Mr. Matthew Lui, aged 35, is financial controller of the Company, where he oversees the Group's financial control function.

Mr. Lui has extensive experience in the financial services industry, particularly with regard to financial management, internal control, taxation and other related functions. He joined the Company in Feb 2018. Prior to joining the Company, Mr. Lui worked at Huarong International Financial Holdings Limited (Stock Code: 993), South China Financial Holdings Limited (Stock Code: 619), China Xin Yongan Futures Company Limited covering investment banking, brokerage, private equities and project finance services. Prior to that, he was an assistant manager in KPMG responsible for providing financial audit.

Mr. Lui received a Bachelor's degree in Accounting from City University of Hong Kong. He is a member of the Hong Kong Institute of Certified Public Accountants.

Mr. Ho Kin Pong（何建邦）
Sales Director of Ever Smart International Enterprise Limited

Mr. Ho, aged 34, joined the Company as an executive Director in September 2015 and resigned in December 2017. He was redesignated as Sales Director of Ever Smart International Enterprise Limited ("Ever Smart"), a wholly-owned subsidiary of the Group, after the reassignment of management functions in December 2017. He is primarily responsible for the sales and merchandising of footwear and customer relationship of the Group.

Mr. Ho obtained a bachelor of arts in economics in June 2005 from the University of Stirling in the UK. Mr. Ho has approximately 8 years of experience in leather trading business. Prior to joining the Group, he was a senior sales manager of Edward Wong & Company Limited, which is principally engaged in international trade of leather and textile, responsible for sales of leather. He is the younger brother of Mr. Ho Kin Wai.

Ms. Tam Ching Han（譚靜嫻）
Merchandising Manager of Ever Smart International Enterprise Limited

Ms. Tam, aged 43, has been merchandising manager of Ever Smart since August 2012. She is responsible for merchandising of footwear and customer relationship of the Group.

Ms. Tam obtained a bachelor of arts in information system from the City University of Hong Kong in December 1996. Ms. Tam has over 19 years of experience in sales and merchandising of footwear industry. Prior to joining the Group, she worked as a sales manager of Betastar, from November 1996 to July 2012, and she was responsible for sourcing footwear manufacturers, developing footwear, and handling and monitoring the order process.

TO THE SHAREHOLDERS OF
JIMU GROUP LIMITED (FORMERLY KNOWN AS EVER SMART INTERNATIONAL HOLDINGS LIMITED)
(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Jimu Group Limited (formerly known as Ever Smart International Holdings Limited) (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 51 to 97, which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Revenue recognition	
We identified revenue recognition, regarding whether sales transactions have occurred, as a key audit matter due to its significance to the consolidated financial statements. For the year ended 31 December 2017, revenue from sales of footwear amounted to HK$236,732,000 which has contributed gross profit of HK$25,472,000 to the Group for the year. The Group is engaged in design, development, sourcing, marketing and sales of footwear. Revenue from sales of goods is recognised when significant risks and rewards of ownership of goods are transferred to the customers upon delivery on board the vessel. The accounting policy for revenue is outlined in note 3 to the consolidated financial statements.	Our procedures in relation to the occurrence of sales transactions included: – Testing the key controls of the Group's revenue recognition and contract terms, on a sample basis, to evaluate whether the Group's accounting policy on revenue recognition has been consistently applied; – Performing test of details, on a sample basis, by tracing to supporting documents including bills of lading, invoices, packing list and purchase orders of the sales transactions and agreeing their details; and – Applying analytical procedures on revenue to identify any material fluctuation of revenue throughout the year which may indicate an overstatement of revenue.

Key audit matter	How our audit addressed the key audit matter
Estimated impairment loss of trade receivables	
We identified the estimated impairment loss of trade receivables as a key audit matter due to the use of judgement exercised by the Group's management in estimating the recoverability of trade receivables. Management estimated impairment losses for trade receivables by considering the credit history including default or delay in payments, settlement records, subsequent settlements and ageing analysis of the trade receivables. Refer to note 4 "Key sources of estimation uncertainty" and note 16 "Trade and other receivables, prepayments and deposits" to the consolidated financial statements. The trade receivables amounted to approximately HK$45,246,000 as at 31 December 2017, net of an allowance amount of approximately HK$262,000 on trade receivables as at 31 December 2017.	Our procedures in relation to estimated impairment loss for trade receivables included: – Obtaining an understanding and evaluating the management's assessment of estimated impairment loss; – Evaluating the historical accuracy of the allowance estimation by the management by comparing historical allowance made to the actual settlement and actual loss incurred and tracing, on a sample basis, to the source documents; – Obtaining an understanding and testing, on a sample basis, the key controls in relation to credit controls and preparation of ageing analysis of trade receivables; – Testing the ageing analysis and subsequent settlements of trade receivables, on a sample basis, to the source documents; – Discussing with the management and evaluating the basis of trade receivables without/with little subsequent settlements during the year or subsequent to the end of the reporting period as identified by the management and their assessment on the recoverability of trade receivables; and – Assessing the reasonableness of impairment loss for trade receivables with reference to the credit history including default or delay in payments, settlement records, subsequent settlements and ageing analysis of trade receivables.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in the independent auditor's report is Lee Ka Kei.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
21 March 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2017

	NOTES	2017 HK$'000	2016 HK$'000
Revenue	5	**236,732**	241,389
Cost of sales		**(211,260)**	(216,804)
Gross profit		**25,472**	24,585
Other income	6	**3,017**	6,658
Other expenses	7	**(2,840)**	(4,438)
Other gains and losses	8	**(1,359)**	(212)
Selling and distribution expenses		**(11,025)**	(10,237)
Administrative expenses		**(21,071)**	(19,177)
Listing expenses		**–**	(9,263)
Finance costs	9	**(1,018)**	(925)
Loss before taxation		**(8,824)**	(13,009)
Income tax expense	10	**(185)**	(662)
Loss for the year	11	**(9,009)**	(13,671)
Other comprehensive (expense) income			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**(41)**	108
Total comprehensive expense for the year		**(9,050)**	(13,563)
Loss per share			
– basic (HK cents)	14	**(1.88)**	(3.17)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2017

	NOTES	2017 HK$'000	2016 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	15	**5,372**	2,451
Rental deposits		**561**	113
		5,933	2,564
CURRENT ASSETS			
Trade and other receivables, prepayments and deposits	16	**52,643**	43,116
Tax recoverable		**–**	3,205
Pledged bank deposits	17	**15,161**	18,148
Bank balances and cash	17	**45,512**	49,175
		113,316	113,644
CURRENT LIABILITIES			
Trade and other payables	18	**42,938**	23,629
Tax payable		**173**	370
Bank borrowings – due within one year	19	**31,268**	38,136
		74,379	62,135
NET CURRENT ASSETS		**38,937**	51,509
TOTAL ASSETS LESS CURRENT LIABILITIES		**44,870**	54,073
NON-CURRENT LIABILITY			
Bank borrowings – due after one year	19	**–**	153
NET ASSETS		**44,870**	53,920
CAPITAL AND RESERVES			
Share capital	21	**4,800**	4,800
Reserves		**40,070**	49,120
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		**44,870**	53,920

The consolidated financial statements on pages 51 to 97 were approved and authorised for issue by the board of directors on 21 March 2018 and are signed on its behalf by:

DONG JUN
DIRECTOR

HO KIN WAI
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2017

	Attributable to owners of the Company					
	Share capital HK$'000	**Share premium** HK$'000	**Translation reserve** HK$'000	**Capital reserve** HK$'000	**Retained profits (accumulated losses)** HK$'000	**Total** HK$'000
At 1 January 2016	–	–	201	(67)	15,632	15,766
Exchange differences arising on the translation of foreign operations	–	–	108	–	–	108
Loss for the year	–	–	–	–	(13,671)	(13,671)
Total comprehensive income (expense) for the year	–	–	108	–	(13,671)	(13,563)
Issue of new shares	1,200	58,800	–	–	–	60,000
Issue of shares by capitalisation of share premium account	3,600	(3,600)	–	–	–	–
Transaction costs attributable to issue of new shares	–	(8,283)	–	–	–	(8,283)
At 31 December 2016	4,800	46,917	309	(67)	1,961	53,920
Exchange differences arising on the translation of foreign operations	–	–	(41)	–	–	(41)
Loss for the year	–	–	–	–	(9,009)	(9,009)
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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2017

	2017 HK$'000	2016 HK$'000
OPERATING ACTIVITIES		
Loss before taxation	**(8,824)**	(13,009)
Adjustments for:		
Depreciation of property, plant and equipment	**1,232**	1,003
Finance costs	**1,018**	925
Interest income	**(114)**	(45)
Gain on disposal of property, plant and equipment	**(123)**	–
Impairment loss on other receivables	**1,548**	–
Allowance for doubtful debts on trade receivables	**–**	262
Operating cash flows before movements in working capital	**(5,263)**	(10,864)
(Increase) decrease in rental deposits	**(448)**	193
Increase in trade and bills receivables	**(88,084)**	(40,469)
Increase in other receivables, prepayments and deposits	**(370)**	(5,245)
Increase (decrease) in trade and other payables	**19,309**	(21,947)
Cash used in operations	**(74,856)**	(78,332)
Income tax refunded (paid)	**2,805**	(3,876)
NET CASH USED IN OPERATING ACTIVITIES	**(72,051)**	(82,208)
INVESTING ACTIVITIES		
Placement of pledged bank deposits	**(24,013)**	(40,014)
Purchase of property, plant and equipment	**(4,104)**	(761)
Proceeds from disposal of property, plant and equipment	**138**	–
Interest received	**114**	45
Repayment from a director	**–**	21,266
Withdrawal of pledged bank deposits	**27,000**	24,000
NET CASH (USED IN) FROM INVESTING ACTIVITIES	**(865)**	4,536
FINANCING ACTIVITIES		
New bank loans raised	**164,330**	156,142
Proceeds from issue of shares	**–**	60,000
Repayment to a director	**–**	(109)
Interest paid	**(1,018)**	(925)
Transaction costs on issue of shares	**–**	(8,283)
Repayment of bank loans	**(93,972)**	(85,633)
NET CASH FROM FINANCING ACTIVITIES	**69,340**	121,192
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(3,576)**	43,520
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**49,175**	5,510
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**(87)**	145
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, REPRESENTED BY BANK BALANCES AND CASH	**45,512**	49,175

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

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

The Company changes its name from "Ever Smart International Holdings Limited" to "Jimu Group 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 change of name was approved by the shareholders at the Extraordinary General Meeting held on 22 January 2018. The Certificate of Incorporation on Change of Name was issued by the Registry of Companies in the Cayman Islands on 26 January 2018. The Certificate of Registration of Alternation of Name of Registered Non-Hong Kong Company was issued by the Registrar of Companies in Hong Kong on 12 February 2018.

The registered office of the Company is Clifton House, 75 Fort Street, PO Box 1350, Grand Cayman KY1-1108, Cayman Islands and principal place of business of the Company is Suite 2207, 22/F, Prudential Tower, The Gateway, Harbour City, Kowloon, Hong Kong. The Company is an investment holding company. The principal activities of its subsidiaries are set out in note 30.

The consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is different from the functional currency of the Company, being United States dollars ("US$"). The management of the Company and its subsidiaries (collectively referred to as the "Group") considers that presenting the consolidated financial statements in HK$ is preferable as the Company listed its shares on the GEM of the Stock Exchange and most of its investors are located in Hong Kong.

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

Amendments to HKFRSs that are mandatorily effective for the current year

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

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to HKFRS 12	As part of the Annual Improvements to HKFRSs 2014 – 2016 Cycle

Except as described below, the application of the 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. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") – continued

Amendments to HKAS 7 Disclosure Initiative

The Group has applied these amendments for the first time in the current year. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes. In addition, the amendments also require disclosures on changes in financial assets if cash flows from those financial assets were, or future cash flows will be included in cash flows from financing activities.

Specifically, the amendments require the following to be disclosed: (i) changes from financing activities; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

A reconciliation between the opening and closing balances of these items is provided in note 28. Consistent with the transition provisions of the amendments, the Group has not disclosed comparative information for the prior year. Apart from the additional disclosure in note 28, the application of these amendments has had no impact on the Group's consolidated financial statements.

New and revised HKFRSs in issue but not yet effective

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

HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers and the related Amendments[1]
HKFRS 16	Leases[2]
HKFRS 17	Insurance Contracts[3]
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration[1]
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments[2]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[1]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[2]
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014 – 2016 Cycle[1]
Amendments to HKAS 40	Transfers of Investment Property[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 – 2017 Cycle[2]

1 Effective for annual periods beginning on or after 1 January 2018

2 Effective for annual periods beginning on or after 1 January 2019

3 Effective for annual periods beginning on or after 1 January 2021

4 Effective for annual periods beginning on or after a date to be determined

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") – continued

HKFRS 9 *Financial Instruments*

HKFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

Key requirements of HKFRS 9 which are relevant to the Group are:

- all recognised financial assets that are within the scope of HKFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at fair value through other comprehensive income. All other financial assets are measured at their fair value at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss;

- in relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Based on the Group's financial instruments and risk management policies as at 31 December 2017, the directors of the Company anticipate the following potential impact on the initial application of HKFRS9:

Classification and measurement:

- All financial assets and financial liabilities will continue be measured on the same bases as are currently measured under HKAS39.

Impairment

In general, the directors of the Company anticipate that the application of the expected credit loss model of HKFRS9 will result in earlier provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised costs and other items that subject to the impairment provisions upon application of HKFRS 9 by the Group.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") – continued

HKFRS 9 *Financial Instruments – continued*

Impairment – continued

Based on the assessment by the directors of the Company, if the expected credit loss model were to be applied by the Group, the accumulated amount of impairment loss to be recognised by the Group as at 1 January 2018 would be slightly increased as compared to the accumulated amount recognised under HKAS 39 mainly attributable to expected credit losses provision on trade receivables. Such further impairment recognised under expected credit loss model would increase in opening accumulated losses at 1 January 2018.

HKFRS 15 *Revenue from Contracts with Customers*

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and the related interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

In 2016, the HKICPA issued clarifications to HKFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The directors of the Company anticipate that the application of HKFRS 15 in the future may result in more disclosures, however, the directors of the Company do not anticipate that the application of HKFRS 15 will have a material impact on the timing and amounts of revenue recognised in the respective reporting periods.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") – continued

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. 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.

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.

In contrast to lessee accounting, 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 2017, the Group has non-cancellable operating lease commitments of approximately HK$9,033,000 as disclosed in note 22. 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$561,000 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 and such adjustments are considered as additional lease payments. Adjustments to refundable rental deposits paid would be included in the carrying amount of right-of-use assets. Adjustments to refundable rental deposits received would be considered as advance lease payments.

Furthermore, the application of new requirements may result in changes in measurement, presentation and disclosure as indicated above.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by Rules Governing the Listing of Securities on the GEM of The Stock Exchange ("GEM Listing Rules") and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristic of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in the consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 *Share-based Payment*, leasing transactions that are within the scope of HKAS 17 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 *Inventories* or value in use in HKAS 36 *Impairment of Assets*.

In addition, for financial reporting purpose, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins with the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group cease to control the subsidiary.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable.

Revenue is recognised when the amount of revenue can be reliably measured; when it is probable that future economic benefit will flow to the Group and when specific criteria have been met for each of the Group's activities, as described below.

The Group utilises third parties to manufacture and distribute its products. Revenue from the sale of goods is recognised when the goods are delivered and titles have passed.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group denominated or translated in US$ are then translated into the presentation currency of the Group (i.e. HK$) using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case, the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve.

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation or a disposal involving loss of control over a subsidiary that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to owners of the Company are reclassified to profit or loss.

Borrowing costs

All borrowing costs are recognised in profit or loss in the year in which they are incurred.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from amount as reported in the consolidated statement of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Retirement benefit costs

Payments to the defined contribution plans including the Mandatory Provident Fund Scheme and the People's Republic of China (the "PRC") state-managed retirement benefits schemes are recognised as an expense when employees have rendered service entitling them to the contributions.

Property, plant and equipment

Property, plant and equipment are stated in the consolidated statement of financial position at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of assets less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

Financial assets are classified into loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Financial instruments – continued

Financial assets – continued

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, pledged bank deposits and bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment.

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

Objective evidence of impairment of financial assets could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the respective credit period, observable changes in national or local economic conditions that correlate with default on receivables.

The amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables and other receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable or other receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Financial instruments – continued

Financial assets – continued

Impairment of financial assets – continued

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified either as financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Financial liabilities at amortised cost

Financial liabilities (including trade and other payables and bank borrowings) are subsequently measured at amortised cost, using the effective interest method.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the assets expire or, when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Financial instruments – continued

Derecognition – continued

On derecognition of a financial asset, the difference between the asset's carrying amount and the consideration received and receivable is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liabilities derecognised and the consideration paid and payable is recognised in profit or loss.

Impairment losses

At the end of the reporting period, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss, if any.

When it is not possible to estimate the recoverable amount of an asset individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

4. KEY SOURCE OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Key source of estimation uncertainty

The following is the key assumption concerning the future, and other key source of estimation uncertainty at the end of the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Estimated impairment loss of trade receivables

The Group makes impairment loss on trade receivables based on an assessment of the recoverability of the trade receivables. Impairment is applied to trade receivables where events or changes in circumstances indicate that the balances may not be collectible. In determining whether an impairment of trade receivables is required, the Group takes into consideration of the credit history of the trade receivables including default or delay in payments, settlement records, subsequent settlements and ageing analysis of trade receivables. Where the expectation of the recoverability of trade receivables is different from the original estimate, such difference will impact the carrying value of trade receivables and allowance for doubtful debts in the period in which such estimate has changed. As at December 31, 2017, the carrying amounts of trade receivables are HK$45,246,000, net of allowance for doubtful debts of HK$262,000 (2016: HK$34,433,000, net of allowance for doubtful debts of HK$262,000).

5. REVENUE AND SEGMENT INFORMATION

Revenue represents revenue arising on trading of footwear.

The Group's operating segment is determined based on information reported to the chief operating decision maker of the Group (the executive directors of the Company) for the purpose of resource allocation and performance assessment. For management purpose, the Group operates in one business unit based on their products, and has one operating segment: design, development, sourcing, marketing and sale of footwear. The chief operating decision maker would review the monthly sales reports and monitors the revenue, results, assets and liabilities of its business unit as a whole. The chief operating decision maker considers the segment assets and segment liabilities of the Group, which included all assets and all liabilities as stated in the consolidated statement of financial position, and considers the segment revenue same as total sales made to external parties as disclosed in the consolidated statement of profit or loss and other comprehensive income, and the segment results of the Group represented the Group's loss before taxation, without allocation of other gains and losses and listing expenses, as stated in the consolidated statement of profit or loss and other comprehensive income.

5. REVENUE AND SEGMENT INFORMATION – continued

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

	Design, development, sourcing, marketing and sale of footwear HK$'000
For the year ended 31 December 2017	
Segment revenue – external	**236,732**
Segment loss	**(7,465)**
Other gains and losses	**(1,359)**
Loss before taxation	**(8,824)**
For the year ended 31 December 2016	
Segment revenue – external	241,389
Segment loss	(3,534)
Other gains and losses	(212)
Listing expenses	(9,263)
Loss before taxation	(13,009)

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3.

Segment assets

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

	As at 31 December	
	2017 **HK$'000**	2016 HK$'000
Total segment assets	**119,249**	116,208

5. REVENUE AND SEGMENT INFORMATION – continued

Revenue from major products

The Group's revenue from its products is as follows:

	Year ended 31 December	
	2017	2016
	HK$'000	HK$'000
Men's footwear	**141,248**	140,589
Children's footwear	**56,548**	71,554
Women's footwear	**38,936**	29,246
	236,732	241,389

Geographical information

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

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

	Year ended 31 December	
	2017	2016
	HK$'000	HK$'000
Australia	**103,676**	99,250
United Kingdom	**30,559**	58,134
United States	**22,246**	9,799
Chile	**11,263**	11,483
New Zealand	**11,487**	10,752
Belgium	**8,933**	8,900
United Arab Emirates	**1,021**	5,890
Others*	**47,547**	37,181
	236,732	241,389

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

5. REVENUE AND SEGMENT INFORMATION – continued

Geographical information – continued

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

	Year ended 31 December	
	2017	2016
	HK$'000	HK$'000
Hong Kong	**4,091**	1,342
PRC	**1,842**	1,222
	5,933	2,564

Information about major customers

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

	Year ended 31 December	
	2017	2016
	HK$'000	HK$'000
Customer A	**104,599**	96,006
Customer B	**27,903**	50,988

6. OTHER INCOME

	Year ended 31 December	
	2017	2016
	HK$'000	HK$'000
Claims received (Note)	**780**	2,914
Sample income	**1,732**	3,422
Accessory procurement income	**48**	91
Interest income	**114**	45
Miscellaneous income	**343**	186
	3,017	6,658

Note: Claims received represent compensations received from customers due to cancellation of orders or from suppliers for sub-quality products, based on contract terms.

7. OTHER EXPENSES

	Year ended 31 December	
	2017	2016
	HK$'000	HK$'000
Claims paid (Note)	**2,240**	4,037
Donation	**600**	401
	2,840	4,438

Note: Claims paid represent compensations paid to suppliers for cancellation of orders or to customers for sub-quality products, based on contract terms.

8. OTHER GAINS AND LOSSES

	Year ended 31 December	
	2017	2016
	HK$'000	HK$'000
Gain on disposal of property, plant and equipment	**123**	–
Net foreign exchange gains	**66**	50
Impairment loss on other receivables	**(1,548)**	–
Allowance for doubtful debts on trade receivables	**–**	(262)
	(1,359)	(212)

9. FINANCE COSTS

	Year ended 31 December	
	2017	2016
	HK$'000	HK$'000
Interest on bank borrowings	**1,018**	925

10. INCOME TAX EXPENSE

	Year ended 31 December	
	2017	2016
	HK$'000	HK$'000
Hong Kong Profits Tax (Note i)		
– current year	**–**	–
– underprovision in prior years	**–**	63
PRC Enterprise Income Tax ("EIT") (Note ii)		
– current year	**185**	625
Deferred tax (Note 20)	**–**	(26)
	185	662

Notes:

(i) **Hong Kong**

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.

(ii) **PRC**

The PRC EIT is calculated based on the statutory rate of 25% of the assessable profit for the subsidiary established in the PRC for both years, as determined in accordance with the relevant income tax rules and regulations in the PRC.

The tax charge for the year can be reconciled to the loss before taxation per the consolidated statement of profit or loss and other comprehensive income as follows:

	Year ended 31 December	
	2017	2016
	HK$'000	HK$'000
Loss before taxation	**(8,824)**	(13,009)
Tax at Hong Kong Profits tax rate of 16.5% (Note)	**(1,456)**	(2,146)
Tax effect of expenses not deductible for tax purposes	**1,680**	2,153
Tax effect of income not taxable for tax purposes	**–**	(4)
Effect of different tax rate of subsidiary operating in other jurisdiction	**63**	212
Underprovision in prior years	**–**	63
Tax effect of tax losses not recognised	**213**	384
Tax effect of temporary difference not recognised	**(315)**	–
Income tax expense for the year	**185**	662

Note: The income tax rate in the jurisdiction where the operations of the Group substantially based is used.

11. LOSS FOR THE YEAR

	Year ended 31 December	
	2017	2016
	HK$'000	HK$'000
Loss for the year has been arrived at after charging:		
Directors' remuneration (Note 12)	**4,378**	3,680
Other staff costs (excluding directors' remuneration):		
– Salaries and other benefits	**15,059**	13,526
– Retirement benefit scheme contributions	**1,500**	1,460
Total staff costs	**20,937**	18,666
Auditor's remuneration	**2,360**	2,229
Depreciation of property, plant and equipment	**1,232**	1,003
Cost of inventories recognised as an expense	**211,260**	216,804
Operating lease rental expense in respect of rented premises	**2,013**	1,269

12. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

(a) Directors' and the chief executive's emoluments

Details of the emoluments paid or payable (including emoluments for the services as employees of the group entities prior to becoming directors of the Company) to the individuals during the years ended 31 December 2017 and 2016 are as follows:

Name of director	Fee HK$'000	Salaries and other benefits HK$'000	Retirement benefit scheme contributions HK$'000	Total HK$'000
For the year ended 31 December 2017				
Executive directors				
Mr. Dong Jun (Appointed on 11 December 2017)	–	–	–	–
Mr. Ho Kin Wai *(Chief executive)*	2,498	737	18	3,253
Mr. Peng Shaoxin (Appointed on 11 December 2017)	–	–	–	–
Mr. Yan Taotao (Appointed on 11 December 2017)	–	–	–	–
Ms. Long Jingjie (Appointed on 11 December 2017)	–	–	–	–
Mr. Ho Kin Pong (Resigned on 11 December 2017)	659	95	17	771
Non –Executive directors				
Mr. Wen Cyrus Jun-Ming (Appointed on 11 December 2017)	–	–	–	–
Mr. Zhang Songyi (Appointed on 11 December 2017)	–	–	–	–
Independent non-executive directors				
Mr. Liu Jiangtao (Appointed on 11 December 2017)	14	–	–	14
Mr. Guo Zhongyong (Appointed on 11 December 2017)	14	–	–	14
Mr. Peng Chuang (Appointed on 11 December 2017)	14	–	–	14
Mr. Hon Ping Cho Terence (Appointed on 11 December 2017)	14	–	–	14
Mr. Yuen Poi Lam William (Resigned on 11 December 2017)	170	–	–	170
Mr. Lu Tak Ming (Resigned on 11 December 2017)	71	–	–	71
Mr. Liu Chun Kit (Resigned on 11 December 2017)	57	–	–	57
	3,511	832	35	4,378

12. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS – continued

(a) Directors' and the chief executive's emoluments – continued

Name of director	Fee HK$'000	Salaries and other benefits HK$'000	Retirement benefit scheme contributions HK$'000	Total HK$'000
For the year ended 31 December 2016				
Executive directors				
Mr. Ho Kin Wai *(Chief executive)*	1,540	1,336	18	2,894
Mr. Ho Kin Pong	406	176	18	600
Independent non-executive directors				
Mr. Yuen Poi Lam William (Appointed on 11 May 2016)	106	–	–	106
Mr. Lu Tak Ming (Appointed on 11 May 2016)	44	–	–	44
Mr. Lee Tat Yin Rick (Appointed on 11 May 2016 and resigned on 5 December 2016)	31	–	–	31
Mr. Liu Chun Kit (Appointed on 5 December 2016)	5	–	–	5
	2,132	1,512	36	3,680

12. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS – continued

(a) Directors' and the chief executive's emoluments – continued

The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group. The independent non-executive directors' emoluments shown above were for their services as directors of the Company.

Mr. Ho Kin Wai is also the chief executive of the Company and his emoluments disclosed above include those for services rendered by him as the chief executive.

Incentive performance bonus was determined with reference to the Group's revenue, operating results, individual performance and comparable market statistics.

(b) Employees' emoluments

The five highest paid individuals of the Group include two directors (2016: one director). The emoluments of the remaining three individuals (2016: four individuals) are as follows:

	Year ended 31 December	
	2017	2016
	HK$'000	HK$'000
Salaries and other benefits	**2,766**	2,804
Incentive performance bonus	**945**	735
Retirement benefit scheme contributions	**32**	71
	3,743	3,610

The emoluments of the employees were within the following bands:

	As at 31 December	
	2017	2016
	Number of employees	**Number of employees**
Up to HK$1,000,000	**–**	2
HK$1,000,001 to HK$1,500,000	**2**	2
HK$1,500,001 to HK$2,000,000	**1**	–
	3	4

12. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS – continued

(b) Employees' emoluments – continued

During the years ended 31 December 2017 and 2016, no emoluments were paid by the Group to any of the directors or the chief executive of the Company or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors or the chief executive of the Company waived any emoluments during the years ended 31 December 2017 and 2016.

13. DIVIDEND

No dividend was paid or proposed for the shareholders of the Company during the years ended 31 December 2017 and 2016, nor has any dividend been proposed since the end of the reporting period.

14. LOSS PER SHARE

	Year ended 31 December	
	2017	2016
	HK$'000	HK$'000
Loss:		
Loss for the purpose of calculating basic loss per share (loss for the year attributable to owners of the Company)	**(9,009)**	(13,671)

	Year ended 31 December	
	2017	2016
	'000	'000
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic loss per share	**480,000**	430,820

No diluted loss per share is presented for both years as there were no potential ordinary share in issue during both years.

15. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvement HK$'000	Motor vehicles HK$'000	Furniture and office equipment HK$'000	Construction in progress HK$'000	Total HK$'000
COST					
At 1 January 2016	1,000	3,309	612	–	4,921
Additions	35	310	416	–	761
Exchange realignment	(51)	(2)	(29)	–	(82)
At 31 December 2016	984	3,617	999	–	5,600
Additions	–	3,067	201	836	4,104
Disposals	(185)	(697)	(61)	–	(943)
Exchange realignment	53	23	42	–	118
At 31 December 2017	**852**	**6,010**	**1,181**	**836**	**8,879**
DEPRECIATION					
At 1 January 2016	130	1,758	286	–	2,174
Provided for the year	253	610	140	–	1,003
Exchange realignment	(9)	(1)	(18)	–	(28)
At 31 December 2016	374	2,367	408	–	3,149
Provided for the year	206	726	300	–	1,232
Eliminated on disposals	(185)	(697)	(46)	–	(928)
Exchange realignment	20	5	29	–	54
At 31 December 2017	**415**	**2,401**	**691**	**–**	**3,507**
CARRYING VALUES					
At 31 December 2017	**437**	**3,609**	**490**	**836**	**5,372**
At 31 December 2016	610	1,250	591	–	2,451

The above items of property, plant and equipment are depreciated on a straight-line basis as follows:

Leasehold improvement	Over the shorter of the relevant lease or 5 years
Motor vehicles	20% per annum
Furniture and office equipment	10-50% per annum

16. TRADE AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

	As at 31 December	
	2017	2016
	HK$'000	HK$'000
Trade receivables	**34,882**	17,955
Trade receivables discounted with recourse	**10,626**	16,740
Less: allowance for doubtful debts	**(262)**	(262)
	45,246	34,433
Bills receivables	**1,042**	1,150
Other receivables, prepayments and deposits	**6,293**	7,476
Others	**62**	57
	52,643	43,116

The Group allows credit period ranging from 7 days to 90 days to trade debtors. The following is an ageing analysis of trade and bills receivables net of allowance for doubtful debts presented based on the invoice dates at the end of the reporting period, which approximate the revenue recognition dates:

	As at 31 December	
	2017	2016
	HK$'000	HK$'000
0 to 30 days	**22,237**	19,639
31 to 60 days	**20,920**	13,652
61 to 90 days	**2,571**	1,470
Over 90 days	**560**	822
	46,288	35,583

Before accepting any new customer, the Group assess the potential customer's credit quality and defines credit limits by customer. Credit limits attributed to customers and credit term granted to customers are reviewed regularly. The majority of the trade receivables that are neither past due nor impaired have no history of defaulting on repayments.

Included in the Group's trade receivables balance are debtors with aggregate carrying amount of approximately HK$4,198,000 (2016: HK$4,406,000) which were past due at the end of the reporting period for which the Group has not provided for impairment loss as the Group considered such balances could be recovered based on historical experience. The Group does not hold any collateral over these balances.

16. TRADE AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS – continued

The following is an aged analysis of trade receivables which are past due but not impaired at the end of the reporting period:

	As at 31 December	
	2017	2016
	HK$'000	HK$'000
Overdue by:		
1 to 30 days	**3,634**	3,584
31 to 60 days	**4**	–
Over 60 days	**560**	822
	4,198	4,406

Movement in the allowance of doubtful debts:

	2017	2016
	HK$'000	HK$'000
Balance at beginning of the year	**262**	–
Impairment loss recognised	**–**	262
Balance at end of the year	**262**	262

Included in the allowance for doubtful debts are individually impaired trade receivables with an aggregate balance of HK$262,000 (31 December 2016: HK$262,000) which are in financial difficulties in repaying the outstanding balances. Based on historical experience, these overdue balances are normally not recoverable.

16. TRADE AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS – continued

Transfer of financial assets

The following were the Group's financial assets that were transferred to banks by discounting those receivables on a recourse basis. As the Group has not transferred the significant risks and rewards relating to these receivables, it continues to recognise the full carrying amount of the receivables and has recognised the cash received on the transfer as a secured borrowing (see note 19). These financial assets are carried at amortised cost in the Group's consolidated statement of financial position.

	Trade receivables discounted to a bank with recourse HK$'000	Total HK$'000
As at 31 December 2017		
Carrying amount of transferred assets	**10,626**	**10,626**
Carrying amount of associated liabilities	**(9,563)**	**(9,563)**
Net position	**1,063**	**1,063**
As at 31 December 2016		
Carrying amount of transferred assets	16,740	16,740
Carrying amount of associated liabilities	(14,215)	(14,215)
Net position	2,525	2,525

A sum of HK$1,548,000 (2016: Nil) prepaid to a supplier was considered as irrecoverable due to its financial difficulties in settling the outstanding balance. This was written off as impairment loss on other receivable during the year (2016: Nil).

17. PLEDGED BANK DEPOSITS/BANK BALANCES AND CASH

Pledged bank deposits

Pledged bank deposits of the Group have been pledged to secure short-term banking facilities granted to the Group.

The pledged bank deposits carry interest at prevailing market rates which range from 0.01% to 0.3% (2016: 0.01% to 0.44%) per annum.

17. PLEDGED BANK DEPOSITS/BANK BALANCES AND CASH – continued

Bank balances and cash

Bank balances carry interest at prevailing market rates of 0.01% (2016: 0.01% to 0.25%) per annum.

Pledged bank deposits and bank balances and cash denominated in currencies other than the functional currency of the relevant group entities are set out below:

	As at 31 December	
	2017	2016
	HK$'000	HK$'000
HK$	**53,040**	62,939

18. TRADE AND OTHER PAYABLES

	As at 31 December	
	2017	2016
	HK$'000	HK$'000
Trade payables	**30,207**	15,249
Receipt in advance from customers	**4,099**	1,173
Accrued staff salaries	**3,470**	3,251
Accrued expenses	**3,608**	2,824
Other tax payables	**81**	58
Others	**1,473**	1,074
	42,938	23,629

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:

	As at 31 December	
	2017	2016
	HK$'000	HK$'000
0 – 30 days	**20,435**	13,312
31 – 60 days	**8,087**	1,838
61 to 90 days	**253**	98
Over 90 days	**1,432**	1
	30,207	15,249

18. TRADE AND OTHER PAYABLES – continued

Trade and other payables denominated in currencies other than the functional currency of the relevant group entities are set out below.

	As at 31 December	
	2017	2016
	HK$'000	HK$'000
Renminbi ("RMB")	**47**	47

19. BANK BORROWINGS

	As at 31 December	
	2017	2016
	HK$'000	HK$'000
Bank borrowings		
Secured bank borrowings		
– Variable rate	**24,585**	32,523
– Fixed rate	**6,683**	5,766
	31,268	38,289

	As at 31 December	
	2017	2016
	HK$'000	HK$'000
Carrying amount of bank borrowings based on scheduled repayment dates set out in the loan agreements:		
Within one year	**153**	308
More than one year, but not exceeding two years	**–**	153
	153	461
Carrying amount of bank borrowings that contain a repayment on demand clause (shown under current liabilities) with schedule repayment dates set out in the loan agreements:		
Within one year	**31,115**	37,828
	31,268	38,289
Less: Amount shown under current liabilities	**(31,268)**	(38,136)
	–	153

19. BANK BORROWINGS – continued

The fixed rate bank borrowings as at 31 December 2017 carry interests at 3.5% (2016: 3.5% to 5.5%) per annum.

The variable rate bank borrowings as at 31 December 2017 carry interests at a premium over Hong Kong Interbank Offered Rate. The effective interest rates on bank borrowings range from 3.49% to 3.99% (2016: 2.30% to 3.01%) per annum.

The bank borrowings as at 31 December 2017 were secured by:

- pledged bank deposits of HK$15,161,000 (2016: HK$18,148,000).
- trade receivables of approximately HK$10,626,000 (2016: HK$16,740,000).
- a motor vehicle with carrying value of approximately HK$520,000 (2016: HK$966,000).

20. DEFERRED TAX LIABILITY

The following is the deferred tax liability recognised and movements thereon during the years ended 31 December 2017 and 2016:

	Accelerated tax depreciation HK$'000
At 1 January 2016	26
Credit to profit or loss	(26)
At 31 December 2016 and 2017	–

As at 31 December 2017, the Group had unused tax losses of approximately HK$3,617,000 (2016: HK$2,327,000). No deferred tax asset has been recognised in respect of the unused tax losses due to the unpredictability of future profit streams and the unused tax losses may be carried forward indefinitely.

21. SHARE CAPITAL

	Number of shares	Share capital HK$'000
Authorised:		
At 1 January 2016 of HK$0.01 each	38,000,000	380
Increase on 11 May 2016 (Note a)	962,000,000	9,620
At 31 December 2016 and 2017	**1,000,000,000**	**10,000**
Issued and fully paid:		
At 1 January 2016 of HK$0.01 each	1,000	–
Issue of new shares (Note b)	479,999,000	4,800
At 31 December 2016 and 2017 of HK$0.01 each	**480,000,000**	**4,800**

Notes:

(a) Pursuant to the resolutions passed by the shareholders of the Company on 11 May 2016, the authorised share capital of the Company was increased from HK$380,000 to HK$10,000,000 by the creation of additional of 962,000,000 shares of HK$0.01 each.

(b) On 30 May 2016, the Company issued a total of 120,000,000 shares of HK$0.01 each at HK$0.50 each for cash by way of placing. On 30 May 2016, the Company also allotted and issued a total of 359,999,000 shares of HK$0.01 each credited as fully paid at par to the then shareholders by the capitalisation of approximately HK$3,600,000 in the share premium account of the Company.

All the shares issued during the years ended 31 December 2017 and 2016 ranked pari passu in all respects with the then existing shares in issue.

22. OPERATING LEASES

The Group as lessee

At the end of each reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises which fall due as follows:

	As at 31 December	
	2017	2016
	HK$'000	HK$'000
Within one year	**2,474**	1,190
In the second to fifth years inclusive	**6,559**	1,012
	9,033	2,202

Operating lease payments represent rentals payable by the Group for certain of its office premises.

Leases are negotiated for one to five years and rentals are fixed over the respective leases.

23. RETIREMENT BENEFIT SCHEMES

For employees of the Group in Hong Kong, the Group participates in a defined contribution scheme which is registered under the Mandatory Provident Fund Scheme (the "MPF Scheme") established under the Mandatory Provident Fund Ordinance in December 2000. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees.

For members of the MPF Scheme, the Group contributes the lower of HK$1,500 or 5% of relevant payroll costs per person to the MPF Scheme, which contribution is matched by the employees.

The employees of the Group in the PRC are members of the state-managed retirement benefit schemes operated by the PRC government. The Company's subsidiary is required to contribute a specified percentage of payroll costs to the retirement benefit schemes to fund the benefits.

The only obligation of the Group with respect to these retirement benefits schemes is to make the specified contributions. During the year ended 31 December 2017, the total amounts contributed by the Group to the schemes and costs charged to the profit or loss represents contributions paid or payable to the schemes by the Group at rates specified in the rules of the schemes. The retirement benefits scheme contributions made by the Group amounted to HK$1,535,000 (2016: HK$1,496,000) during the year ended 31 December 2017.

24. RELATED PARTY DISCLOSURES

Compensation of the directors and other key management personnel

	Year ended 31 December	
	2017	2016
	HK$'000	HK$'000
Fees, salaries and other allowances	**6,220**	5,722
Incentive performance bonus	**945**	535
Retirement benefit scheme contributions	**85**	90
Total	**7,250**	6,347

The remuneration of the directors and other key management personnel are determined having regard to the performance of the individuals.

25. PLEDGE OF ASSETS

At the end of each reporting period, the following assets were pledged to banks to secure the banking facilities:

	As at 31 December	
	2017	2016
	HK$'000	HK$'000
Property, plant and equipment	**520**	966
Pledged bank deposits	**15,161**	18,148
	15,681	19,114

As at 31 December 2017, trade receivables discounted with recourse amounted to HK$10,626,000 (2016: HK$16,740,000).

26. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that the group companies will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The overall strategy remains unchanged throughout the year ended 31 December 2017.

The capital structure of the Group consists of net debt, which includes bank borrowings disclosed in note 19, net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital, retained profits and other reserves.

26. CAPITAL RISK MANAGEMENT – continued

The management of the Group reviews the capital structure regularly. As part of this review, the directors of the Company consider the cost and the risks associates with each class of the capital. Based on the recommendations of the directors, the Group will balance its overall capital structure through issue of new debt and redemption of existing debts.

27. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	As at 31 December	
	2017	2016
	HK$'000	HK$'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**106,691**	102,906
Financial liabilities		
Amortised cost	**61,521**	53,585

(b) Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, pledged bank deposits, bank balances and cash, trade and other payables and bank borrowings.

Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments include market risks (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

(i) Currency risk

Certain bank balances, trade and other receivables, trade and other payables, pledged bank deposits and bank borrowings of the Group are denominated in foreign currency of the respective group entities which are exposed to foreign currency risk.

The Group currently does not have a foreign currency hedging policy. However, management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

27. FINANCIAL INSTRUMENTS – continued

(b) Financial risk management objectives and policies – continued

Market risk – continued

(i) Currency risk – continued

The carrying amounts of the Group's foreign currency denominated monetary assets and liabilities at the end of each reporting period are as follows:

	As at 31 December	
	2017	2016
	HK$'000	HK$'000
Asset		
HK$	**53,040**	62,939
Liability		
RMB	**47**	47

Sensitivity analysis

The Group exposes foreign currency risk on fluctuation of RMB and HK$during the year ended 31 December 2017.

The following table details the Group's sensitivity to a 6% (2016: 6%) increase or decrease in the exchange rate of RMB against US$. The percentage is the sensitivity rate used which represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis does not include outstanding monetary items denominated in HK$ as the management of the Group considers that the Group's exposure to HK$ is insignificant on the ground that HK$ is pegged to US$. The sensitivity analysis adjusts their translation at the year end for a 6% (2016: 6%) in foreign currency rates. A negative number below indicates an increase in post-tax loss where RMB strengthen 6% (2016: 6%) against US$. For a weakening RMB against US$, there would be an equal and opposite impact on the post-tax loss.

	As at 31 December	
	2017	2016
	HK$'000	HK$'000
RMB	**(3)**	(3)

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the years ended 31 December 2017 and 2016.

27. FINANCIAL INSTRUMENTS – continued

(b) Financial risk management objectives and policies – continued

Market risk – continued

(ii) Interest rate risk

The Group's is exposed to fair value interest rate risk in relation to fixed-rate bank borrowings. The Group currently does not have an interest rate hedging policy.

The Group is also exposed to cash flow interest rate risk in relation to floating-rate pledged bank deposits, bank balances and bank borrowings at variable interest rates.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuations of the Hong Kong Interbank Offered Rate.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to bank interest rates. The analysis is prepared assuming the interest-bearing bank borrowings outstanding at the end of each reporting period were outstanding for the whole year. A 100 basis points (2016: 100 basis points) increase or decrease in the interest rate is used and represent management's assessment of the reasonably possible change in interest rates.

If interest rates on floating-rate interest-bearing bank borrowings had been 100 basis points higher/lower and all other variables were held constant, the Group's post-tax (loss) profit for the year ended 31 December 2017 would increase/decrease by HK$205,000 (2016: HK$272,000).

For the floating-rate interest-bearing pledged deposit, bank balances, based on the sensitivity analysis, the management of the Group considers that the impact on profit or loss from changes in interest rates for the years ended 31 December 2017 and 2016 is insignificant.

Credit risk

The Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position of the Group.

27. FINANCIAL INSTRUMENTS – continued

(b) Financial risk management objectives and policies – continued

Credit risk – continued

The Group's credit risk is primarily attributable to its trade and other receivables. In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the management of the Group considers that the Group's credit risk is significantly reduced.

The credit risk on pledged bank deposits and bank balances is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

As at 31 December 2017, the Group has concentration of credit risk as 62% (2016: 68%) of the total trade receivables was due from the Group's largest customer. The Group's concentration of credit risk on the top five largest customers accounted for 92% (2016: 93%) of the total trade receivables. The management of the Group considered that the credit risk of amounts due from these customers is insignificant after considering their historical settlement record, credit quality and financial positions.

Liquidity risk

In management of the liquidity risk, the Group monitors and maintains levels of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowings and ensures compliance with loan covenants.

The following table details the Group's remaining contractual maturity for its financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. Specifically, bank loans with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other financial liabilities are based on the agreed repayment dates. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period.

27. FINANCIAL INSTRUMENTS – continued

(b) Financial risk management objectives and policies – continued

Liquidity risk – continued

Liquidity tables

As at 31 December 2017

	Weighted average effective interest rate %	Repayable on demand or less than 1 month HK$'000	1 – 3 months HK$'000	4 months to 1 year HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31 December 2017 HK$'000
Non-derivative financial liabilities						
Trade and other payables	N/A	30,253	–	–	30,253	30,253
Bank borrowings						
– fixed rate	3.50	6,561	94	63	6,718	6,683
– variable rate	3.68	24,585	–	–	24,585	24,585
		61,399	94	63	61,556	61,521

As at 31 December 2016

	Weighted average effective interest rate %	Repayable on demand or less than 1 month HK$'000	1 – 3 months HK$'000	4 months to 1 year HK$'000	1 – 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31 December 2016 HK$'000
Non-derivative financial liabilities							
Trade and other payables	N/A	15,296	–	–	–	15,296	15,296
Bank borrowings							
– fixed rate	5.32	5,799	94	251	188	6,332	5,766
– variable rate	2.73	32,523	–	–	–	32,523	32,523
		53,618	94	251	188	54,151	53,585

27. FINANCIAL INSTRUMENTS – continued

(b) Financial risk management objectives and policies – continued

Liquidity risk – continued

Liquidity tables – continued

Bank borrowings with a repayment on demand clause are included in the "repayable on demand or less than 1 month" time band in the above maturity analysis. As at 31 December 2017, the aggregate carrying amounts of these bank borrowings amounted to approximately HK$31,115,000 (2016: HK$37,828,000). Taking into account of the Group's financial position, the management of the Group does not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The management of the Group believes that such bank borrowings will be repaid within one year after the end of the reporting period in accordance with the scheduled repayment dates set out in the loan agreements. At that time, the aggregate principal and interest cash outflows are set out below:

	Less than 1 month	**1 – 3 months**	**Total undiscounted cash flows**	**Carrying amount**
	HK$'000	HK$'000	HK$'000	HK$'000
31 December 2017	**11,847**	**19,496**	**31,343**	**31,115**
31 December 2016	11,050	27,030	38,080	37,828

The amounts included above for variable rate instruments for non-derivative financial liabilities are subject to change if changes in variable rates differ to those estimates of interest rates determined at the end of the reporting period.

(c) Fair value

The fair value of financial assets and financial liabilities are determine in accordance with general accepted pricing models based on discounted cash flow analysis.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities measured at amortised cost in the consolidated financial statements approximate their fair values.

28. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Borrowings HK$'000
At 1 January 2017	38,289
Financing cash flows	69,340
Interest expenses	1,018
Repayment of factoring from customer	(77,379)
At 31 December 2017	31,268

29. MAJOR NON-CASH TRANSACTIONS

During the year ended 31 December 2017, certain trade receivables of the Group were discounted with recourse to a bank. Accordingly, the bank directly received the contractually entitled cash flows of HK$77,379,000 (2016: HK$60,431,000) upon settlement of the discounted trade receivables from the Group's debtors as settlement of the related bank borrowings granted to the Group.

30. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

Particulars of the Company's subsidiaries as at 31 December 2017 and 2016 are as follows:

Name of subsidiary	Place and date of incorporation/ establishment	Place of operation	Issued and fully paid share capital/ registered capital	Equity interest attributable to the Group As of 31 December		Principal activities
				2017 %	2016 %	
United Acme Limited#	British Virgin Islands ("BVI") 9 January 2015	BVI	US$4	**100**	100	Investment holding
Ever Smart International Enterprise Limited 永駿國際企業有限公司	Hong Kong 6 August 2008	Hong Kong	HK$1	**100**	100	Design, development, sourcing, marketing and sale of footwear
Ever Sky (HK) Trading Limited 天恒(香港)貿易有限公司	Hong Kong 3 December 2009	Hong Kong	HK$1	**100**	100	Investment holding
東莞天達鞋業貿易有限公司*	The PRC 3 December 2010	The PRC	HK$6,000,000 (2016: HK$5,000,000)	**100**	100	Design, development, and sourcing of footwear
Alliance International Sourcing Limited	Hong Kong 2 August 2010	Hong Kong	HK$10,000	**100**	100	Inactive
Dodge & Swerve Limited	Hong Kong 5 December 2014	Hong Kong	HK$1	**100**	100	Inactive
Jimu Group Enterprises Limited (formerly known as Jimu Group Limited)	Hong Kong 11 December 2017	Hong Kong	HK$1	**100**	–	Inactive
Leading Expert Holdings Limited	BVI 18 October 2017	BVI	US$1	**100**	–	Investment holding
Stable Champ Limited	BVI 18 October 2017	BVI	US$1	**100**	–	Inactive

Directly held by the Company

* Limited liability company established in the PRC

None of the subsidiaries had issued any debt securities at the end of the year.

31. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2017 HK$'000	2016 HK$'000
Non-current Asset		
Investment in subsidiaries	**8,498**	8,497
Current Assets		
Prepayments and deposits	**76**	306
Amount due from subsidiaries	**44**	–
Bank balances	**33,972**	43,166
	34,092	43,472
Current Liabilities		
Trade and other payables	**2,331**	970
Amount due to a subsidiary	**2,119**	5,020
	4,450	5,990
Net Current Assets	**29,642**	37,482
Total Assets less Current Liabilities	**38,140**	45,979
Capital and Reserves		
Share capital	**4,800**	4,800
Reserves (Note)	**33,340**	41,179
Total Equity	**38,140**	45,979

Note: The movements in the reserves of the Company are as follows:

	Share premium HK$'000	**Special reserve** HK$'000 (Note)	**Accumulated losses** HK$'000	**Total equity** HK$'000
At 1 January 2016	–	11,540	(5,970)	5,570
Loss for the year	–	–	(11,308)	(11,308)
Issue of new shares	58,800	–	–	58,800
Issue of shares by capitalisation of share premium account	(3,600)	–	–	(3,600)
Transaction costs attributable to issue of new shares	(8,283)	–	–	(8,283)
At 31 December 2016	46,917	11,540	(17,278)	41,179
Loss for the year	**–**	**–**	**(7,839)**	**(7,839)**
At 31 December 2017	**46,917**	**11,540**	**(25,117)**	**33,340**

Note: The special reserve of the Company comprises deemed contributions from the sole shareholder and premium arisen from the Group's reorganisation in 2015.

FIVE YEARS' FINANCIAL SUMMARY

The summary of the consolidated results of Jimu Group Limited (the "Company") and its subsidiaries (collectively referred to the "Group") for each of the three years ended 31 December 2013 and 2014 and 2015 and of the assets, liabilities as at 31 December 2013, 2014 and 2015 have been extracted from the Company's prospectus. The consolidated results of the Group for the year ended 31 December 2016 and 2017 and the consolidated assets and liabilities of the Group as at 31 December 2016 and 2017 are set out in the audited consolidated financial statements.

RESULTS

	Year ended 31 December				
	2017	2016	2015	2014	2013
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
REVENUE	**236,732**	241,389	302,672	243,742	303,439
(LOSS) PROFIT BEFORE TAXATION	**(8,824)**	(13,009)	9,287	11,354	12,945
Income tax expense	**(185)**	(662)	(2,851)	(2,950)	(2,784)
(LOSS) PROFIT FOR THE YEAR	**(9,009)**	(13,671)	6,436	8,404	10,161
(Loss) Profit attributable to:					
Owners of the Company	**(9,009)**	(13,671)	6,436	8,406	10,549
Non-controlling interests	**–**	–	–	(2)	(388)
	(9,009)	(13,671)	6,436	8,404	10,161

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	As at 31 December				
	2017	2016	2015	2014	2013
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
TOTAL ASSETS	**119,249**	116,208	90,058	76,701	76,796
TOTAL LIABILITIES	**(74,379)**	(62,288)	(74,292)	(67,564)	(50,921)
	44,870	53,920	15,766	9,137	25,875
EQUITY:					
Equity attributable to owners of the Company	**44,870**	53,920	15,766	9,137	25,944
Non-controlling interests	**–**	–	–	–	(69)
	44,870	53,920	15,766	9,137	25,875