JIMU GROUP LIMITED
積 木 集 團 有 限 公 司

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

ANNUAL REPORT
2018

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CONTENT

CORPORATE INFORMATION

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. Leung Tsz Kwan

Compliance Officer

Ms. Long Jingjie

Authorised Representatives

Ms. Long Jingjie
Ms. Leung Tsz Kwan

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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Cayman Islands

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Principal Share Registrar and Transfer Office

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Clifton House
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

DBS Bank (Hong Kong) Limited
The Hongkong and Shanghai Banking Corporation Limited

Auditor

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

Legal Adviser

Lau, Horton & Wise LLP

Compliance Adviser

Orient Capital (Hong Kong) Limited

Company's Website

www.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, collectively referred to as the "Group"), I am pleased to present the annual report of the Company for the year ended 31 December 2018.

There is an old saying, "There is nothing permanent except change (變幻原是永恆)". We believe the key to success is the ability to adapt to change and capture opportunities as they emerge. The global economy showed signs of slowing down in 2018 amid various uncertainties such as Brexit and the US-China Trade War. Such economic conditions present an extremely challenging environment to the Group, and in particular our footwear trading business, which is a relatively traditional business and more vulnerable to external global environments. While we are still hopeful that global political uncertainties may clear up in the near future, the Board saw the need to diversify the Group's business scope to mitigate these risks.

2018 was a pivotal year for the Group. Resonating with the directions of the China government in facilitating inclusive finance (普惠金融), the Group embarked on a new journey by entering into the loan facilitation business, with a particular focus on third and fourth tier cities, which is a relatively underserved market with great potential.

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. Leveraging on certain experience of our shareholders, the Group successfully built a team with good understanding of the market, strong credit analytics skills and quality customers services. Since April 2018, we have set up over 40 branch offices across China, and our venture has yielded very encouraging results. This segment has already reached profitability within 2018 and we believe will continue to grow. Of course, we are also aware of the challenges that 2019 will pose, and will continue to expand while being cost conscious and aligned with future governmental directives.

Our Group's name "Jimu" (積木), is the Chinese term for "building blocks". Our philosophy is to build and amalgamate initiatives into greater structures that will be able to withstand future challenges and continue to create value for our shareholders. The Board is optimistic about the future development of the loan facilitation business and will devote further resources in it as is appropriate.

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 2018, 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, 22 March 2019

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

Jimu Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") is engaged in the footwear business and the loan facilitation business.

Footwear Business

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

Various uncertainties continue to cloud the global economy, in particular, the continuous impact of the Brexit, sluggish economic growth in the EU and the US-China Trade War, which have adversely affected customer sentiment, as well as increasingly intense competition in the footwear industry which has led to increasingly depressing profit margins and declining revenue.

The management had already adopted certain cost-cutting measures and slowed down certain business plan for the footwear business. The footwear business segment recorded loss for another year despite the management's continuous effort in improving business performance. The management shall evaluate the current business model and long-term viability of the footwear business so as to create most value for the shareholders.

Loan Facilitation Business

In April 2018, the Group commenced the provision of loan facilitation services to customers in China. As at the end of December 2018, the Group has already set up over 40 branch offices across different regions in China to provide assistance to customers with financing needs, with a particular focus on individual customers in 3rd and 4th tier cities in China, who in general, compared to individuals in first tier cities, have weaker knowledge or access of financing solutions available in the market. The Group has built a credit rating system which gives customers an internal credit score, taking into account the customer's financial condition, previous lending and repayment history and other behavior pattern. Our risk team periodically monitors and updates the algorithm to meet changing market conditions.

Our branch network, together with our IT infrastructure, allows us to tap into these markets with relative ease. Our credit rating system helps to filter customers with relatively poor credit rating and allows us to focus on more credible customers. The on-site credit team then performs site visits and other due diligence procedures to verify the authenticity of information. Based on these credit scores and due diligence materials, our credit assessment team will consider whether to make a loan recommendation to appropriate funding sources (which may include bank and non-bank institutions). Our branch offices liaise between customers and the funding sources and arrange for contract signing upon agreement by both parties.

Our branch offices provide customer care services to these customers even after the relevant loans are disbursed. Such services include repayment reminders, and financial health check-ups.

MANAGEMENT DISCUSSION AND ANALYSIS

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

FINANCIAL REVIEW

Revenue

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

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

Footwear Business

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

Loan Facilitation Business

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

Purchases and changes in inventories

The Group's purchases and changes in inventories decreased by approximately 47.2% from approximately HK$204.6 million for 2017 to approximately HK$108.0 million for 2018. The Group's purchases and changes in inventories comprises purchase cost and other costs including mainly sample and molding fees and other overheads. During 2018, sample and molding fees decreased by approximately HK$1.3 million as compared to 2017 which was attributable to the decreased number of molds of samples for developments for brands that are new to the Group as requested by the Group's customers for potential orders. However, the purchase cost to sales ratio was approximately 88% for 2018 comparing to approximately 86% for 2017. The increase in purchase cost to sales ratio was mainly due to the decreasing ability of the Group to persuade our suppliers to absorb sample and molding fees due to intense competition in the market, and also the decreasing ability of the Group to pass on the sample and molding fees to customers due to the sluggish customer sentiment.

Other income

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

Employee benefits expenses

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

Other operating expenses

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

Income tax expenses

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

MANAGEMENT DISCUSSION AND ANALYSIS

Loss for the year

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

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

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

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

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

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

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

PLEDGE OF ASSETS

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

EXCHANGE RATE EXPOSURE

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

SIGNIFICANT INVESTMENTS HELD

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

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

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

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

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

CONTINGENT LIABILITIES

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

CAPITAL COMMITMENTS

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

MANAGEMENT DISCUSSION AND ANALYSIS

EMPLOYEES AND EMOLUMENT POLICIES

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

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

PRINCIPAL RISKS AND UNCERTAINTIES

Credit risk

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

Interest rate risk

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

Liquidity risk

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

COMPLIANCE WITH LAWS AND REGULATIONS

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

ENVIRONMENTAL POLICIES AND PERFORMANCE

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

KEY RELATIONSHIP WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

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

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

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

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

KEY PERFORMANCE INDICATORS

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

MANAGEMENT DISCUSSION AND ANALYSIS

COMPARISON OF BUSINESS PLAN WITH ACTUAL BUSINESS PROGRESS

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

Business plan as set out in Prospectus	**Progress up to 31 December 2018**
Broadening customer base and product offerings	
– Approach potential customers for business opportunities through business referrals by existing customers and business network	The Group visited existing customers and approached potential customers overseas to explore business opportunities and strengthen the business relationship.
– Participate in global sales conferences of the major customers to explore business opportunities	The Group participated in global sales conferences of the major customers overseas to explore business opportunities.
– Plan to lease a new office incorporating a showroom to promote the quality products and services of the Group	The Group leased an office with showroom in Dongguan City, Guangdong, the PRC in May 2017 to June 2018 to promote the quality products and services of the Group. Currently, the group leased an office with a showroom in Hong Kong.
– Recruit additional sales representatives to broaden the customer base and product offerings	The Group employed a sales staff experienced in footwear market in Australia in October 2016 for broadening its customer base. That sales staff left the Group in October 2017.

Business plan as set out in Prospectus	Progress up to 31 December 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 3D printing technology in footwear development.
– Recruit a specialized footwear 3D technician	The Group has employed a 3D technician in May 2017 to produce 3D modelling. The technician left the Group in September 2018.
– Recruit additional designers to expand the design and development team	The Group has employed a footwear designer in May 2017 to enhance the product design and development capabilities.
– Recruit an experienced shoe technician to enhance the knowledge on footwear technical requirements and standards of different customers	The Group has employed two shoe technicians in August 2016 to assist our designers in product design and development. Currently the Group has employed one shoe technician.
– Recruit additional quality control and shipping staff to reinforce the quality management and logistics management services of the Group	The Group has employed three quality control inspectors in July 2016 to enhance production management capabilities.
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.

MANAGEMENT DISCUSSION AND ANALYSIS

Business plan as set out in Prospectus	Progress up to 31 December 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 participated in footwear trade fairs in Italy and the US in early 2018.
– Purchase of motor vehicles in Hong Kong to provide a comfortable and convenient transportation to our existing and potential customers when they visit the Group in Hong Kong and the PRC	The Group purchased two motor vehicles in Hong Kong in September 2017.
Improving information technology system	
– Enhance and upgrade the Group's business management system for producing a more comprehensive information database of its customers, products, quality control, footwear suppliers and financial reporting	The Group has improved the information technology system by purchasing new computers and auxiliary products. The Group has contracted an outside party in June 2017 for the development of an "online shop" to promote our products. The Group seeks for the appropriate business management system and will utilize the fund as intended.

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

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

USE OF PROCEEDS

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

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

Notes:

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

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

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

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

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

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

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

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

CLOSURE OF REGISTER OF MEMBERS

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

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 2018.

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 footwear business and the provision of loan facilitation service.

The activities of its principal subsidiaries are set out in note 36 to the consolidated financial statements.

BUSINESS REVIEW

The business review of the Group for the year ended 31 December 2018 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 2018 and the financial position of the Company and the Group as at 31 December 2018 are set forth in the audited consolidated financial statements on pages 51 to 121 of the annual report.

The Board does not recommend the payment of a final dividend for the year ended 31 December 2018 (2017: 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 122. 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 page 53.

DISTRIBUTABLE RESERVES

As at 31 December 2018, the Company has distributable reserves of approximately HK$35,878,000 available for distribution to shareholders of the Company (2017: approximately HK$39,869,000). 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.

REPORT OF THE DIRECTORS

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment during the year are set out in note 14 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in share capital of the Company during the year are set out in note 26 to the consolidated financial statements.

DONATIONS

Donations by the Group for charitable and other purposes amounted to approximately HK$0.1 million (2017: approximately HK$0.6 million).

DIRECTORS

The Directors during the year ended 31 December 2018 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

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

In accordance with article 108(a) of the Articles of Association of the Company, Mr. Peng Shaoxin, Mr. Zhang Songyi, Mr. Liu Jiangtao and Mr. Peng Chuang will retire from office as Directors by rotation at the forthcoming AGM. Mr. Peng Shaoxin, Mr. Liu Jiangtao and Mr. Peng Chuang will offer themselves for re-election. Mr. Zhang Songyi will not offer himself for re-election due to his other engagements.

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 41 to 45 in the annual report.

DIRECTORS' REMUNERATIONS

Details of the remunerations of the Directors are set out in note 11 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 40.7% and sales to the Group's largest customer amounted to approximately 23.6% of the total sales for the year, respectively. Purchases from the Group's five largest suppliers accounted for approximately 63.5% and purchases from the Group's largest supplier amounted to approximately 25.9% 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 29 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 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.

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 2018.

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 2018.

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 2018.

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

As at 31 December 2018, the interests and short positions of the Directors or chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "**SFO**")), which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO; or (b) pursuant to Section 352 of the SFO, to be recorded in the register referred therein; or (c) pursuant to Rule 5.46 of the GEM Listing Rules to be notified to the Company and the Stock Exchange, were as follows:

Long position in shares or underlying shares of the Company

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

Note:

These 9,600,000 Shares are held by Asia Matrix Investments Limited ("Asia Matrix"). Mr. Ho beneficially owns 100% of the issued share capital of Asia Matrix.

Long position in shares or underlying shares of the associated corporation

Name of Director	Name of associated corporation	Capacity	No. share(s) held in each class	Approximate percentage of interest in the associated corporation in each class
Mr. Dong Jun ("**Mr. Dong**")	Jimu Holdings Limited (formerly known as Pintec Holdings Limited) ("**Jimu Holdings**") *(Note 1)*	Founder of discretionary trust	23,722,804 (ordinary shares)	32.95%
Mr. Wen Cyrus Jun-ming ("**Mr. Wen**")	Jimu Holdings *(Note 2)*	Interest of controlled corporation	2,210,630 (series C preferred shares)	5.17%
Mr. Wen	Jimu Holdings *(Note 3)*	Interest of controlled corporation	235,000 (ordinary shares)	0.33%
Mr. Zhang Songyi ("**Mr. Zhang**")	Jimu Holdings *(Note 4)*	Interest of controlled corporation	3,359,553 (series C preferred shares)	7.86%

Notes:

1. Mr. Dong is the founder of a discretionary trust. Mr. Dong is deemed to be interested in the shares of Jimu Holdings in which the discretionary trust is interested has.

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

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

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

Save as disclosed above, as at 31 December 2018, none of the Directors or chief executive of the Company had any interest or short position in shares, debentures or underlying shares of the Company and its associated corporations which was required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO; or (b) pursuant to Section 352 of the SFO, to be recorded in the register referred therein; or (c) pursuant to Rule 5.46 of the GEM Listing Rules to be notified to the Company and the Stock Exchange.

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

As at 31 December 2018, so far as known to any Director or chief executive of the Company, the following persons (other than the Directors and chief executive of the Company) had interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO, or recorded in the register required to be kept under Section 336 of the SFO:

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

Note:

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

Save as disclosed above, as at 31 December 2018, the Directors were not aware of any other persons who had interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO, or recorded in the register required to be kept under Section 336 of the SFO.

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 2018.

INTERESTS IN COMPETING BUSINESS

For the year ended 31 December 2018, none of the Directors or any of their respective close associates (all as defined under the GEM Listing Rules) are engaged in any business that competes or may compete, directly or indirectly, with the business of the Group or have any other conflicts of interest with the Group nor are they aware of any other conflicts of interest which any such persons has or may have with the Group.

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 2018 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 29 to 40.

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 2018.

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.

REPORT OF THE DIRECTORS

AUDITOR

The consolidated financial statements for the year ended 31 December 2018 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 2018 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, 22 March 2019

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 2018, the Company has complied with all the applicable code provisions of the Code, except for the following deviations:

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

Pursuant to code provision A.6.7 of the Code stipulates that independent non-executive directors and other non-executive directors, as equal board members, should give the board and any committees on which they serve the benefit of their skills, expertise and varied backgrounds and qualifications through regular attendance and active participation. They should also attend general meetings and develop a balanced understanding of the views of shareholders. One independent non-executive Director and one non-executive director were unable to attend the annual general meeting of the Company held on 25 May 2018 due to his business engagements. Two non-executive directors and three independent non executive directors were unable to attend the special general meeting of the Company held on 22 January 2019 due to their other 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. Peng Shaoxin, Mr. Zhang Songyi, Mr. Liu Jiangtao and Mr. Peng Chuang will retire from office as Directors by rotation at the forthcoming AGM. Mr. Peng Shaoxin, Mr. Liu Jiangtao and Mr. Peng Chuang will offer themselves for re-election. Mr. Zhang Songyi will not offer himself for re-election due to his other engagements.

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 2018.

BOARD OF DIRECTORS

The Directors who held office during the year ended 31 December 2018 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

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

The brief biographic details of the Directors are set out in the section headed "Biographies of Directors and Senior Management" on pages 41 to 45 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 2018. 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 2018 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	4/4	N/A	N/A	1/1	N/A	2/2
Mr. Ho Kin Wai	4/4	N/A	N/A	N/A	N/A	1/2
Mr. Peng Shaoxin	4/4	N/A	1/1	N/A	N/A	1/2
Mr. Yan Taotao	4/4	N/A	N/A	N/A	4/4	1/2
Ms. Long Jingjie	4/4	N/A	N/A	N/A	N/A	1/2
Non-executive Directors						
Mr. Wen Cyrus Jun-ming	4/4	N/A	N/A	N/A	4/4	1/2
Mr. Zhang Songyi	4/4	N/A	N/A	N/A	4/4	0/2
Independent Non-executive Directors						
Mr. Liu Jiangtao	4/4	4/4	1/1	N/A	N/A	0/2
Mr. Guo Zhongyong	4/4	4/4	N/A	1/1	N/A	1/2
Mr. Peng Chuang	4/4	4/4	N/A	1/1	N/A	1/2
Mr. Hon Ping Cho Terence	4/4	4/4	1/1	N/A	N/A	2/2

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.

The Audit Committee currently consists of four members, namely Mr. Hon Ping Cho Terence (Chairman), Mr. Liu Jiangtao, Mr. Guo Zhongyong and Mr. Peng Chuang, all being independent non-executive Directors. The Audit Committee had reviewed the first quarterly report of the Group for the three months ended 31 March 2018, the interim results of the Group for the six months ended 30 June 2018; the third quarterly results of the Group for the nine months ended 30 September 2018 and the final results for the year ended 31 December 2018 before submission to the Board for approval. The Audit Committee is of the view that the annual results complied with the applicable accounting standards, the requirements under the GEM Listing Rules and other applicable legal requirements, and that adequate disclosures had been made.

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

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.

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

At the meeting, the Remuneration Committee had reviewed the remuneration packages and performance of the Directors and the senior management during the year ended 31 December 2018.

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.

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 "**Nomination Committee**"). The majority of the members of the Nomination Committee are independent non-executive Directors.

The Nomination Committee held 1 meeting during the year ended 31 December 2018. Details of the attendance of the Nomination Committee meeting are set out above.

At the meeting, the 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.

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 "**Risk Management Committee**").

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

At the meeting, the 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 2018.

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.

CORPORATE GOVERNANCE REPORT

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 2018 are summarised as follows:

Name of Directors	Type of trainings
Mr. Dong Jun	A, B
Mr. Ho Kin Wai	A, B
Mr. Peng Shaoxin	B
Mr. Yan Taotao	A, B
Ms. Long Jingjie	B
Mr. Wen Cyrus Jun-ming	A, B
Mr. Zhang Songyi	A, B
Mr. Liu Jiangtao	B
Mr. Guo Zhongyong	A, B
Mr. Peng Chuang	A, B
Mr. Hon Ping Cho Terence	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

COMPANY SECRETARY

Ms. Leung Tsz Kwan ("**Ms. Leung**") has been appointed as the company secretary of the Company since 31 November 2018. In accordance with Rule 5.15 of the GEM Listing Rules, Ms. Leung has taken no less than 15 hours of relevant professional training during the year ended 31 December 2018.

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 2018 falls within the following bands:

	Number of individuals
HK$1,000,000 or below	3

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 2018. 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 2018, the fee payable to Deloitte Touche Tohmatsu in respect of its statutory audit services provided to the Group was HK$2,350,000. The principal auditor of the Company also provided non-audit services in the sum of HK$445,100, which included interim review and tax filing services.

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 2018, 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 2018, the Group appointed Corporate Governance Professionals Limited (formerly known as Baker Tilly Hong Kong Risk Assurance Limited) ("CGPL")（企業管治專才有限公司）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 CGPL 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 CGPL 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 CGPL. 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.

CORPORATE GOVERNANCE REPORT

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@jimugroup.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) 3007-6555
E-mail:	enquiry@jimugroup.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 2018.

DIRECTORS

Executive Directors

Mr. Dong Jun (董駿)
Executive Director and Chairman

Mr. Dong, aged 41, 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 14 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 Chartered 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 HOLDINGS, which is the 100% parent company of JIMUTIMES.

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

Mr. Ho, aged 43, 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 13 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 an independent non-executive director of Lapco Holdings Limited (stock code: 8472) and Hang Tai Yue Group Holdings Limited (stock code: 8081) from 24 June 2017 and 10 January 2019, respectively.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Peng Shaoxin（彭少新）
Executive Director

Mr. Peng, aged 45, was appointed as an executive Director on 11 December 2017. Mr. Peng has more than 11 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 39, 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 16 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 33, was appointed as an executive Director on 11 December 2017. Ms. Long 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.

Non-executive Directors

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

Mr. Wen, aged 33, 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 and an independent non-executive director of Thing On Enterprise Limited since 15 December 2017. 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 11 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.

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

Mr. Zhang, aged 63, 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 40, was appointed as an independent non-executive Director on 11 December 2017. Mr. Liu was the chairman and CEO of Hna-Caissa Travel Group, a public company until 13 April 2018 (SZ. 000796).

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

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

Mr. Guo, aged 48, 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 Chartered Financial Analyst Charterholder.

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

Mr. Peng Chuang, aged 33, 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 59, was appointed as an independent non-executive Director on 11 December 2017. Mr. Hon is currently an independent non-executive director of Xiabuxiabu Catering Management (China) Holdings Co., Ltd. (Stock Code: 520) since 28 November 2014. He was the chief financial officer and company secretary of DTXS Silk Road Investment Holdings Company Limited (Stock Code: 620) ("DTXS") until 1 October 2018. 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. Leung Tsz Kwan（梁紫君）

Ms. Leung Tsz Kwan ("**Ms. Leung**") is a member of the Hong Kong Institute of Certified Public Accountants. Ms. Leung has extensive working experience in company secretarial, accounting and finance in listed companies.

SENIOR MANAGEMENT

Mr. Mak Ming Fai（麥銘輝）
Financial Controller

Mr. Mak joined the Company as financial controller in May 2018, where he oversees the Group's financial control function.

Mr. Mak has extensive experiences in financial management, internal control, taxation and other financial functions. Prior to joining the company, Mr. Mak held senior positions in various listed and private companies engaged in different industries including retailing, manufacturing and micro-lending.

Mr. Mak obtained a bachelor's degree in accountancy from the Chinese University of Hong Kong. Mr. Mak is a member of the Hong Kong Institute of Certified Public Accountants, a fellow member of the Association of Chartered Certified Accountants and a Chartered Financial Analyst Charterholder.

INDEPENDENT AUDITOR'S REPORT

Deloitte. 德勤

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

OPINION

We have audited the consolidated financial statements of Jimu Group Limited (the "Company") and its subsidiaries (collectively referred to as "the Group") set out on pages 51 to 121, which comprise the consolidated statement of financial position as at 31 December 2018, 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 2018, 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 on provision of loan facilitation service	
We identified the revenue recognition on provision of loan facilitation service as a key audit matter due to its significance to the consolidated financial statements as a whole, as well as significant judgement exercised in the identification of performance obligations and assumptions involved in the allocation of transaction price and estimation of variable considerations. For the provision of loan facilitation service, management identified multiple performance obligations with revenue from the pre-loan facilitation service recognised at a point in time when the corresponding loan agreement is executed and revenue from the post-loan facilitation service recognised over the loan period on a straight-line basis. As further disclosed in Note 4 to the consolidated financial statements, management allocated the transaction price among pre-loan facilitation service and post-loan facilitation service using an expected-cost-plus-a-margin approach to determine the best estimate of selling prices of respective performance obligations and estimated the rate of early loan repayment to determine the amount of variable considerations, being the service fees expected to be refunded to the customers due to early repayment of the outstanding loan balance before the original maturity date. For the year ended 31 December 2018, the Group recognised revenue from provision of loan facilitation service amounting to HK$96,226,000 as set out in Note 5 to the consolidated financial statements.	Our procedures in relation to the revenue recognition on provision of loan facilitation service included: – Obtaining an understanding of the key controls over the processes that the management performed in relation to the revenue recognition; – Understanding revenue recognition policies of the Group and evaluating whether the identification of performance obligations, the allocation of the transaction price and the estimation of variable considerations in each distinct performance obligations are in accordance with the requirements of HKFRS 15 *Revenue from Contracts with Customers*; – Assessing the reasonableness of key assumptions used in the revenue recognition of loan facilitation business, including the allocation of the transaction price among pre-loan facilitation service and post-loan facilitation service and the determination of variable considerations based on the Group's historical data on cost allocation and service fees refund and re-performing calculations of revenue recognised from the loan facilitation business; and – Performing test of details on loan facilitation service transactions, on a sample basis, by examining the contract with customer and tracing to the fund remittance record from the online information intermediary service platform to verify the existence of contract.

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.

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

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.

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

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 Lau Chi Kin, Kinson.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
22 March 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2018

	NOTES	2018 HK$'000	2017 HK$'000
Revenue from goods and services	5	**219,353**	236,732
Other income	7	**4,494**	3,017
Other gains and losses	8	**(1,593)**	(1,359)
Purchases and changes in inventories		**(107,982)**	(204,586)
Employee benefits expenses		**(77,718)**	(20,937)
Other operating expenses		**(33,713)**	(20,673)
Interest on bank borrowings		**(967)**	(1,018)
Profit (loss) before taxation		**1,874**	(8,824)
Income tax expenses	9	**(5,865)**	(185)
Loss for the year	10	**(3,991)**	(9,009)
Other comprehensive expense			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**(335)**	(41)
Total comprehensive expense for the year		**(4,326)**	(9,050)
Loss per share	13		
Basic (HK cents)		**(0.83)**	(1.88)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2018

	NOTES	2018 HK$'000	2017 HK$'000
Non-current assets			
Property, plant and equipment	14	**3,732**	5,372
Rental deposits		**1,163**	561
		4,895	5,933
Current assets			
Trade and bills receivables	15	**20,835**	46,288
Other receivables, prepayment and deposits	17	**10,184**	6,355
Contract assets	18	**35,473**	–
Pledged bank deposits	19	**120**	15,161
Bank balances and cash	19	**42,166**	45,512
		108,778	113,316
Current liabilities			
Trade payables	20	**8,677**	30,207
Other payables and accruals	21	**20,876**	12,731
Tax payables		**–**	173
Bank borrowings	22	**17,373**	31,268
Contract liabilities	23	**6,645**	–
Refund liabilities	24	**6,355**	–
		59,926	74,379
Net current assets		**48,852**	38,937
Total assets less current liabilities		**53,747**	44,870
Non-current liabilities			
Contract liabilities	23	**3,348**	–
Refund liabilities	24	**4,129**	–
Deferred tax liabilities	25	**5,726**	–
		13,203	–
Net assets		**40,544**	44,870
Capital and reserves			
Share capital	26	**4,800**	4,800
Reserves		**35,744**	40,070
Total equity		**40,544**	44,870

The consolidated financial statements on pages 51 to 121 were approved and authorised for issue by the board of directors on 22 March 2019 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 2018

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

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2018

	2018 HK$'000	2017 HK$'000
OPERATING ACTIVITIES		
Profit (loss) before taxation	**1,874**	(8,824)
Adjustments for:		
Depreciation of property, plant and equipment	**1,941**	1,232
Interest on bank borrowings	**967**	1,018
Interest income	**(154)**	(114)
Loss (gain) on disposal of property, plant and equipment	**1,055**	(123)
Impairment loss recognised on trade receivable	**475**	–
Impairment loss recognised on other receivable	**–**	1,548
Operating cash flows before movements in working capital	**6,158**	(5,263)
Increase in trade and bills receivables	**(26,990)**	(88,084)
Increase in other receivables, prepayments and deposits	**(4,431)**	(818)
Increase in contract assets	**(35,473)**	–
(Decrease) increase in trade payables	**(21,530)**	14,958
Increase in other payables and accruals	**12,135**	4,351
Increase in contract liabilities	**5,894**	–
Increase in refund liabilities	**10,484**	–
Cash used in operations	**(53,753)**	(74,856)
Income tax (paid) refunded	**(174)**	2,805
NET CASH USED IN OPERATING ACTIVITIES	**(53,927)**	(72,051)
INVESTING ACTIVITIES		
Withdrawal of pledged bank deposits	**21,019**	27,000
Interest received	**154**	114
Proceeds from disposal of property, plant and equipment	**2**	138
Placement of pledged bank deposits	**(5,978)**	(24,013)
Purchase of property, plant and equipment	**(1,428)**	(4,104)
NET CASH FROM (USED IN) INVESTING ACTIVITIES	**13,769**	(865)
FINANCING ACTIVITIES		
Proceeds from bank borrowings raised	**105,354**	164,330
Repayment of bank borrowings	**(67,281)**	(93,972)
Interest paid	**(967)**	(1,018)
NET CASH FROM FINANCING ACTIVITIES	**37,106**	69,340
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(3,052)**	(3,576)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**45,512**	49,175
Effect of foreign exchange rate changes	**(294)**	(87)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, REPRESENTED BY BANK BALANCES AND CASH	**42,166**	45,512

1. GENERAL

Jimu Group Limited (the "Company") is a public listed company incorporated in the Cayman Islands as an exempted company with limited liability and its shares are listed on the GEM of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The immediate holding company of the Company is Jimu Group Holdings Limited, a company incorporated in the British Virgin Islands. The ultimate holding company and ultimate controlling shareholder is Jimu Holdings Limited, a company incorporated in the British Virgin Islands. The registered office of the Company is Clifton House, 75 Fort Street, PO Box 1350, Grand Cayman KY1-1108, Cayman Islands and principal place of business of the Company is Suite 2207, 22/F, Prudential Tower, The Gateway, Harbour City, Kowloon, Hong Kong.

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

The Company is an investment holding company. The Company and its subsidiaries (collectively referred to as the "Group") is principally engaged in the footwear business and the provision of loan facilitation service. The principal activities and other particulars of its principal subsidiaries as at 31 December 2018 are set out in Note 36.

During the year ended 31 December 2018, the Group entered into a new business and established three wholly-owned subsidiaries in the People's Republic of China (the "PRC") for the provision of loan facilitation service (see Note 36 for details of these principal subsidiaries) which assists qualified borrowers to obtain financing from various financial institutions or investors who have registered with online information intermediary service platforms. The Group facilitates the loan origination process and provides on-going loan servicing to the borrowers over the loan period. In order to provide a more comprehensive and informative presentation of the results of the Group to the financial statements users, the management of the Company has reconsidered the presentation in the consolidated statement of profit or loss and other comprehensive income. All the cost of sales and expenses have been disclosed as separate line items according to their nature on the face of the consolidated statement of profit or loss and other comprehensive income. As a result, the relevant amounts of cost of sales, other expenses, selling and distribution expenses and administrative expenses have been reclassified and disclosed as separate line items as "Purchases and changes in inventories", "Employee benefits expenses" and "Other operating expenses" on the face of the consolidated statement of profit or loss and other comprehensive income. Accordingly, the relevant comparative amounts of cost of sales, other expenses, selling and distribution expenses and administrative expenses have been reclassified to conform with the current year's presentation.

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

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

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

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

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

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

2.1 HKFRS 15 Revenue from Contracts with Customers

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

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

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

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

2.1 HKFRS 15 Revenue from Contracts with Customers – continued

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

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

Information about the Group's performance obligations and the accounting policies resulting from application of HKFRS 15 are disclosed in Notes 5 and 3 respectively.

Summary of effects arising from initial application of HKFRS 15

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

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

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

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

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

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

2.1 HKFRS 15 Revenue from Contracts with Customers – continued

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

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

Impact on the consolidated statement of financial position

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

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

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

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

2.1 HKFRS 15 Revenue from Contracts with Customers – continued

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

Impact on the consolidated statement of cash flows

	As reported	Adjustments	Amounts without application of HKFRS 15
	HK$'000	HK$'000	HK$'000
Operating Activities			
Increase in other payables and accruals	12,135	861	12,996
Increase in contract liabilities	5,894	(861)	5,033

2.2 HKFRS 9 Financial Instruments

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

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

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

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

2.2 HKFRS 9 Financial Instruments – continued

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

Accounting policies resulting from application of HKFRS 9 are disclosed in Note 3.

Summary of effects arising from initial application of HKFRS 9

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

New and Amendments to HKFRSs in issue but not yet effective

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

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

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

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

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

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

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

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

2. APPLICATION OF NEW AND AMENDMENTS TO 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. In addition, HKFRS 16 requires sales and leaseback transactions to be determined based on the requirements of HKFRS 15 as to whether the transfer of the relevant asset should be accounted as a sale. HKFRS 16 also includes requirements relating to subleases and lease modifications.

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

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

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

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 December 2018, the Group has non-cancellable operating lease commitments of approximately HK$16,868,000 as disclosed in Note 27. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of HKFRS 16, the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases.

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

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

HKFRS 16 *Leases* – continued

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

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

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

3. 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 the Rules Governing the Listing of Securities on the GEM of The Stock Exchange ("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*.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

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.

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 ceases 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.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Revenue from contracts with customers (upon application of HKFRS 15 in accordance with transitions in Note 2)

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 the customer.

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 or 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 goods or 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.

A contract asset and a contract liability relating to a contract are accounted for and presented on a net basis.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Revenue from contracts with customers (upon application of HKFRS 15 in accordance with transitions in Note 2) – continued

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

For contracts that contain more than one performance obligations, the Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis, except for the allocation of variable considerations.

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.

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Revenue from contracts with customers (upon application of HKFRS 15 in accordance with transitions in Note 2) – continued

Refund liabilities

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

Principal versus agent

When another party is involved in providing goods or services to a customer, the Group determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. the Group is a principal) or to arrange for those goods or services to be provided by the other party (i.e. the Group is an agent).

The Group is a principal if it controls the specified good or service before that good or service is transferred to a customer.

Revenue recognition (prior to 1 January 2018)

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.

Goods and interests

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.

Leases

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.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

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's foreign operations are translated into the presentation currency of the Group (i.e. HKD) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period. 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 (that is, 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, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

Borrowing costs

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

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 profit/loss before taxation because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for 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.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Taxation – continued

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.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax are recognised in profit or loss.

Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

Retirement benefit costs

Payments to the defined contribution plans including the Mandatory Provident Fund Scheme and the state-managed retirement benefits schemes in the PRC are recognised as an expense when employees have rendered service entitling them to the contributions.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Property, plant and equipment

Property, plant and equipment held for administrative purpose (other than properties under constructions as described below) are stated in the consolidated statement of financial position at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is recognised so as to write off the cost of assets less their residual values over their estimated 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 except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15 since 1 January 2018. 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. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Financial instruments – continued

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and 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 asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Financial assets

Classification and subsequent measurement of financial assets (upon application of HKFRS 9 in accordance with transitions in Note 2)

Financial assets that meet the following conditions are subsequently measured at amortised cost:

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

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at fair value through profit or loss ("FVTPL").

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Financial instruments – continued

Financial assets – continued

Classification and subsequent measurement of financial assets (upon application of HKFRS 9 in accordance with transitions in Note 2) – continued

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost and debt interest/receivables subsequently measured at FVTOCI. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit impaired.

Impairment of financial assets (upon application HKFRS 9 with transitions in accordance with Note 2)

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (including trade and bills receivables, other receivables, contract assets, pledged bank deposits and bank balances). 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 and contract assets. The ECL on these assets are assessed individually for debtors with significant balances and/or collectively using a provision matrix with appropriate groupings.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Financial instruments – continued

Financial assets – continued

Impairment of financial assets (upon application HKFRS 9 with transitions in accordance with Note 2) – continued

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless there has been a significant increase in credit risk since initial recognition, in which case, 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.

(i) 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.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Financial instruments – continued

Financial assets – continued

Impairment of financial assets (upon application HKFRS 9 with transitions in accordance with Note 2) – continued

(i) Significant increase in credit risk – continued

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 regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset 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.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Financial instruments – continued

Financial assets – continued

Impairment of financial assets (upon application HKFRS 9 with transitions in accordance with Note 2) – continued

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Financial instruments – continued

Financial assets – continued

Impairment of financial assets (upon application HKFRS 9 with transitions in accordance with Note 2) – continued

(v) 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. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

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

Where ECL is measured on a collective basis to cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- Nature of financial instruments (i.e. the Group's trade receivables are each assessed as a separate group);
- Past-due status; and
- Nature, size and industry of debtors.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

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.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables where the corresponding adjustment is recognised through a loss allowance account.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Financial instruments – continued

Financial assets – continued

Classification and subsequent measurement of financial assets (before application of HKFRS 9 on 1 January 2018)

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.

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 bills receivables, 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 (before application of HKFRS 9 on 1 January 2018)

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;
- 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.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Financial instruments – continued

Financial assets – continued

Impairment of financial assets (before application of HKFRS 9 on 1 January 2018) – continued

For financial assets carried at amortised cost, 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, 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 is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, 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.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset 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 neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. 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.

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

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Financial instruments – continued

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments 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.

Financial liabilities at amortised cost

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

Investment in subsidiaries

Investment in subsidiaries are stated in the Company's statement of financial position at cost less subsequent accumulated impairment losses, if any.

Impairment on tangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that these 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.

The recoverable amount of tangible assets are estimated individually. 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.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Impairment on tangible assets – continued

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 SOURCES 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.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY – continued

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources 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.

Revenue related to pre-loan facilitation service and post-loan facilitation service

The Group considers that the pre-loan facilitation and post-loan facilitation services are considered as the two distinct performance obligations to be provided by the Group. Although the Group does not provide these services separately and there is no third-party evidence for the selling price for these services either, as public information is not available regarding the amount of fees the Group's competitors charge for these services, the Group determined that both performance obligations have standalone value and uses the expected-cost-plus-a-margin approach to determine its best estimate of selling prices of these service obligations as the basis for the allocating the transaction price. When estimating the selling prices, the Group considers the cost related to such services, profit margin, customer demand, effect of competition on its services, and other market factors, if applicable.

Variable considerations in relation to pre-loan facilitation service and post-loan facilitation service

The Group only includes in the transaction price some or all of an amount of variable considerations only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved. Management considers the variable considerations in the loan facilitation service being the service fees to be refunded to the borrowers due to early loan repayment.

The Group refunds partially service fees to borrowers when they early repay the outstanding loan balance before the original maturity date. The refunded service fees due to early repayment are considered as variable considerations. Management determines that such variable consideration can be reliably estimated at the contract inception.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY – continued

Key sources of estimation uncertainty – continued

Variable considerations in relation to pre-loan facilitation service and post-loan facilitation service – continued

The expected refund portion of the service fee due to early loan repayment in the loan facilitation service transactions are estimated at contract inception based on the expected value method. The expected value of this component is the sum of probability-weighted amounts in a range of possible consideration amounts on a portfolio basis. The factor that affect the expected value include the estimated rate of early loan repayment. The estimated amount of refunds of service fees due to borrowers' early repayment are deducted from the gross transaction price for each loan facilitation service transaction before allocating the remaining portion of the transaction price to different performance obligations.

The estimate of variable considerations amounts is reassessed at each reporting date. Any subsequent changes in the transaction price are allocated to the performance obligations in the contract on the same basis as at the contract inception. Amounts allocated to a satisfied performance obligation shall be recognised as revenue, or as a reduction of revenue, in the period in which the transaction price changes.

Provision of ECL for trade receivables and contract assets

For trade receivables and contract assets, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. Except for debtors with significant balances or credit impaired, the Group determines the expected credit losses on these items by using a provision matrix, grouped by past due status. Debtors with significant outstanding balances and credit impaired were assessed individually.

The provision rates are based on past due status as groupings of various debtors that have similar loss patterns. The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort.

At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered. In addition, trade receivables and contract assets with significant balances and credit impaired are assessed for ECL individually.

The provision of ECL is sensitive to changes in estimates of timing and amount of cash flows expected to be collected. The information about the ECL of the Group's trade receivables and contract assets are disclosed in Note 32 (b).

5. REVENUE FROM GOODS AND SERVICES

A. For the year ended 31 December 2018

(i) Disaggregation of revenue from contracts with customers

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

5. REVENUE FROM GOODS AND SERVICES – continued

A. For the year ended 31 December 2018 – continued

(ii) Performance obligations for contracts with customers

Revenue from trading of footwear

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

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

Revenue from provision of loan facilitation service

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

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

5. REVENUE FROM GOODS AND SERVICES – continued

A. For the year ended 31 December 2018 – continued

(ii) Performance obligations for contracts with customers – continued

Revenue from provision of loan facilitation service – continued

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

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

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

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

5. REVENUE FROM GOODS AND SERVICES – continued

A. For the year ended 31 December 2018 – continued

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

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

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

B. For the year ended 31 December 2017

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

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

6. SEGMENT INFORMATION

Information reported to the Chief Executive Officer of the Company, being the Chief Operating Decision Maker ("CODM"), for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided. This is also the basis upon which the Group is organised and specifically focuses on the Group's operating divisions.

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

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

Specifically, the Group's reportable and operating segments under HKFRS 8 *Operating Segments* are as follows:

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

The above operating divisions constitute the operating and reportable segments of the Group.

Segment revenue and results

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

For the year ended 31 December 2018

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

6. SEGMENT INFORMATION – continued

Segment revenue and results – continued

For the year ended 31 December 2017 (restated)

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

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

The accounting policies of the operating segments are the same as the Group's accounting policies described in Note 3. Segment results represent the profit or loss before taxation of each segments without allocation of interest income, central administration costs and directors' emoluments. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

Segment assets and liabilities

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

Segment assets

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

6. SEGMENT INFORMATION – continued

Segment assets and liabilities – continued

Segment liabilities

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

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

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

6. SEGMENT INFORMATION – continued

Geographical information

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

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

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

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

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

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

6. SEGMENT INFORMATION – continued

Information about major customers

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

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

1 Revenue from trading of footwear.

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

7. OTHER INCOME

	2018 HK$'000	2017 HK$'000
Commission income	**2,572**	–
Sample income	**907**	1,732
Claims received (Note)	**239**	780
Interest income	**154**	114
Miscellaneous income	**622**	391
	4,494	3,017

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

8. OTHER GAINS AND LOSSES

	2018 HK$'000	2017 HK$'000
(Loss) gain on disposal of property, plant and equipment	**(1,055)**	123
Net foreign exchange (losses) gains	**(63)**	66
Impairment loss recognised on trade receivable	**(475)**	–
Impairment loss recognised on other receivable (Note)	**–**	(1,548)
	(1,593)	(1,359)

Note: During the year ended 31 December 2017, impairment loss of HK$1,548,000 on other receivable had been recognised in profit or loss. Due to liquidation of the debtor, the directors of the Company determined that the recoverability of this receivable was remote and hence full impairment loss had been recognised.

9. INCOME TAX EXPENSES

	2018 HK$'000	2017 HK$'000
PRC Enterprise Income Tax ("EIT")		
– Current year	–	185
– Underprovision in respect of prior year	1	–
Deferred tax (Note 25)	5,864	–
	5,865	185

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

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

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

9. INCOME TAX EXPENSES – continued

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

	2018 HK$'000	2017 HK$'000 (restated)
Profit (loss) before taxation	**1,874**	(8,824)
Tax at the applicable domestic income tax rate (Note)	**2,125**	(1,475)
Tax effect of expenses not deductible for tax purposes	**2,111**	1,762
Tax effect of income not taxable for tax purposes	**(6)**	–
Underprovision in respect of prior years	**1**	–
Tax effect of tax losses not recognised	**1,550**	213
Tax effect of deductible temporary difference not recognised	**84**	(315)
Income tax expense for the year	**5,865**	185

Note: In prior year, the tax reconciliation was presented using the Hong Kong Profits Tax rate which was in the jurisdiction where the operations of the Group substantially based is used. In current year, the domestic tax rate in each jurisdiction is used in order to provide a more informative presentation. The amounts represented the combined effect of the group entities basing on actual tax rates applicable for each jurisdiction where the relevant group entities operate, taking into account of applicable tax concession, if any. Prior year income tax expense reconciliation disclosures have been represented to conform with the current year's presentation.

10. LOSS FOR THE YEAR

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

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

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

Directors' and chief executive's remuneration for the year, disclosed pursuant to the applicable Listing Rules and Hong Kong Companies Ordinance, is as follows:

Name of director	Fee HK$'000	Salaries, allowances and other benefits HK$'000	Retirement benefit scheme contributions HK$'000	Total HK$'000
For the year ended 31 December 2018				
Executive directors				
Mr. Dong Jun *(Chairman)*	–	276	9	285
Mr. Ho Kin Wai *(Chief executive)*	–	2,017	20	2,037
Mr. Peng Shaoxin	–	1,306	97	1,403
Mr. Yan Taotao	–	–	–	–
Ms. Long Jingjie	–	–	–	–
Sub-total	–	3,599	126	3,725
Non-executive directors				
Mr. Wen Cyrus Jun-Ming	–	–	–	–
Mr. Zhang Songyi	–	–	–	–
Sub-total	–	–	–	–
Independent non-executive directors				
Mr. Liu Jiangtao	240	–	–	240
Mr. Guo Zhongyong	240	–	–	240
Mr. Peng Chuang	240	–	–	240
Mr. Hon Ping Cho Terence	240	–	–	240
Sub-total	960	–	–	960
Total	960	3,599	126	4,685

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

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

Name of director	Fee HK$'000	Salaries, allowances and other benefits HK$'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) *(Chairman)*	–	–	–	–
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
Sub-total	3,157	832	35	4,024
Non-executive directors				
Mr. Wen Cyrus Jun-Ming (Appointed on 11 December 2017)	–	–	–	–
Mr. Zhang Songyi (Appointed on 11 December 2017)	–	–	–	–
Sub-total	–	–	–	–
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
Sub-total	354	–	–	354
Total	3,511	832	35	4,378

11. 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 service 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.

No director nor the chief executive waived any emoluments in respect of the years ended 31 December 2018 and 2017.

(b) Employees' emoluments – five highest paid employees

The five highest paid employees of the Group during the year included two directors (2017: two directors), details of whose emoluments are set out above. Details of the emoluments of the remaining three (2017: three) highest paid employees who are neither a director nor chief executive of the Company were as follows:

	2018 **HK$'000**	2017 HK$'000
Salaries, allowances and other benefits	**2,450**	2,766
Incentive performance bonus	**–**	945
Retirement benefit scheme contributions	**95**	32
	2,545	3,743

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

(b) Employees' emoluments – five highest paid employees – continued

The emoluments of the remaining three (2017: three) highest paid individuals who are neither a director nor chief executive of the Company were within the following bands:

	Number of employees	
	2018	2017
Nil to HK$1,000,000	**2**	–
HK$1,000,001 to HK$1,500,000	**1**	2
HK$1,500,001 to HK$2,000,000	**–**	1
	3	3

12. DIVIDENDS

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

13. LOSS PER SHARE

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

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

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

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

14. 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 2017	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
Additions	822	–	606	–	1,428
Transfer	836	–	–	(836)	–
Disposals	(851)	–	(683)	–	(1,534)
Exchange realignment	(76)	(15)	(37)	–	(128)
At 31 December 2018	1,583	5,995	1,067	–	8,645
DEPRECIATION					
At 1 January 2017	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
Provided for the year	387	1,136	418	–	1,941
Eliminated on disposals	(85)	–	(392)	–	(477)
Exchange realignment	(25)	(6)	(27)	–	(58)
At 31 December 2018	692	3,531	690	–	4,913
CARRYING VALUES					
At 31 December 2018	891	2,464	377	–	3,732
At 31 December 2017	437	3,609	490	836	5,372

The above items of property, plant and equipment are depreciated, after taking into account of their estimated values, 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

15. TRADE AND BILLS RECEIVABLES

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

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

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

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

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

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

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

15. TRADE AND BILLS RECEIVABLES – continued

As at 31 December 2017, 91% of the trade receivables that are neither past due nor impaired have the best credit standing under the credit assessment made by the directors of the Company and the directors considered that these trade receivables have no adverse change in the credit standing of the debtors subsequent to the reporting period.

As at 31 December 2017, included in the Group's trade receivable balance are debtors with aggregate carrying amount of HK$4,198,000 which are past due as at the reporting date for which the Group has not provided for impairment loss as there has not been a significant change in credit quality of the trade receivable and the amounts are still considered recoverable. The Group does not hold any collateral over these balances and no interest is charged on overdue trade receivables.

The following is an aged analysis of trade receivables which are past due but not impaired:

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

Movement in the allowance of doubtful debts:

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

The directors of the Company believe that there is no further credit provision required in excess of the allowance of credit losses already provided given the settlement from trade receivables after the reporting period and the remaining trade receivables have no recent history of default.

16. TRANSFER OF FINANCIAL ASSETS

The following were the Group's financial assets as at 31 December 2018 and 2017 that were transferred to bank by discounting these receivables on a full 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 bank borrowings (see Note 22). These financial assets are carried at amortised cost in the Group's consolidated statement of financial position.

As at 31 December 2018

	Trade receivables discounted to a bank with recourse HK$'000
Carrying amount of transferred assets	**3,615**
Carrying amount of associated liabilities	**(3,254)**
Net position	**361**

As at 31 December 2017

	Trade receivables discounted to a bank with recourse HK$'000
Carrying amount of transferred assets	10,626
Carrying amount of associated liabilities	(9,563)
Net position	1,063

17. OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

	2018 HK$'000	2017 HK$'000
Other receivables	2,228	171
Prepayments	7,545	6,060
Rental deposits	388	108
Other deposits	23	16
	10,184	6,355

18. CONTRACT ASSETS

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

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

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

Typical payment terms which impact on the amount of the contract assets recognised are set out in Note 5(ii).

Details of impairment assessment are set out in Note 32.

19. PLEDGED BANK DEPOSITS/BANK BALANCES AND CASH

Pledged bank deposits

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

The pledged bank deposits carry interest at prevailing market rates of 0.2% (2017: ranging from 0.01% to 0.3%) per annum.

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

Bank balances

Bank balances carry interest at prevailing market rates ranging from 0.01% to 1.75% (2017: 0.01%) 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:

	2018 **HK$'000**	2017 HK$'000
HK$	**24,771**	53,040

20. TRADE PAYABLES

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

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

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

21. OTHER PAYABLES AND ACCRUALS

	2018 HK$'000	2017 HK$'000
Accrued staff salaries	**9,061**	2,778
Accrued bonus	**4,667**	692
Accrued expenses	**4,891**	3,608
Other tax payables	**605**	81
Receipt in advance from customers	**–**	4,099
Others	**1,652**	1,473
	20,876	12,731

22. BANK BORROWINGS

	2018 HK$'000	2017 HK$'000
Secured bank borrowings		
– Variable rate	**17,373**	24,585
– Fixed rate	**–**	6,683
	17,373	31,268

	2018 HK$'000	2017 HK$'000
The carrying amount of the above bank borrowings that are repayable*:		
Within one year	**–**	153
The carrying amount of bank borrowings that contain a repayment on demand clause (shown under current liabilities) but contractually repayable as follows:		
Within one year	**17,373**	31,115
	17,373	31,268
Less: Amount due within one year shown under current liabilities	**(17,373)**	(31,268)
Amounts shown under non-current liabilities	**–**	–

* The amounts due are based on scheduled repayment dates set out in the loan agreements.

22. BANK BORROWINGS – continued

The fixed rate bank borrowings as at 31 December 2017 carry interests at 3.5% per annum.

The variable rate bank borrowings carry interests at a premium over London Interbank Offered Rate ("LIBOR") per annum for both years. The effective interest rates on variable rate bank borrowings range from 4.52% to 5.02% (2017: 3.49% to 3.99%) per annum.

All bank borrowings are denominated in US$, which are the functional currency of the relevant group entities.

Details of pledges over bank borrowings are set out in Note 30.

23. CONTRACT LIABILITIES

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

	As at 31 December 2018 HK$'000	As at 1 January 2018* HK$'000
Footwear business	**861**	4,099
Loan facilitation service	**9,132**	–
	9,993	4,099
Current	**6,645**	4,099
Non-current	**3,348**	–
	9,993	4,099

* The amount in this column is after the adjustment from the application of HKFRS 15. No contract liability from loan facilitation service is recognised since the new loan facilitation business is commenced in April 2018.

Contract liabilities, that are not expected to be settled within the Group's normal operating cycle, are classified as current and non-current based on the Group's earliest obligation to transfer goods or services to the customers.

23. CONTRACT LIABILITIES – continued

The following table shows how much of the revenue recognised in the current year relates to contract liabilities at the beginning of the year.

	Footwear business HK$'000	**Loan facilitation service** HK$'000
Revenue recognised that was included in the contract liability balance at the beginning of the year	3,659	–

Typical payment terms which impact on the amount of contract liabilities recognised are set out in Note 5(ii).

24. REFUND LIABILITIES

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

	2018 **HK$'000**
Refund liabilities arising from refund of loan facilitation service fees due to early repayment	**10,484**
Current	**6,355**
Non-current	**4,129**
	10,484

Details of the refund liabilities are stated in Note 5(ii).

25. DEFERRED TAX

The following are the major deferred tax liabilities (assets) recognised and movements thereon during the current and prior years:

	Tax losses HK$'000	Timing differences on revenue recognition HK$'000 (Note)	Refund liabilities HK$'000	Total HK$'000
At 1 January 2017 and 31 December 2017	–	–	–	–
(Credit) charge to profit or loss	(13,582)	22,130	(2,684)	5,864
Exchange adjustments	318	(519)	63	(138)
At 31 December 2018	(13,264)	21,611	(2,621)	5,726

Note: The amount represented the timing difference between the revenue recognised and the collection of services fees from loan facilitation service.

At the end of the reporting period, the Group has unused tax losses of approximately HK$65,741,000 (2017: HK$3,617,000) available for offset against future profits. A deferred tax asset has been recognised in respect of HK$53,055,000 (2017: Nil) of such losses. No deferred tax asset has been recognised in respect of the remaining HK$12,686,000 (2017: HK$3,617,000) due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of HK$585,000 (2017: Nil) that will expire in 2023. Other losses may be carried forward indefinitely.

At the end of the reporting period, the Group has deductible temporary differences of approximately HK$11,882,000 (2017: HK$1,911,000). A deferred tax asset has been recognised in respect of HK$10,484,000 (2017: Nil) of such deductible temporary differences. No deferred tax asset has been recognised in respect of remaining HK$1,398,000 (2017: HK$1,911,000) as it is not probable that taxable profit will be available against which the deductible temporary difference can be utilised.

26. SHARE CAPITAL

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

27. OPERATING LEASES

The Group as lessee

Minimum lease payments under operating lease in respect of rental premises during the year ended 31 December 2018 were approximately HK$6,624,000 (2017: HK$2,013,000).

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

	2018 HK$'000	2017 HK$'000
Within one year	**7,720**	2,474
In the second to fifth years inclusive	**9,148**	6,559
	16,868	9,033

Operating lease payments represent rentals payable by the Group for certain of its office premises and branch offices. Leases are negotiated for a term ranging from one to four years (2017: one to five years) with fixed rentals.

28. RETIREMENT BENEFIT SCHEMES

The Group operates a Mandatory Provident Fund Scheme ("MPF Scheme") for all qualified employees in Hong Kong under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the rule of the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at a rate of 5% specified in the rules, but subject to a cap of HK$1,500 per month. The only obligation of the Group with respect of MPF Scheme is to make the required contributions under the scheme. No forfeited contribution is available to reduce the contribution payable in the future years.

The employees employed in the PRC are members of the state-managed retirement benefit schemes operated by the PRC government. The PRC subsidiaries are required to contribute a certain percentage of their basic payroll to the retirement benefit schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefit schemes is to make the required contributions under the schemes. No forfeited contribution is available to reduce the contribution payable in future years.

During the year ended 31 December 2018, the total contributable charged to profit or loss amounted to HK$11,516,000 (2017: HK$1,535,000).

29. RELATED PARTY DISCLOSURES

As stated in Note 1, during the current year, 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.

Apart from the pledge of asset by an executive director as disclosed in Note 30, the Group had entered into the following significant transactions with related parties during the reporting periods:

Compensation of the directors and other key management personnel

The key management of the Group comprises all executive directors of the Company, details of their emoluments are disclosed in Note 11. The emoluments of the directors of the Company are decided by the remuneration committee of the Company having regard to individual's performance, the Group's performance and profitability, remuneration benchmark in the industry and prevailing market condition.

30. PLEDGE OF ASSET

At the end of the reporting period, the following asset was pledged to bank to secure the banking facilities:

	2018 HK$'000	2017 HK$'000
Property, plant and equipment	–	520
Pledged bank deposits	120	15,161
	120	15,681

In addition to above pledge of asset, the Group's bank borrowing with an outstanding amount of HK$14,119,000 as at 31 December 2018 (2017: Nil) was secured by an investment property owned by Mr. Ho Kin Wai, executive director of the Company.

31. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group 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 from prior year.

The capital structure of the Group consists of bank borrowings disclosed in Note 22, net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital, and reserves.

The directors of the Company 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 the payments of dividends and new share issues as well as issue of new debt or redemption of existing debts.

32. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2018 HK$'000	2017 HK$'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	–	106,961
Amortised cost	64,659	–
Financial liabilities		
Amortised cost	26,125	61,521

(b) Financial risk management objectives and policies

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

32. FINANCIAL INSTRUMENTS – continued

(b) Financial risk management objectives and policies – continued

Market risk – continued

(i) Currency risk – continued

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

	2018 **HK$'000**	2017 HK$'000
Asset		
HK$	**24,771**	53,040
Liability		
Renmenbi ("RMB")	**46**	46

The Group is mainly exposed to the fluctuation of RMB and HK$ against US$.

No sensitivity analysis is presented since the Group's exposures to HK$ and RMB are insignificant on the ground that HK$ is pegged to US$ and the carrying amounts denominated in RMB are insignificant, respectively.

(ii) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate bank borrowings (see Note 22). The Group is also exposed to cash flow interest rate risk in relation to variable-rate pledged bank deposits, bank balances and bank borrowings (see Notes 19 and 22 for details of these balances). The Group currently does not have an interest rate hedging policy. However, the management will consider hedging significant interest rate exposure should the need arises.

The Group's cash flow interest rate risk is mainly concentrated on the fluctuations of the LIBOR arising from the Group's bank borrowings.

32. FINANCIAL INSTRUMENTS – continued

(b) Financial risk management objectives and policies – continued

Market risk – continued

(ii) Interest rate risk – continued

Interest income from financial assets that are measured at amortised cost is as follows:

	2018 **HK$'000**	2017 HK$'000
Financial assets at amortised cost	**154**	–
Loans and receivables (including bank balances and cash)	**–**	114

Interest expense on financial liabilities is as follows:

	2018 **HK$'000**	2017 HK$'000
Financial liabilities at amortised cost	**967**	1,018

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates at the end of the reporting period. The analysis is prepared assuming the variable-rate bank borrowings outstanding at the end of reporting period were outstanding for the whole year. A 100 basis points (2017: 100 basis points) increase or decrease in the interest rate is used represents management's assessment of the reasonably possible change in interest rates. Bank balances and pledged bank deposits are excluded from sensitivity analysis as the directors of the Company consider that the exposure of cash flow interest rate risk arising from these balances is insignificant.

At the end of the reporting period, if interest rates on variable-rate bank borrowings had been 100 basis points higher/lower and all other variables were held constant, the Group's pre-tax loss for the year ended 31 December 2018 would increase/decrease by approximately HK$174,000 (2017: HK$246,000).

32. FINANCIAL INSTRUMENTS – continued

(b) Financial risk management objectives and policies – continued

Credit risk and impairment assessment

Maximum exposure to credit risk which will cause a financial loss to the Group is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position. The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets.

Trade receivables and contract assets arising from contracts with customers

In order to minimise the credit risk, management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures over the customers 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 each reporting period to ensure that adequate allowance are made for irrecoverable amounts. In addition, the Group performs impairment assessment under ECL model upon application of HKFRS 9 (2017: incurred loss model) on trade balances individually or based on provision matrix. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

As at 31 December 2018, the Group has concentration of credit risk as 44% (2017: 62%) 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 98% (2017: 92%) 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.

Bills receivables/pledged bank deposits/bank balances

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

32. FINANCIAL INSTRUMENTS – continued

(b) Financial risk management objectives and policies – continued

Credit risk and impairment assessment – continued

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Trade receivables/ contract assets	Other financial assets
Low risk	The counterparty has a low risk of default and does not have any past-due amounts	Lifetime ECL – not credit-impaired	12-month ECL
Watch list	Debtor frequently repays after due dates but usually settle after due date	Lifetime ECL – not credit-impaired	12-month ECL
Doubtful	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL – not credit-impaired	Lifetime ECL – not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL – credit-impaired	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

32. FINANCIAL INSTRUMENTS – continued

(b) Financial risk management objectives and policies – continued

Credit risk and impairment assessment – continued

The tables below detail the credit risk exposures of the Group's financial assets and contract assets, which are subject to ECL assessment:

2018	Notes	**External credit rating**	**Internal credit rating**	**12-month or lifetime ECL**	**Gross carrying amounts** HK$'000
Financial assets at amortised cost					
Trade receivables (Note 1)	15	N/A	Low risk	Lifetime ECL (provision matrix)	3,128
			Low risk	Lifetime ECL	17,413
			Loss	Credit impaired	475
					21,016
Other receivables (Note 2)	17	N/A	Low risk	12-month ECL	1,538
Other item					
Contract assets (Note 1)	18	N/A	Low risk	Lifetime ECL (provision matrix)	35,473

Notes:

(1) For trade receivables and contract assets, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. Except for debtors with significant balances or credit impaired, the Group determines the expected credit losses on these items by using a provision matrix, grouped by past due status.

As part of the Group's credit risk management, the Group uses debtors' ageing to assess the impairment of trade receivables from customers in relation to its footwear business and contract assets from customers in relation to loan facilitation service segment because these customers consist of a large number of small customers with common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms. Trade receivables with carrying values of HK$3,128,000 and contract assets with carrying values of HK$35,473,000 are assessed based on provision matrix within lifetime ECL (not credit impaired). Debtors with significant outstanding balances are credit impaired with gross carrying amount of HK$17,413,000 and HK$475,000, respectively, as at 31 December 2018 were assessed individually.

The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort.

During the year ended 31 December 2018, no impairment allowance on trade receivables and contract assets are provided based on the provision matrix assessed individually as the amounts involved are immaterial.

32. FINANCIAL INSTRUMENTS – continued

(b) Financial risk management objectives and policies – continued

Credit risk and impairment assessment – continued

Notes: – continued

(2) Included in other receivables are amounts representing loan facilitation service fee receivables which the Group is entitled but held by online information intermediary service platforms on behalf of the Group and commission receivable from an insurance company. The Group assessed the loss allowance for these other receivables on 12-month ECL basis. In determining the ECL, the Group has taken into account the historical default experience and forward-looking information as appropriate. There had been no significant increase in credit risk since initial recognition. The Group has considered the consistently low historical default rate in connection with payments and concluded that credit risk inherent in the Group's outstanding balances is insignificant.

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.

32. FINANCIAL INSTRUMENTS – continued

(b) Financial risk management objectives and policies – continued

Liquidity risk – continued

Liquidity tables

	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 2018 HK$'000
As at 31 December 2018						
Non-derivative financial liabilities						
Trade payables	–	8,677	–	–	8,677	8,677
Other payables	–	75	–	–	75	75
Bank borrowings						
– variable rate	4.67	17,373	–	–	17,373	17,373
		26,125	–	–	26,125	26,125

	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
As at 31 December 2017						
Non-derivative financial liabilities						
Trade payables	–	30,207	–	–	30,207	30,207
Other payables	–	46	–	–	46	46
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

32. 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 2018, the aggregate carrying amounts of these bank borrowings amounted to approximately HK$17,373,000 (2017: HK$31,115,000). 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 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:

Maturity Analysis – Bank borrowings with a repayment on demand clause based on scheduled repayments

	Less than 1 month HK$'000	1 – 3 months HK$'000	4 – 6 months HK$'000	Total undiscounted cash flows HK$'000	Carrying amount HK$'000
31 December 2018	3,266	7,697	6,648	17,611	17,373
31 December 2017	11,847	19,496	–	31,343	31,115

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

(c) Fair value measurements of financial instruments

The fair value of financial assets and financial liabilities are determined 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.

33. 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.

	Bank borrowings HK$'000 (Note 22)
At 1 January 2017	38,289
Financing cash flows	69,340
Interest expenses	1,018
Repayment of factoring from customers	(77,379)
At 31 December 2017	31,268
Financing cash flows	37,106
Interest expenses	967
Repayment of factoring from customers	(51,968)
At 31 December 2018	17,373

34. MAJOR NON-CASH TRANSACTIONS

During the year ended 31 December 2018, 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$51,968,000 (2017: HK$77,379,000) upon settlement of the discounted trade receivables from the Group's debtors as settlement of the related bank borrowings granted to the Group.

35. SHARE OPTION SCHEME

The shareholders of the Company adopted a share option scheme at the annual general meeting on 11 May 2016 (the "2016 Share Option Scheme"). No share option has been granted under the 2016 Share Option Scheme since its adoption.

An option may be exercised at any time during the period to be determined and notified by the Directors to the grantee but may not be exercised after the expiry of ten years from the date of offer of that opinion. Option is immediately vested at the date of grant and a consideration of HK$1.00 is payable upon acceptance of the offer.

35. SHARE OPTION SCHEME – continued

The exercise price is determined by the Directors, and will not be less than the higher of the nominal value of the share on the date of offer, the closing price of the Company's shares on the date of offer; and the average closing price of the shares for the five business days immediately preceding the date of offer.

No share option was granted or exercised during the years ended 31 December 2018 and 2017.

36. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Details of the principal subsidiaries as at 31 December 2018 and 2017 are as follows:

Name of subsidiary	Place of incorporation/ establishment	Place of operation	Issued and fully paid share capital/ registered capital	Equity interest attributable to the Group As of 31 December 2018 %	2017 %	Principal activities
Indirectly held subsidiaries						
Ever Smart International Enterprise Limited 永駿國際企業有限公司	Hong Kong	Hong Kong	HK$1	100	100	Design, development, sourcing, marketing and sale of footwear
東莞天達鞋業貿易有限公司#	The PRC	The PRC	HK$6,000,000	100	100	Design, development, and sourcing of footwear
立鼎萊博(北京)科技有限公司#	The PRC	The PRC	USD10,000,000	100	–	Loan facilitation business
積木時代(天津)商務信息諮詢有限公司#	The PRC	The PRC	RMB5,000,000	100	–	Loan facilitation business
四川積木美行商務信息諮詢有限公司#	The PRC	The PRC	RMB10,000,000	100	–	Loan facilitation business

Limited liability company established in the PRC

All the principal subsidiaries operate predominantly in their respective places of incorporation/establishment.

The above table lists the subsidiaries of the Group which, in the opinion of the directors of the Company, principally affected the results or net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors of the Company, result in particulars of excessive length.

None of the subsidiaries had any debt securities subsisting at the end of the year or at any time during the year.

37. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	2018 HK$'000	2017 HK$'000
Non-current asset		
Investment in subsidiaries	**6,648**	8,498
Current assets		
Prepayments and deposits	**66**	76
Amount due from subsidiaries	**4,588**	44
Bank balances	**20,908**	33,972
	25,562	34,092
Current liabilities		
Other payables	**2,300**	2,331
Amount due to a subsidiary	**–**	2,119
	2,300	4,450
Net current assets	**23,262**	29,642
Total assets less current liabilities	**29,910**	38,140
Capital and reserves		
Share capital	**4,800**	4,800
Reserves (Note)	**25,110**	33,340
Total equity	**29,910**	38,140

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 2017	46,917	11,540	(17,278)	41,179
Loss and total comprehensive expense for the year	–	–	(7,839)	(7,839)
At 31 December 2017	46,917	11,540	(25,117)	33,340
Loss and total comprehensive expense for the year	–	–	(8,230)	(8,230)
At 31 December 2018	46,917	11,540	(33,347)	25,110

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

FOR THE YEAR ENDED 31 DECEMBER 2018

The summary of the consolidated results of Jimu Group Limited (the "Company") and its subsidiaries (collectively referred to the "Group") for each of the two years ended 31 December 2014 and 2015 and of the assets, liabilities as at 31 December 2014 and 2015 have been extracted from the Company's prospectus. The consolidated results of the Group for the years ended 31 December 2016 and 2017 and 2018 and the consolidated assets and liabilities of the Group as at 31 December 2016 and 2017 and 2018 are set out in the audited consolidated financial statements.

RESULTS

	Year ended 31 December				
	2018 HK$'000	2017 HK$'000	2016 HK$'000	2015 HK$'000	2014 HK$'000
REVENUE	**219,353**	236,732	241,389	302,672	243,742
PROFIT (LOSS) BEFORE TAXATION	**1,874**	(8,824)	(13,009)	9,287	11,354
Income tax expense	**(5,865)**	(185)	(662)	(2,851)	(2,950)
(LOSS) PROFIT FOR THE YEAR	**(3,991)**	(9,009)	(13,671)	6,436	8,404
(Loss) Profit attributable to:					
Owners of the Company	**(3,991)**	(9,009)	(13,671)	6,436	8,406
Non-controlling interests	**–**	–	–	–	(2)
	(3,991)	(9,009)	(13,671)	6,436	8,404

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	As at 31 December				
	2018 HK$'000	2017 HK$'000	2016 HK$'000	2015 HK$'000	2014 HK$'000
TOTAL ASSETS	**113,673**	119,249	116,208	90,058	76,701
TOTAL LIABILITIES	**(73,129)**	(74,379)	(62,288)	(74,292)	(67,564)
	40,544	44,870	53,920	15,766	9,137
EQUITY:					
Equity attributable to owners of the Company	**40,544**	44,870	53,920	15,766	9,137
Non-controlling interests	**–**	–	–	–	–
	40,544	44,870	53,920	15,766	9,137