Jimu Group Limited
積木集團有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 8187

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REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Deloitte. 德勤

TO THE BOARD OF DIRECTORS OF JIMU GROUP LIMITED
積木集團有限公司
(incorporated in the Cayman Islands with limited liability)

Introduction

We have reviewed the condensed consolidated financial statements of Jimu Group Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") set out on pages 3 to 26, which comprise the condensed consolidated statement of financial position as of 30 June 2018 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("**HKAS 34**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"). The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion 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.

Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" ("**HKSRE 2410**") issued by the HKICPA. A review of these condensed consolidated financial statements consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

Without qualifying our review conclusion, we draw attention to the fact that the condensed consolidated statement of profit or loss and other comprehensive income for each of the three-month periods ended 30 June 2018 and 30 June 2017 and the relevant explanatory notes included in these condensed consolidated financial statements have not been reviewed in accordance with HKSRE 2410.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
10 August 2018

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2018

		Three months ended 30 June		Six months ended 30 June	
	NOTES	**2018 HK$'000 (Unaudited)**	2017 HK$'000 (Unaudited)	**2018 HK$'000 (Unaudited)**	2017 HK$'000 (Unaudited)
Revenue from goods and services	4	**37,229**	51,700	**73,972**	91,011
Other income	5	**579**	690	**841**	1,307
Other losses	6	**(847)**	(9)	**(815)**	(1)
Purchases and changes in inventories		**(22,749)**	(44,048)	**(54,403)**	(78,645)
Employee benefits expenses		**(17,334)**	(5,658)	**(22,336)**	(10,928)
Other operating expenses		**(6,764)**	(4,162)	**(11,699)**	(8,305)
Interest on bank borrowings		**(263)**	(204)	**(544)**	(501)
Loss before taxation		**(10,149)**	(1,691)	**(14,984)**	(6,062)
Income tax expense	7	**(1)**	–	**(1)**	–
Loss for the period	8	**(10,150)**	(1,691)	**(14,985)**	(6,062)
Other comprehensive income (expense):					
Item that may be reclassified subsequently to profit or loss:					
Exchange differences on translation of financial statements of foreign operations		**61**	(13)	**26**	(24)
Total comprehensive expense for the period		**(10,089)**	(1,704)	**(14,959)**	(6,086)
Loss per share	10				
Basic (HK cents)		**(2.11)**	(0.35)	**(3.12)**	(1.26)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2018

	NOTES	30 June 2018 HK$'000 (Unaudited)	31 December 2017 HK$'000 (Audited)
Non-current assets			
Property, plant and equipment		**4,208**	5,372
Rental deposits		**561**	561
		4,769	5,933
Current assets			
Trade and bills receivables	11	**14,184**	46,288
Other receivables, prepayment and deposits	12	**9,701**	6,355
Pledged bank deposits		**10,144**	15,161
Bank balances and cash		**38,233**	45,512
		72,262	113,316
Current liabilities			
Trade payables	14	**11,041**	30,207
Other payables and accruals	15	**15,182**	12,731
Tax payables		**–**	173
Bank borrowings	16	**15,076**	31,268
Contract liabilities	17	**2,610**	–
Refund liabilities		**1,331**	–
		45,240	74,379
Net current assets		**27,022**	38,937
Total assets less current liabilities		**31,791**	44,870
Non-current liabilities			
Contract liabilities	17	**884**	–
Refund liabilities		**996**	–
		1,880	–
Net assets		**29,911**	44,870
Capital and reserves			
Share capital	18	**4,800**	4,800
Reserves		**25,111**	40,070
Total equity		**29,911**	44,870

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2018

	Attributable to owners of the Company					
	Share capital HK$'000	Share premium HK$'000	Translation reserve HK$'000	Capital reserve HK$'000 *(Note)*	(Accumulated losses) retained profits HK$'000	Total HK$'000
At 1 January 2018 (Audited)	**4,800**	**46,917**	**268**	**(67)**	**(7,048)**	**44,870**
Loss for the period	**–**	**–**	**–**	**–**	**(14,985)**	**(14,985)**
Exchange differences on translation of financial statements of foreign operations	**–**	**–**	**26**	**–**	**–**	**26**
Total comprehensive income (expense) for the period	**–**	**–**	**26**	**–**	**(14,985)**	**(14,959)**
At 30 June 2018 (Unaudited)	**4,800**	**46,917**	**294**	**(67)**	**(22,033)**	**29,911**
At 1 January 2017 (Audited)	4,800	46,917	309	(67)	1,961	53,920
Loss for the period	–	–	–	–	(6,062)	(6,062)
Exchange differences on translation of financial statements of foreign operations	–	–	(24)	–	–	(24)
Total comprehensive expense for the period	–	–	(24)	–	(6,062)	(6,086)
At 30 June 2017 (Unaudited)	4,800	46,917	285	(67)	(4,101)	47,834

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2018

	Six months ended 30 June	
	2018	2017
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Net cash used in operating activities	**(22,941)**	(33,023)
Investing activities		
Withdrawal of pledged bank deposits	**11,105**	12,000
Placement of pledged bank deposits	**(6,088)**	(12,030)
Purchase of property, plant and equipment	**(561)**	(586)
Other investing cash flows	**44**	56
Net cash from (used in) investing activities	**4,500**	(560)
Financing activities		
Proceeds from bank borrowings raised	**58,410**	72,567
Repayment of bank borrowings	**(46,741)**	(41,446)
Other financing cash flows	**(544)**	(501)
Net cash from financing activities	**11,125**	30,620
Net decrease in cash and cash equivalents	**(7,316)**	(2,963)
Cash and cash equivalents at beginning of the period	**45,512**	49,175
Effect of foreign exchange rate changes	**37**	(64)
Cash and cash equivalents at end of the period, represented by bank balances and cash	**38,233**	46,148

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2018

1. BASIS OF PREPARATION

The condensed consolidated financial statements of Jimu Group Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") for the six months ended 30 June 2018 have been prepared in accordance with Hong Kong Accounting Standard 34 Interim Financial Reporting issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") as well as with the applicable disclosure requirements of Chapter 18 of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange of Hong Kong Limited (the "**GEM Rules**").

Pursuant to an Extraordinary General Meeting held on 22 January 2018, the Certificate of Incorporation on Change of Name of the Company issued by the Registry of Companies in the Cayman Island on 26 January 2018 and the Certificate of Registration of Alteration of Name of Registered Non-Hong Kong Company issued by the Registrar of Companies in Hong Kong on 12 February 2018, the Company changed its name to Jimu Group Limited (formerly known as Ever Smart International Holdings Limited) and adopted the Chinese name of "積木集團有限公司" as the secondary name to replace "永駿國際控股有限公司" which has been used for identification purpose only.

During the six months ended 30 June 2018, the Group entered into a new business and established two wholly-owned subsidiaries, namely 立鼎萊博(北京)科技有限公司 and 積木時代(天津)商務信息咨詢有限公司, in the People's Republic of China (the "**PRC**") for the provision of loan facilitation service which assists qualified borrowers to obtain financing from various financial institutions or investors who have registered on online information intermediary service platforms. The Group facilitates the loan origination process and provides on-going loan servicing to the borrowers over the loan period. In order to provide a more comprehensive and informative presentation of the results of the Group to the financial statements users, the management of the Company has reconsidered the presentation in the condensed consolidated statement of profit or loss and other comprehensive income. All the cost of sales and expenses have been disclosed as separate line items according to their nature on the face of the condensed consolidated statement of profit or loss and other comprehensive income. As a result, the relevant amounts of cost of sales, other expenses, selling and distribution expenses and administrative expenses have been reclassified and disclosed as separate line items as "Purchases and changes in inventories", "Employee benefits expenses" and "Other operating expenses" on the face of the condensed consolidated statement of profit or loss and other comprehensive income. Accordingly, the relevant comparative amounts of cost of sales, other expenses, selling and distribution expenses, administrative expenses have been reclassified to conform with the current period's presentation.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis.

Other than new accounting policies in connection with the new business of loan facilitation service and changes in accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standards ("**HKFRSs**"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2018 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2017.

Application of new and amendments to HKFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 January 2018 for the preparation of the Group's condensed consolidated financial statements:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014 – 2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

The new and amendments to HKFRSs have been applied in accordance with the relevant transition provisions in the respective standards and amendments which results in changes in accounting policies, amounts reported and/or disclosures as described below.

2.1 Impacts and changes in accounting policies of application on HKFRS 15 Revenue from Contracts with Customers ("HKFRS 15")

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

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this standard recognised at the date of initial application, 1 January 2018. In accordance with the transition provisions in HKFRS 15, the Group has elected to apply the standard retrospectively only to contracts that are not completed at 1 January 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 Revenue and HKAS 11 Construction Contracts and the related interpretations. At the date of initial application, there is no difference recognised in the opening retained profits and no comparative information has been restated.

2.1.1 Key changes in accounting policies resulting from application of HKFRS 15

HKFRS 15 introduces a 5-step approach when recognising revenue:

- 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 Group satisfies a performance obligation.

Under HKFRS 15, the Group 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 customers.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Group's right to consideration in exchange for services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation

Input method

The progress towards complete satisfaction of a performance obligation is measured based on input method, which is to recognise revenue on the basis of the Group's efforts or inputs to the satisfaction of a performance obligation relative to the total expected inputs to the satisfaction of that performance obligation, that best depict the Group's performance in transferring control of goods or services.

Refund liabilities

The Group recognises a refund liability if the Group expects to refund some or all of the consideration received from customers.

Revenue is measured based on the consideration specified in a contract with a customer. The Group recognises revenue when it transfers control of a product or service to a customer. The Group recognises revenue from goods and services from the following major sources:

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

Revenue from trading of footwear

Recognition

The Group utilises third parties to manufacture and distribute its products. Revenue is recognised when control of the footwear has transferred according to respective agreed terms of delivery. Revenue is recognised at a point in time when the customer obtains control of the distinct goods.

Contract liabilities

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

Revenue from provision of loan facilitation service

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

Contracts with multiple performance obligations (including allocation of transaction price)

The pre-loan facilitation and post-loan facilitation services are considered as the two distinct performance obligations to be provided by the Group.

For contracts that contain more than one performance obligations (including pre-loan facilitation service and post-loan facilitation service), the Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis.

The stand-alone selling price of the distinct service underlying each performance obligation is determined at contract inception. It represents the price at which the Group would sell a promised service separately to a customer. If a stand-alone selling price is not directly observable, the Group estimates it using appropriate techniques such that the transaction price ultimately allocated to any performance obligation reflects the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised service to the customer.

With respect of the pre-loan facilitation service and post-loan facilitation service, the Group does not provide these services separately, and there is no third-party evidence for the selling price for these services. As a result, the Group uses its best estimate of selling prices of these service obligations as the basis for the allocating the transaction price.

Recognition

The pre-loan facilitation service is recognised as revenue upon execution of loan agreements between investors and borrowers, whereas the post-loan facilitation services is recognised over the period of the loan on a straight-line basis when the relevant services are provided by the Group and the borrowers simultaneously receive and consume the benefits provided by the Group's performance.

Variable consideration

For contracts that contain variable consideration, the Group estimates the amount of consideration to which it will be entitled using either (a) the expected value method or (b) the most likely amount, depending on which method better predicts the amount of consideration to which the Group will be entitled.

The estimated amount of variable consideration is included in the transaction price only to the extent that it is highly probable that such an inclusion will not result in a significant revenue reversal in the future when the uncertainty associated with the variable consideration is subsequently resolved.

At the end of each reporting period, the Group updates the estimated transaction price (including updating its assessment of whether an estimate of variable consideration is constrained) to represent faithfully the circumstances present at the end of the reporting period and the changes in circumstances during the reporting period.

The Group generally collects the service fees at the inception of the loan after the loan is disbursed to the borrowers' bank accounts. The aggregate amount of the services fees is the gross amount of the services fee under a service contract before taking into account the impacts of variable considerations resulting from expected amounts of service fees to be refunded to borrowers in the contract period that would be unearned from borrowers due to an early repayment of loan.

The estimated amounts of variable considerations, which are calculated using the expected value method, are deducted from the total transaction price for each service contract before allocating to different performance obligations based on their relative standalone selling prices.

Contract liabilities

Contract liability is recognised by the Group for the portion of fees that the Group collected from the borrowers in relation to post facilitation services that has not been performed.

Refund liabilities

A refund liability is recognised for the estimated amounts of service fees which was received is expected to be refunded. They represent the amount of consideration received that the Group does not expected to be entitled to earn and thus is not included in the transaction price because it will be refunded to customers. The refund liability is remeasured at each reporting date to reflect changes in the estimate, with a corresponding adjustment to revenue and contract liabilities.

2.1.2 Summary of effects arising from initial application of HKFRS 15

The initial application of HKFRS 15 on 1 January 2018 has no material impact on the condensed consolidated financial statements of the Group with regards to the revenue recognition.

2.2 Impacts and changes in accounting policies of application on HKFRS 9 Financial Instruments

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

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. There is no difference between carrying amounts of the Group's financial instruments recognised as at 31 December 2017 and 1 January 2018.

2.2.1 Key changes in accounting policies resulting from application of HKFRS 9

Classification and measurement of financial assets

Trade and bills receivables arising from contracts with customers are initially measured in accordance with HKFRS 15.

All recognised financial assets that are within the scope of HKFRS 9 are subsequently measured at amortised cost or fair value.

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Impairment under ECL model

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (including trade receivables). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables. The ECL on these assets are assessed individually for debtors with significant balances and/or collectively using a provision matrix with appropriate groupings.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the aforegoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if i) it has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of "investment grade" as per globally understood definitions.

The Group considers that default has occurred when the instrument is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information.

Generally, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

2.2.2 Summary of effects arising from initial application of HKFRS 9

The application of HKFRS 9 on 1 January 2018 has no material impact on the condensed consolidated financial statements of the Group with regards to classification and measurement of financial instruments nor recognised additional impairment loss allowance as the amounts involved are not material.

3. SEGMENT INFORMATION

Information reported to the Chief Executive Officer of the Company, being the Chief Operating Decision Maker ("**CODM**"), for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided. The Group is currently organised into two operating divisions. These operating divisions are the basis upon which the information that is regularly reviewed by the CODM is prepared and are analysed under HKFRS 8 as follows:

- Footwear business – design, development, sourcing, marketing and sale of footwear; and
- Loan facilitation service – provision of pre-loan facilitation service and post-loan facilitation service.

The Group entered into a new business of loan facilitation service during the six months end 30 June 2018. The above operating divisions constitute the operating and reportable segments of the Group.

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

Six months ended 30 June 2018 (Unaudited)

	Footwear business HK$'000	**Loan facilitation service HK$'000**	**Total HK$'000**
Revenue	**62,163**	**11,809**	**73,972**
Segment results	**(6,506)**	**(3,682)**	**(10,188)**
Unallocated expenses			**(4,834)**
Unallocated income			**38**
Loss before taxation			**(14,984)**

Six months ended 30 June 2017 (Unaudited)

	Footwear business HK$'000	Loan facilitation service HK$'000	Total HK$'000
Revenue	91,011	–	91,011
Segment results	(2,732)	–	(2,732)
Unallocated expenses			(3,462)
Unallocated income			132
Loss before taxation			(6,062)

Segment revenue reported above represents revenue generated from external customers.

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

Segment assets

	30 June 2018 HK$'000 (Unaudited)	31 December 2017 HK$'000 (Audited)
Footwear business	**41,040**	85,178
Loan facilitation service	**10,910**	–
Total segment assets	**51,950**	85,178
Unallocated assets		
– Bank balances and cash	**24,722**	33,972
– Others	**359**	99
Consolidated assets	**77,031**	119,249

Segment liabilities

	30 June 2018 HK$'000 (Unaudited)	31 December 2017 HK$'000 (Audited)
Footwear business	**32,204**	72,045
Loan facilitation service	**14,609**	–
Total segment liabilities	**46,813**	72,045
Unallocated liabilities		
– Others	**307**	2,334
Consolidated liabilities	**47,120**	74,379

4. REVENUE FROM GOODS AND SERVICES

An analysis of the Group's revenue from goods and services is as follows:

	Three months ended 30 June 2018			Six months ended 30 June 2018		
	Footwear business HK$'000	Loan facilitation service HK$'000	Total HK$'000	Footwear business HK$'000	Loan facilitation service HK$'000	Total HK$'000
Types of goods or service						
Trading of footwear						
Men's footwear	14,914	–	14,914	40,022	–	40,022
Women's footwear	8,072	–	8,072	14,563	–	14,563
Children's footwear	2,434	–	2,434	7,578	–	7,578
	25,420	–	25,420	62,163	–	62,163
Provision of loan facilitation service						
Pre-loan facilitation service	–	11,728	11,728	–	11,728	11,728
Post-loan facilitation service	–	81	81	–	81	81
	–	11,809	11,809	–	11,809	11,809
Total	25,420	11,809	37,229	62,163	11,809	73,972
Geographical markets						
Australia	10,944	–	10,944	21,398	–	21,398
The PRC	37	11,809	11,846	37	11,809	11,846
United Kingdom	1,945	–	1,945	7,785	–	7,785
New Zealand	2,334	–	2,334	5,787	–	5,787
United States	230	–	230	3,756	–	3,756
Others	9,930	–	9,930	23,400	–	23,400
Total	25,420	11,809	37,229	62,163	11,809	73,972
Timing of revenue recognition						
At a point in time	25,420	11,728	37,148	62,163	11,728	73,891
Over time	–	81	81	–	81	81
Total	25,420	11,809	37,229	62,163	11,809	73,972

5. OTHER INCOME

	Three months ended 30 June		Six months ended 30 June	
	2018	2017	**2018**	2017
	HK$'000	HK$'000	**HK$'000**	HK$'000
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Sample income	**483**	242	**609**	695
Accessory procurement income	**–**	–	**61**	–
Interest income	**24**	26	**44**	56
Claims received *(Note)*	**24**	272	**41**	387
Miscellaneous income	**48**	150	**86**	169
	579	690	**841**	1,307

Note: Claims received represent compensations from suppliers for sub-quality products.

6. OTHER LOSSES

	Three months ended 30 June		Six months ended 30 June	
	2018	2017	**2018**	2017
	HK$'000	HK$'000	**HK$'000**	HK$'000
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Written-off of property, plant and equipment	**(777)**	–	**(777)**	–
Net foreign exchange losses	**(70)**	(9)	**(38)**	(1)
	(847)	(9)	**(815)**	(1)

7. INCOME TAX EXPENSE

	Three months ended 30 June		Six months ended 30 June	
	2018	2017	**2018**	2017
	HK$'000	HK$'000	**HK$'000**	HK$'000
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
PRC Enterprise Income Tax ("**EIT**")				
Under provision in respect of prior year	**1**	–	**1**	–

No provision of Hong Kong Profits Tax has been made in the condensed consolidated financial statements as the Group has no assessable profit for the six months period ended 30 June 2018 and 2017.

PRC EIT is calculated based on the statutory tax rate of 25% of the assessable profit for the subsidiaries established in the PRC for the six months period ended 30 June 2018, as determined in accordance with the relevant income tax rules and regulations in the PRC.

No provision for PRC EIT has been made in the condensed consolidated financial statements as the subsidiary established in the PRC has no assessable profit for the six months period ended 30 June 2017.

8. LOSS FOR THE PERIOD

	Three months ended 30 June		Six months ended 30 June	
	2018	2017	**2018**	2017
	HK$'000	HK$'000	**HK$'000**	HK$'000
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Loss for the period has been arrived at after charging				
Directors' remuneration	**1,052**	1,073	**2,105**	2,142
Other staff cost (excluding directors' remuneration)				
– Salaries, bonuses and other benefits	**13,665**	4,251	**17,243**	8,115
– Retirement benefit scheme contributions	**2,617**	334	**2,988**	671
Total staff costs	**17,334**	5,658	**22,336**	10,928
Depreciation of property, plant and equipment	**500**	257	**938**	524
Operating lease rental in respect of rental premises	**1,437**	374	**2,237**	633

9. DIVIDENDS

No dividends were paid, declared or proposed during the current and prior interim periods. The directors of the Company do not recommend payment of interim dividend for the current interim period.

10. LOSS PER SHARE

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

	Three months ended 30 June		Six months ended 30 June	
	2018 HK$'000 (Unaudited)	2017 HK$'000 (Unaudited)	**2018 HK$'000 (Unaudited)**	2017 HK$'000 (Unaudited)
Loss				
Loss for the period for the purposes of calculation of basic loss per share	**(10,150)**	(1,691)	**(14,985)**	(6,062)

	Three months ended 30 June		Six months ended 30 June	
	2018 '000 (Unaudited)	2017 '000 (Unaudited)	**2018 '000 (Unaudited)**	2017 '000 (Unaudited)
Number of shares				
Number of ordinary shares for the purpose of calculation of basic loss per share	**480,000**	480,000	**480,000**	480,000

No diluted loss per share has been presented for both periods as there were no potential ordinary share in issue for both periods.

11. TRADE AND BILLS RECEIVABLES

	30 June 2018 HK$'000 (Unaudited)	31 December 2017 HK$'000 (Audited)
Trade receivables	**9,096**	34,882
Trade receivables discounted with recourse	**4,963**	10,626
Less: allowance for doubtful debts	**(262)**	(262)
	13,797	45,246
Bills receivables	**387**	1,042
	14,184	46,288

The Group allows credit period ranging from 7 days to 120 days (2017: 7 days to 90 days) to its trade debtors in relation to trading of footwear. 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:

	30 June 2018 HK$'000 (Unaudited)	31 December 2017 HK$'000 (Audited)
0 – 30 days	**8,148**	22,237
31 – 60 days	**5,470**	20,920
61 – 90 days	**79**	2,571
Over 90 days	**487**	560
	14,184	46,288

Details of the impairment assessment are set out in Note 13.

12. OTHER RECEIVABLES, PREPAYMENT AND DEPOSITS

	30 June 2018 HK$'000 (Unaudited)	31 December 2017 HK$'000 (Audited)
Prepayments	**7,046**	6,060
Deposits	**685**	124
Other receivables	**1,970**	171
	9,701	6,355

13. IMPAIRMENT ASSESSMENT ON FINANCIAL ASSETS SUBJECT TO ECL MODEL

The Group applies the simplified approach to providing for ECL prescribed by HKFRS 9 for trade receivables, which permits the use of the lifetime expected loss provision for these trade receivables.

Management assessed the expected loss on trade receivables with significant balances individually. For the remaining trade receivables with insignificant balances, management assessed the expected loss collectively using a provision matrix with appropriate groupings and the expected loss rate is assessed to be less than 1% due to the long term/on-going relationship with and good repayment record from these customers. As at 30 June 2018, the additional loss allowance for provision for trade receivables was not material.

Movements in the allowance for doubtful debts

	2018 HK$'000
At 1 January (audited)	**262**
Impairment losses recognised on receivables	**–**
At 30 June (unaudited)	**262**

14. TRADE PAYABLES

	30 June 2018 HK$'000 (Unaudited)	31 December 2017 HK$'000 (Audited)
Trade payables	**11,041**	30,207

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

	30 June 2018 HK$'000 (Unaudited)	31 December 2017 HK$'000 (Audited)
0 – 30 days	7,444	20,435
31 – 60 days	3,062	8,087
61 – 90 days	–	253
Over 90 days	535	1,432
	11,041	30,207

15. OTHER PAYABLES AND ACCRUALS

	30 June 2018 HK$'000 (Unaudited)	31 December 2017 HK$'000 (Audited)
Accrued staff salaries	10,782	3,470
Accrued expenses	2,146	3,608
Other tax payables	622	81
Receipt in advance from customers	–	4,099
Others	1,632	1,473
	15,182	12,731

16. BANK BORROWINGS

	30 June 2018 HK$'000 (Unaudited)	31 December 2017 HK$'000 (Audited)
Secured bank borrowings		
– Variable rate	15,076	24,585
– Fixed rate	–	6,683
	15,076	31,268

During the six months period ended 30 June 2018, the Group raised new bank borrowings amounting to approximately HK$58,410,000 (six months ended 30 June 2017: HK$72,567,000) and settled bank borrowings amounting to approximately HK$74,602,000 (six months ended 30 June 2017: HK$82,403,000), of which approximately HK$27,861,000 (six months ended 30 June 2017: HK$40,957,000) were settled with the bank upon settlement of the discounted trade receivables from the Group's debtors.

The variable rate bank borrowings as at 30 June 2018 and 31 December 2017 carry interests at a premium over Hong Kong Interbank Offered Rate. The effective interest rates on variable rate bank borrowings are ranging from 4.09% to 4.59% (30 June 2017: 2.30% to 3.67%) per annum. The fixed rate bank borrowings as at 30 June 2017 carry interest at 3.5% per annum (30 June 2018: Nil).

The secured bank borrowings and repayable within one year with a repayment on demand clause, therefore, the amounts are classified as current liabilities.

17. CONTRACT LIABILITIES

The following is an analysis of the Group's contract liabilities:

	30 June 2018 HK$'000 (Unaudited)	31 December 2017 HK$'000 (Audited)
Trading of footwear	**1,413**	–
Loan facilitation service	**2,081**	–
	3,494	–

18. SHARE CAPITAL

	Number of shares	**Share capital** HK'000
Authorised ordinary shares at HK$0.01 per share:		
At 1 January 2017, 30 June 2017, 1 January 2018 and 30 June 2018	1,000,000,000	10,000
Issued and fully paid ordinary shares at HK$0.01 per share:		
At 1 January 2017, 30 June 2017, 1 January 2018 and 30 June 2018	480,000,000	4,800

19. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

Fair value of the Group's financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures required)

The Directors consider that the carrying amounts of these financial assets and financial liabilities recorded at amortised cost in the condensed consolidated financial statements approximate their fair values.

20. RELATED PARTY DISCLOSURES

As stated in Note 1, during the current period, the Group commenced its operation in loan facilitation business by providing pre-loan facilitation service and post-loan facilitation service to external individual customers ("**Ultimate Customers**") to obtain financing from various financial institution or investors through the online information intermediary service platform. Substantially all of this business is deriving from Ultimate Customers obtaining the financing from the investors who have registered on the online information intermediary service platform operated by a related party of the Company.

Compensation of the Directors and key management personnel

The remuneration of the Directors and other members of key management during the periods was as follows:

	Three months ended 30 June		Six months ended 30 June	
	2018 HK$'000 (Unaudited)	2017 HK$'000 (Unaudited)	**2018 HK$'000 (Unaudited)**	2017 HK$'000 (Unaudited)
Salaries and other allowances	**997**	1,537	**2,104**	3,067
Incentive performance bonus	**–**	732	**–**	945
Retirement benefit scheme contributions	**8**	23	**25**	45
	1,005	2,292	**2,129**	4,057

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

MANAGEMENT DISCUSSION AND ANALYSIS

The board (the "**Board**") of directors ("**Directors**") of Jimu Group Limited (the "**Company**") presents the unaudited condensed consolidated financial statements of the Company and its subsidiaries (collectively the "**Group**") for the six months and three months ended 30 June 2018, together with the comparative unaudited figures of the corresponding periods in 2017.

Financial Review

The Group's revenue decreased by approximately 18.7% from approximately HK$91.0 million for the six months ended 30 June 2017 to approximately HK$74.0 million for the six months ended 30 June 2018. The decrease in revenue during the period under review as compared to the corresponding period in 2017 mainly resulted from a decrease in revenue from the footwear business segment being partially offset by revenue from the newly formed loan facilitation service segment.

The decrease in revenue for the footwear business segment is mainly due to various uncertainties clouding the global economy, in particular, the continuous impact of Brexit and the resulting depreciation in the British pound as well as sluggish economic growth in the EU, which have adversely affected customer sentiment.

The Group commenced its operation in provision of loan facilitation services in April 2018. The loan facilitation service segment contributed revenue of approximately HK$11.8 million for the six months ended 30 June 2018.

During the six months ended 30 June 2018, the Group's purchases and changes in inventories decreased by approximately 30.8% from approximately HK$78.6 million for the six months ended 30 June 2017 to approximately HK$54.4 million for the six months ended 30 June 2018. The Group's purchases and changes in inventories comprises purchase cost and other costs including mainly sample and molding fees and other overheads. During the six months ended 30 June 2018, sample and molding fees decreased by approximately HK$0.5 million as compared to the corresponding period in 2017 which was attributable to the decreased number of molds of samples for developments for brands that are new to the Group as requested by the Group's customers for potential orders. However, the purchase cost to sales ratio was approximately 84.1% for the six months ended 30 June 2018 comparing to approximately 83.3% for the six months ended 30 June 2017. The increase in purchase cost to sales ratio was mainly due to the decreasing ability of the Group to persuade our suppliers to absorb sample and molding fees due to intense competition in the market, and also the decreasing ability of the Group to pass on the sample and molding fees to customers due to the sluggish customer sentiment.

Other income decreased to approximately HK$0.8 million for the six months ended 30 June 2018 from approximately HK$1.3 million for the corresponding period in 2017, primarily attributable to a decrease in claims received of approximately HK$0.3 million.

Employee benefits expenses increased to approximately HK$22.3 million for the six months ended 30 June 2018 from approximately HK$10.9 million for the corresponding period in 2017, which was mainly due to the increase in number of staff for the loan facilitation services.

Other operating expenses increased to approximately HK$11.7 million for the six months ended 30 June 2018 from approximately HK$8.3 million for the corresponding period in 2017, which was mainly due to the increase in general operating expenses of approximately HK$2.7 million in relation to the running of the new loan facilitation services and an increase in legal and professional fees by approximately HK$0.9 million for engaging professional parties to further strengthen the governance of the Group.

As a result of foregoing, loss for the period increased to approximately HK$15.0 million for the six months ended 30 June 2018 from approximately HK$6.1 million for the corresponding period in 2017.

Loss for the footwear business segment increased to approximately HK$6.5 million for the six months ended 30 June 2018 from approximately HK$2.7 million for the corresponding period in 2017, which was mainly due to the decrease in revenue during the period.

Loss for the loan facilitation service segment amounted to approximately HK$3.7 million for the six months ended 30 June 2018. The loss was mainly due to overhead and staff costs during the setup phase of these branch offices.

Business Review and Outlook

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

The Group embarked on other significant new development in 2017. Asia Matrix Investments Limited ("**Asia Matrix**") has successfully completed the transfer of equity interest of the Group to Jimu Group Holdings Limited on 11 October 2017. Name change of the Company has also been approved in the extraordinary general meeting dated 22 January 2018. In view of the various uncertainties clouding the global economy, in particular, the continuous impact of Brexit and the resulting depreciation on the British pound as well as sluggish economic growth in the EU, which have adversely affected customer sentiment, as well as increasingly intense competition in the footwear industry which has led to increasingly depressing profit margins, the new management team has actively explored and studied business diversification plans for mitigating risks and achieving long term sustainability.

In April 2018, the Group commenced the provision of loan facilitation services to customers in China through two newly setup subsidiaries. As at the end of June 2018, the Group has already set up over 40 branch offices across different regions in China to provide assistance to customers with financing needs, with a particular focus on individual customers in third and fourth tier cities in China, who in general, compared to individuals in first tier cities, have weaker knowledge or access of financing solutions available in the market. Through personal outreach to customers, continuous education on financing solutions, data collection and analysis and consultation, the Group aims to assist the customers to obtain appropriate financing solutions from third parties such as financial institutions and/or other financing platforms, and also provide continuous customer support. The Board is of the view that the newly commenced business is consistent with China's overall policy of broad financial inclusion and will be scalable.

The loan facilitation services represent a prime opportunity for the Group to diversify its business scope, broaden the Group's sources of income and achieve better return to the shareholders of the Company. The management will continue to develop the loan facilitation services as well as to explore other business opportunities so as to create value for the shareholders of the Company.

INTERIM DIVIDEND

The Directors do not recommend payment of interim dividend for the six months ended 30 June 2018.

LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

As at 30 June 2018, total borrowings of the Group amounted to approximately HK$15.1 million (31 December 2017: approximately HK$31.3 million) which represented the trust receipt loans for trade finance purpose and trade receivables transferred to banks by discounting those receivables on a recourse basis. As at 30 June 2018, the cash and cash equivalents and pledged bank deposit of the Group amounted to approximately HK$48.4 million (31 December 2017: approximately HK$60.7 million). As at 30 June 2018, debt to equity ratio of the Group was nil (31 December 2017: nil). Debt to equity ratio is calculated by dividing the net debt, which is defined to include 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 30 June 2018 was approximately 1.6 times (31 December 2017: approximately 1.5 times).

The Group maintained sufficient working capital as at 30 June 2018 with bank balances and cash of approximately HK$38.2 million (31 December 2017: approximately HK$45.5 million). The Board 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 30 June 2018, the Group's net current assets amounted to approximately HK$27.0 million (31 December 2017: approximately HK$38.9 million). The Group's operations are financed principally by revenue generated from its business operation, available cash and bank balances and bank borrowings.

CAPITAL STRUCTURE

As at 30 June 2018, the share capital and equity attributable to owners of the Company amounted to HK$4.8 million and approximately HK$29.9 million, respectively (31 December 2017: HK$4.8 million and approximately HK$44.9 million, respectively).

PLEDGE OF ASSETS

As at 30 June 2018, pledged bank deposits of approximately HK$10.1 million (31 December 2017: approximately HK$15.2 million), trade receivables of approximately HK$5.0 million (31 December 2017: approximately HK$10.6 million) and motor vehicle with a carrying value of nil (31 December 2017: approximately HK$0.5 million) of the Group were pledged to secure the Group's bank borrowings.

EXCHANGE RATE EXPOSURE

The Group's footwear business segment revenue is denominated in United States Dollars ("**US$**") due to the export-oriented nature of the Group's business. The Group's footwear business segment expenses, comprising primarily its payment to its footwear suppliers, are also mainly in US$. As HK$ is pegged to US$, the Group does not expect any significant fluctuation in the exchange rate of HK$ against US$. Revenue, cost and expenses of the Group's loan facilitation service segment are all denominated in Renminbi ("**RMB**"), as such the net exposure to fluctuation of HK$ against RMB is not material. The Group's management considers that the Group has no significant foreign exchange exposures. Foreign exchange risk arising from the normal course of operations is considered to be minimal. As at 30 June 2018, the Group did not use any financial instrument for hedging the foreign exchange risk.

SIGNIFICANT INVESTMENTS HELD

During the six months ended 30 June 2018, there was no significant investment held by the Group.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

During the six months ended 30 June 2018, the Group did not have any material acquisitions and disposals of subsidiaries and affiliated companies.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

During the six months ended 30 June 2018, the Group currently has no other plan for material investments.

CONTINGENT LIABILITIES

As at 30 June 2018, the Group did not have any significant contingent liabilities (31 December 2017: nil).

CAPITAL COMMITMENTS

As at 30 June 2018, the Group had no significant capital commitments (31 December 2017: nil).

EMPLOYEES AND EMOLUMENT POLICIES

The Group had 1,029 employees (including Directors) as at 30 June 2018 (31 December 2017: 67 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 recommendations to the Board on the overall remuneration policy and structure relating to all Directors and senior management of the Group.

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 30 June 2018.

Business plan as set out in Prospectus	**Progress up to 30 June 2018**
Broadening customer base and product offerings	
– Approach potential customers for business opportunities through business referrals by existing customers and business network	The Group visited existing customers and approached potential customers overseas to explore business opportunities and strengthen the business relationship.
– Participate in global sales conferences of the major customers to explore business opportunities	The Group participated 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 and showroom in Dongguan City, Guangdong, the PRC from May 2017 to June 2017 promote the quality products and services of the Group. The Group leased an office incorporating with a showroom in Hong Kong.
– Recruit additional sales representatives to broaden the customer base and product offerings	The Group has 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.

Business plan as set out in Prospectus	Progress up to 30 June 2018
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 the 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 (note 1)	
– Obtain licences of multiple footwear brands – Engage professional parties to assist the Group in performing research, investigation and due diligence on brand licensing	The Group entered into International Merchandising License Agreement ("**License Agreement**") with ENS Global Marketing Limited (the "**Licensing Agent**") and SEMK Products Limited (the "**Licensor**") in June 2017 for granting to the Group a non-exclusive right and licence to utilize the "B. Duck" brand for footwear. The Group terminated the License Agreement on 6 December 2017 after given the Licensor and Licensing Agent a 7 days' notice in writing pursuant to the terms of the License Agreement.

Business plan as set out in Prospectus	Progress up to 30 June 2018
Enhancing corporate image (note 2)	
– Participate in major footwear trade shows and fairs internationally to market the Group's quality products and services to attract new international brand owners and licensees to grow its business	The Group sourced footwear samples during 2017 and participated in footwear trade fairs in Italy and the US in early 2018.
– Purchase of motor vehicles in Hong Kong to provide a comfortable and convenient transportation to our existing and potential customers when they visit the Group in Hong Kong and the PRC	The Group purchased two motor vehicles in Hong Kong in September 2017.
Improving information technology system	
– Enhance and upgrade the Group's business management system for producing a more comprehensive information database of its customers, products, quality control, footwear suppliers and financial reporting	The Group has improved the information technology system by purchasing new computers and auxiliary products. The Group has contracted an outside party in June 2017 for the development of an "online shop" to promote our products. The Group seeks for the appropriate business management system and will utilize the fund as intended.

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

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

USE OF PROCEEDS

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

Use of net proceeds	**Total planned amount to be used (as adjusted on 27 June 2018)** HK$'million	**Planned use of proceed up to 30 June 2018 (as adjusted on 27 June 2018)** HK$'million	**Actual amount utilized up to 30 June 2018** HK$'million	**Actual balance as at 30 June 2018** HK$'million
Broadening customer base and product offerings *(Note (a))*	9.9	8.8	3.4	6.5
Enhancing design, development and production management capabilities	5.9	5.5	1.7	4.2
Obtaining licences of multiple brands *(Note (d))*	7.9	7.9	0.2 *(Note (c))*	7.7
Enhancing corporate image *(Note (b))*	1.5	1.4	0.4	1.1
Purchasing motor vehicles in Hong Kong *(Note (b))*	3.0	3.0	3.0	–
Improving information technology system	4.1	4.1	0.7	3.4
General working capital and other general corporate uses of the Group *(Note (d))*	12.3	4.8	3.8	8.5
Total	44.6	35.5	13.2	31.4

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.

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

The difference of approximately HK$22.3 million between the planned use of proceed up to 30 June 2018 of approximately HK$35.5 million and the actual amount utilized up to 30 June 2018 of approximately HK$13.2 million was mainly due to (i) the Group did not lease an office incorporating a showroom in Hong Kong but leased an office incorporating a showroom in the PRC from May 2017 to June 2018 in view of the current uncertain global economic environment; (ii) the Group is still in the process of identifying other appropriate licenses, apart from the License Agreement signed in June 2017; and (iii) the Group has not yet engaged in enhancing and upgrading the business management system as the Group is in the course of seeking an appropriate system.

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

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

CORPORATE GOVERNANCE CODE

The Company had complied with all applicable code provisions set out in the Corporate Governance Code (the "**Code**") contained in Appendix 15 to the GEM Listing Rules, except for the deviation from code provision A.6.7 and A.4.1 of the Code as described below.

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. Two non-executive Directors and three independent non-executive Directors were unable to attend the extraordinary general meeting of the Company held on 22 January 2018 due to conflicting business schedules. One non-executive Director and one independent non-executive Director were unable to attend the annual general meeting of the Company held on 25 May 2018 due to conflicting business schedules. All the other independent non-executive Directors, 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.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Group has adopted the required standard of dealing, as set out in Rules 5.48 to 5.67 of the GEM Listing Rules, as the code of conduct for securities transactions by the Directors in respect of the shares of the Company. Having made specific enquiry of all Directors, all Directors have confirmed that they have complied with the required standard of dealing and the code of conduct for securities transactions by directors during the period under review.

INTEREST OF THE COMPLIANCE ADVISER

As confirmed by the Company's compliance adviser, Orient Capital (Hong Kong) Limited (the "**Compliance Adviser**"), save for the compliance adviser agreement entered into between the Company and the Compliance Adviser dated 30 October 2017, none of the Compliance Adviser or its directors, employees or close associates (as defined under the GEM Listing Rules) had any interest in the Group or in the share capital of any member of the Group which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules.

INTERESTS IN COMPETING BUSINESS

For the six months ended 30 June 2018, none of the Directors, controlling shareholders or substantial shareholders of the Company or any of their respective close associates (all as defined under the GEM Listing Rules) are engaged in any business that competes or may compete, directly or indirectly, with the business of the Group or have any other conflicts of interest with the Group nor are they aware of any other conflicts of interest which any such persons has or may have with the Group.

SHARE OPTION SCHEME

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

The Share Option Scheme enables the Company to grant 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 as incentives or rewards for their contributions to our Group.

DIRECTORS' INTERESTS IN SECURITIES

As at 30 June 2018, the interests and short positions of the Directors or chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "**SFO**")), which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO; or (b) pursuant to Section 352 of the SFO, to be recorded in the register referred therein; or (c) pursuant to Rule 5.46 of the GEM Listing Rules to be notified to the Company and the Stock Exchange, were as follows:

Long position in shares or underlying shares of the Company

Name of Director	Capacity	Number of shares or underlying shares held Ordinary shares	 Share options	 Total	Approximate percentage of interest in the Company
Mr. Ho Kin Wai ("**Mr. Ho**")	Interest of controlled corporation *(Note)*	9,600,000 ordinary shares	–	9,600,000	2%

Note: These 9,600,000 shares are held by Asia Matrix. Mr. Ho beneficially owns 100% of the issued share capital of Asia Matrix.

Long position in shares or underlying shares of associated corporation

Name of Director	Name of associated corporation	Capacity	No. share(s) held in each class	Approximate percentage of interest in the associated corporation in each class
Mr. Dong Jun ("**Mr. Dong**")	Jimu Holdings Limited (formerly known as Pintec Holdings Limited) ("**Jimu Holdings**") *(Note1)*	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	2,210,630 (series C preferred shares)	5.17%
Mr. Wen	Jimu Holdings *(Note 3)*	Interest of controlled corporation	235,000 (ordinary shares)	0.33%
Mr. Zhang Songyi ("**Mr. Zhang**")	Jimu Holdings *(Note 4)*	Interest of controlled corporation	3,359,553 (series C preferred shares)	7.86%

Notes:

1. 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 2,210,630 series C preferred shares are held by Delight Treasure Holdings Limited. Mr. Wen beneficially owns 100% of the issued share capital of Delight Treasure Holdings Limited.

3. These 235,000 ordinary shares are held by Delight Treasure Holdings Limited. Mr. Wen beneficially owns 100% of the issued share capital of Delight Treasure Holdings Limited.

4. Out of these 3,359,553 series C preferred shares, 1,908,837 shares are held by Woo Foong Hong Limited and 1,450,716 shares are held by Mandra iBase Limited. Woo Foong Hong Limited is owned as to 51% by Beansprouts Limited, which in turn is owned as to 50% by Mr. Zhang. Mandra iBase Limited is wholly owned by Beansprouts Limited.

Save as disclosed above, as at 30 June 2018, none of the Directors or chief executive of the Company had any interest or short position in shares, debentures or underlying shares of the Company and its associated corporations which was required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO; or (b) pursuant to Section 352 of the SFO, to be recorded in the register referred therein; or (c) pursuant to Rule 5.46 of the GEM Listing Rules to be notified to the Company and the Stock Exchange.

INTERESTS DISCLOSABLE UNDER THE SFO AND SUBSTANTIAL SHAREHOLDERS

As at 30 June 2018, so far as known to any Director or chief executive of the Company, the following persons had interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO, or recorded in the register required to be kept under Section 336 of the SFO:

Long position in shares or underlying shares of the Company

Name of shareholder	Capacity	Number of shares or underlying shares held	Approximate percentage of interest in the Company
Jimu Group Holdings Limited	Beneficiary owner	350,400,000	73%
Jimu Times Limited	Interest in a controlled corporation *(Note)*	350,400,000	73%
Jimu Holdings	Interest in a controlled corporation *(Note)*	350,400,000	73%

Note: Jimu Group Holdings Limited is a registered owner holding 73% shareholding interest in the Company. Jimu Group Holdings Limited is owned as to 85% by Jimu Times Limited and Jimu Times Limited is wholly-owned by Jimu Holdings. Under the SFO, Jimu Holdings and Jimu Times Limited are deemed to be interested in 350,400,000 Shares.

Save as disclosed above, as at 30 June 2018, the Directors were not aware of any other persons who had interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO, or recorded in the register required to be kept under Section 336 of the SFO.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the six months ended 30 June 2018, the Company did not redeem any of its shares, and neither did the Company nor any of its subsidiaries purchase or sell any of the Company's shares.

AUDIT COMMITTEE

The Company established the audit committee of the Company (the "**Audit Committee**") on 11 May 2016 with written terms of reference in compliance with the code provisions of the Code. The primary duties of the Audit Committee are to make recommendation to the Board on the appointment and removal of external auditors; review financial statements and material advice in respect of financial reporting; and oversee internal control procedures of the Company. The Audit Committee currently consists of four members, namely Mr. Hon Ping Cho Terence (Chairman), Mr. Liu Jiangtao, Mr. Guo Zhongyong and Mr. Peng Chuang, all being independent non-executive Directors.

The Group's interim results for the six months ended 30 June 2018 were unaudited. However, the Company has engaged Deloitte Touche Tohmatsu (the "**Auditor**") to assist the Audit Committee to review the condensed consolidated financial statements of the Group for the six months ended 30 June 2018. A meeting of the Audit Committee was held with the Auditor and the management of the Company for, amongst other things, reviewing the interim results of the Group for the six months ended 30 June 2018.

By order of the Board
Jimu Group Limited
Dong Jun
Chairman

Hong Kong, 10 August 2018

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