JIMU GROUP LIMITED
積木集團有限公司

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

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2019

CHARACTERISTICS OF THE GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

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

RESULTS

The board (the "**Board**") of directors ("**Directors**") of Jimu Group Limited (the "**Company**") presents the unaudited condensed consolidated financial statements of the Company and its subsidiaries (collectively the "**Group**") for the six months and three months ended 30 June 2019, together with the comparative unaudited figures of the corresponding periods in 2018. The condensed consolidated financial statements of the Group for the six months and three months ended 30 June 2019 have been reviewed by the audit committee (the "**Audit Committee**") of the Company, comprising four independent non-executive Directors and reviewed by Messrs. Deloitte Touche Tohmatsu, the auditor (the "**Auditor**") of the Company, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" ("**HKSRE 2410**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**").

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2019

		Three months ended 30 June		Six months ended 30 June	
	NOTES	**2019**	2018	**2019**	2018
		HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
		(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Revenue from goods and services	*5*	**40,420**	37,229	**72,798**	73,972
Other income		**3,410**	579	**6,447**	841
Other gains and losses		**311**	(847)	**306**	(815)
Purchases and changes in inventories		**(10,390)**	(22,749)	**(23,202)**	(54,403)
Employee benefits expenses		**(19,452)**	(17,334)	**(38,773)**	(22,336)
Other operating expenses		**(5,609)**	(6,764)	**(12,983)**	(11,699)
Finance costs		**(281)**	(263)	**(736)**	(544)
Profit (loss) before taxation		**8,409**	(10,149)	**3,857**	(14,984)
Income tax expenses	*6*	**(2,918)**	(1)	**(2,819)**	(1)
Profit (loss) for the period	*7*	**5,491**	(10,150)	**1,038**	(14,985)
Other comprehensive (expense) income:					
Item that may be reclassified subsequently to profit or loss:					
Exchange differences arising on translation of foreign operations		**(129)**	61	**(72)**	26
Total comprehensive income (expense) for the period		**5,362**	(10,089)	**966**	(14,959)
Earnings (loss) per share	*9*				
Basic *(HK cents)*		**1.14**	(2.11)	**0.22**	(3.12)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2019

	NOTES	**30 June 2019** ***HK$'000*** **(Unaudited)**	31 December 2018 *HK$'000* (Audited)
Non-current assets			
Property, plant and equipment	*10*	**2,021**	3,732
Right-of-use assets	*10*	**8,640**	–
Rental deposits		**700**	1,163
Deferred tax assets		**122**	–
		11,483	4,895
Current assets			
Trade and bills receivables	*11A*	**6,845**	20,835
Contract assets	*11B*	**19,164**	35,473
Other receivables, prepayment and deposits		**16,248**	10,184
Pledged bank deposits		**120**	120
Bank balances and cash		**51,612**	42,166
		93,989	108,778
Current liabilities			
Trade payables	*12*	**5,429**	8,677
Other payables and accruals		**12,712**	20,876
Lease liabilities		**5,327**	–
Amount due to a director		**7,000**	–
Bank borrowings	*13*	**–**	17,373
Contract liabilities		**8,945**	6,645
Refund liabilities		**9,009**	6,355
		48,422	59,926
Net current assets		**45,567**	48,852
Total assets less current liabilities		**57,050**	53,747

	NOTES	30 June 2019 HK$'000 (Unaudited)	31 December 2018 HK$'000 (Audited)
Non-current liabilities			
Lease liabilities		**6,514**	–
Contract liabilities		**1,996**	3,348
Refund liabilities		**2,631**	4,129
Deferred tax liabilities		**8,639**	5,726
		19,780	13,203
Net assets		**37,270**	40,544
Capital and reserves			
Share capital	*14*	**4,800**	4,800
Reserves		**32,470**	35,744
Total equity		**37,270**	40,544

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2019

	Share capital *HK$'000*	Share premium *HK$'000*	Translation reserve *HK$'000*	Capital reserve *HK$'000* *(Note)*	Accumulated losses *HK$'000*	Total *HK$'000*
At 31 December 2018 (Audited)	**4,800**	**46,917**	**(67)**	**(67)**	**(11,039)**	**40,544**
Adjustments ***(Note 2)***	**–**	**–**	**–**	**–**	**(4,240)**	**(4,240)**
At 1 January 2019 (Restated)	**4,800**	**46,917**	**(67)**	**(67)**	**(15,279)**	**36,304**
Profit for the period	**–**	**–**	**–**	**–**	**1,038**	**1,038**
Exchange differences arising on translation of foreign operations	**–**	**–**	**(72)**	**–**	**–**	**(72)**
Total comprehensive (expense) income for the period	**–**	**–**	**(72)**	**–**	**1,038**	**966**
At 30 June 2019 (Unaudited)	**4,800**	**46,917**	**(139)**	**(67)**	**(14,241)**	**37,270**
At 1 January 2018 (Audited)	4,800	46,917	268	(67)	(7,048)	44,870
Loss for the period	–	–	–	–	(14,985)	(14,985)
Exchange differences arising on translation of foreign operations	–	–	26	–	–	26
Total comprehensive income (expense) for the period	–	–	26	–	(14,985)	(14,959)
At 30 June 2018 (Unaudited)	4,800	46,917	294	(67)	(22,033)	29,911

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30 JUNE 2019

	Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Net cash from (used in) operating activities	**11,989**	(22,941)
Investing activities		
Proceeds from disposal of property, plant and equipment	**1,900**	–
Purchase of property, plant and equipment	**(564)**	(561)
Payments for rental deposits	**(60)**	–
Placement of pledged bank deposits	**–**	(6,088)
Withdrawal of pledged bank deposits	**–**	11,105
Other investing cash flows	**97**	44
Net cash from investing activities	**1,373**	4,500
Financing activities		
Repayment of bank borrowings	**(17,169)**	(46,741)
Repayment of lease liabilities	**(3,393)**	–
Proceeds from bank borrowings raised	**9,964**	58,410
Advance from a director	**7,000**	–
Other financing cash flows	**(227)**	(544)
Net cash (used in) from financing activities	**(3,825)**	11,125
Net increase (decrease) in cash and cash equivalents	**9,537**	(7,316)
Cash and cash equivalents at beginning of the period	**42,166**	45,512
Effect of foreign exchange rate changes	**(91)**	37
Cash and cash equivalents at end of the period, represented by bank balances and cash	**51,612**	38,233

1. BASIS OF PREPARATION

The condensed consolidated financial statements of Jimu Group Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") for the six months ended 30 June 2019 have been prepared in accordance with Hong Kong Accounting Standard 34 ("**HKAS 34**") *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") as well as with the applicable disclosure requirements of Chapter 18 of the Rules Governing the Listing of Securities on GEM of the Stock Exchange of Hong Kong Limited (the "**GEM Rules**").

2. PRINCIPAL ACCOUNTING POLICIES

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

Other than adoption of new accounting policies and changes in accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standards ("**HKFRSs**"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2019 are the same as those presented in the Group's annual financial statements for the year ended 31 December 2018.

Adoption of new accounting policies

The Group has applied the following accounting policies which become applicable during the interim period.

Government grant

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Commission income/consultancy income

The Group is an agent if its performance obligation is to arrange for the provision of the specified good or service by another party. In respect of insurance brokerage referral service and consultancy service, the Group does not control the specified good or service provided by another party before that good or service is transferred to the customer. When the Group acts as an agent, it recognises commission income or consultancy income under "other income" and in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by the other party.

2. PRINCIPAL ACCOUNTING POLICIES – continued

Application of new and amendments to HKFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 January 2019 for the Group's condensed consolidated financial statements:

HKFRS 16	Leases
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments Amendments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 – 2017 Cycle

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

2.1 Impacts and changes in accounting policies of application on HKFRS 16 *Leases* ("HKFRS 16")

Transition and summary of effects arising from initial application of HKFRS 16

As a lessee

On transition, the Group has made the following adjustments upon application of HKFRS 16:

The Group recognised lease liabilities of HK$14,097,000 and right-of-use assets at amounts equal to the related lease liabilities adjusted by the prepaid lease payments of HK$124,000 by applying HKFRS 16.C8(b)(ii) transition. The Group also applied HKAS 36 *Impairment of Assets* to right-of-use assets at the date of initial application by applying HKFRS 16.C8(c) transition and provided an impairment loss HK$4,240,000 to right-of-use assets at 1 January 2019. The Group recognised lease liabilities of HK$11,841,000 at 30 June 2019 of which HK$10,216,000 is related to leases previously classified as operating lease at 1 January 2019.

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In preparing the condensed consolidated financial statements for the six months ended 30 June 2019, the critical judgments in applying the Group's accounting policies and the key sources of estimation uncertainty made by the directors were the same as those applied in the preparation of the Group's annual financial statements for the year ended 31 December 2018, except for the following critical judgement and key sources of estimation uncertainty which are newly applied during the current interim period:

Estimated impairment of right-of-use assets

At the date of the initial application of HKFRS 16 and the end of the reporting period, the Group reviews the carrying amounts of its right-of-use assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated with reference to the value in use calculation in order to determine the extent of the impairment loss, if any. If the recoverable amount of the right-of-use assets is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss of HK$4,240,000 is made at the date of the initial application of HKFRS 16. As at 30 June 2019, the carrying amount of the right-of-use assets is approximately HK$8,640,000 (1 January 2019: HK$9,981,000).

4. SEGMENT INFORMATION

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

4. **SEGMENT INFORMATION – continued**

Segment revenue and results

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

Six months ended 30 June 2019 (Unaudited)

	Footwear business *HK$'000*	**Loan facilitation service** *HK$'000*	**Total** *HK$'000*
Revenue	**25,927**	**46,871**	**72,798**
Segment results	**(4,340)**	**12,564**	**8,224**
Unallocated expenses			**(4,423)**
Unallocated income			**56**
Profit before taxation			**3,857**

Six months ended 30 June 2018 (Unaudited)

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

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

4. SEGMENT INFORMATION – continued

Segment assets and liabilities

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

Segment assets

	30 June 2019	31 December 2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Footwear business	**16,174**	36,322
Loan facilitation service	**73,112**	55,979
Total segment assets	**89,286**	92,301
Unallocated assets		
– Bank balances and cash	**15,847**	20,908
– Others	**339**	464
Consolidated assets	**105,472**	113,673

Segment liabilities

	30 June 2019	31 December 2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Footwear business	**19,477**	31,346
Loan facilitation service	**47,558**	39,382
Total segment liabilities	**67,035**	70,728
Unallocated liabilities		
– Others	**1,167**	2,401
Consolidated liabilities	**68,202**	73,129

5. REVENUE FROM GOODS AND SERVICES

Disaggregation of revenue from contracts with customers:

	Three months ended 30 June 2019			Six months ended 30 June 2019		
Segments	**Footwear business** *HK$'000*	**Loan facilitation service** *HK$'000*	**Total** *HK$'000*	**Footwear business** *HK$'000*	**Loan facilitation service** *HK$'000*	**Total** *HK$'000*
Types of goods or service						
Trading of footwear						
Men's footwear	4,048	–	4,048	9,878	–	9,878
Women's footwear	3,915	–	3,915	11,930	–	11,930
Children's footwear	3,344	–	3,344	4,119	–	4,119
	11,307	–	11,307	25,927	–	25,927
Provision of loan facilitation service						
Pre-loan facilitation service	–	25,005	25,005	–	39,574	39,574
Post-loan facilitation service	–	4,108	4,108	–	7,297	7,297
	–	29,113	29,113	–	46,871	46,871
Total	11,307	29,113	40,420	25,927	46,871	72,798
Geographical markets						
The PRC	–	29,113	29,113	396	46,871	47,267
Australia	4,740	–	4,740	10,359	–	10,359
United Arab Emirates	2,087	–	2,087	3,919	–	3,919
United Kingdom	189	–	189	2,136	–	2,136
Chile	1,832	–	1,832	1,832	–	1,832
New Zealand	221	–	221	1,803	–	1,803
United States	–	–	–	94	–	94
Belgium	–	–	–	32	–	32
Others	2,238	–	2,238	5,356	–	5,356
Total	11,307	29,113	40,420	25,927	46,871	72,798
Timing of revenue recognition						
At a point in time	11,307	25,005	36,312	25,927	39,574	65,501
Over time	–	4,108	4,108	–	7,297	7,297
Total	11,307	29,113	40,420	25,927	46,871	72,798

5. REVENUE FROM GOODS AND SERVICES – continued

Segments	Three months ended 30 June 2018 Footwear business HK$'000	Loan facilitation service HK$'000	Total HK$'000	Six months ended 30 June 2018 Footwear business HK$'000	Loan facilitation service HK$'000	Total HK$'000
Types of goods or service						
Trading of footwear						
Men's footwear	14,914	–	14,914	40,022	–	40,022
Women's footwear	8,072	–	8,072	14,563	–	14,563
Children's footwear	2,434	–	2,434	7,578	–	7,578
	25,420	–	25,420	62,163	–	62,163
Provision of loan facilitation service						
Pre-loan facilitation service	–	11,728	11,728	–	11,728	11,728
Post-loan facilitation service	–	81	81	–	81	81
	–	11,809	11,809	–	11,809	11,809
Total	25,420	11,809	37,229	62,163	11,809	73,972
Geographical markets						
The PRC	37	11,809	11,846	37	11,809	11,846
Australia	10,944	–	10,944	21,398	–	21,398
United Arab Emirates	1,386	–	1,386	2,273	–	2,273
United Kingdom	1,945	–	1,945	7,785	–	7,785
Chile	1,642	–	1,642	1,659	–	1,659
New Zealand	2,334	–	2,334	5,787	–	5,787
United States	230	–	230	3,756	–	3,756
Belgium	1,659	–	1,659	3,417	–	3,417
Others	5,243	–	5,243	16,051	–	16,051
Total	25,420	11,809	37,229	62,163	11,809	73,972
Timing of revenue recognition						
At a point in time	25,420	11,728	37,148	62,163	11,728	73,891
Over time	–	81	81	–	81	81
Total	25,420	11,809	37,229	62,163	11,809	73,972

6. INCOME TAX EXPENSES

	Three months ended 30 June		Six months ended 30 June	
	2019	2018	**2019**	2018
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
PRC Enterprise Income Tax ("**EIT**")				
Under provision in respect of prior year	**–**	1	**–**	1
Deferred tax	**2,918**	–	**2,819**	–
	2,918	1	**2,819**	1

No provision for Hong Kong Profits Tax has been made in the condensed consolidated financial statements as the Group had no assessable profit for the six months periods ended 30 June 2019 and 2018.

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 periods.

7. PROFIT (LOSS) FOR THE PERIOD

	Three months ended 30 June		Six months ended 30 June	
	2019	2018	**2019**	2018
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Profit (loss) for the period has been arrived at after charging:				
Directors' remuneration	**764**	1,052	**1,588**	2,105
Other staff costs (excluding directors' remuneration)				
– Salaries, allowances and benefits in kind	**15,298**	13,665	**29,391**	17,243
– Retirement benefit scheme contributions	**3,390**	2,617	**7,794**	2,988
Total staff costs	**19,452**	17,334	**38,773**	22,336
Depreciation of property, plant and equipment	**318**	500	**681**	938
Depreciation of right-of-use assets	**1,020**	–	**2,049**	–
Expenses relating to short-term leases	**307**	–	**633**	–
Operating lease rental expense in respect of rental premises	**–**	1,437	**–**	2,237

8. DIVIDENDS

No dividends were paid, declared or proposed during the current and prior interim periods. The directors of the Company determined that no dividend will be paid in respect of the interim period.

9. EARNINGS (LOSS) PER SHARE

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

	Three months ended 30 June		Six months ended 30 June	
	2019	2018	**2019**	2018
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Earnings (loss):				
Earnings (loss) for the purpose of basic earnings (loss) per share	**5,491**	(10,150)	**1,038**	(14,985)

	Three months ended 30 June		Six months ended 30 June	
	2019	2018	**2019**	2018
	'000	*'000*	***'000***	*'000*
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Number of shares:				
Number of ordinary shares for the purpose of basic earnings (loss) per share	**480,000**	480,000	**480,000**	480,000

No diluted earnings (loss) per share is presented for both periods as there were no potential ordinary shares in issue for both periods.

10. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT/RIGHT-OF-USE ASSETS

During the current interim period, the Group disposed of certain furniture & office equipment and motor vehicles with an aggregate carrying amount of approximately HK$1,584,000 (six months ended 30 June 2018: HK$777,000) for cash proceeds of HK$1,900,000 (six months ended 30 June 2018: nil), resulting in a gain on disposal of approximately HK$316,000 (six months ended 30 June 2018: loss on disposal of approximately HK$777,000).

In addition, during the current interim period, the Group paid approximately HK$335,000 and HK$229,000 (six months ended 30 June 2018: approximately HK$458,000 and HK$10,000) for leasehold improvement and furniture & office equipment, respectively, for new branch premises.

During the current interim period, the Group entered into new lease agreements for the use of branch premises for one to five years with fixed payment including monthly, quarterly, semi-annually and annually. On lease commencement, the Group recognised approximately HK$1,690,000 of right-of-use assets and approximately HK$1,675,000 lease liabilities. The Group early terminated lease agreements and derecognised approximately HK$985,000 of right-of-use assets and approximately HK$1,051,000 lease liabilities.

11A. TRADE AND BILLS RECEIVABLES

	30 June 2019 HK$'000 (Unaudited)	31 December 2018 HK$'000 (Audited)
Trade receivables	**6,777**	17,401
Trade receivables discounted with recourse	**–**	3,615
Less: allowance for credit losses	**(475)**	(475)
	6,302	20,541
Bills receivables	**543**	294
	6,845	20,835

The Group allows credit period ranging from 7 days to 120 days (2018: 7 days to 120 days) to its trade debtors in relation to trading of footwear.

The following is an ageing analysis of trade receivables net of allowance for credit losses by age, presented based on the invoice date, which approximated the revenue recognition date:

	30 June 2019 HK$'000 (Unaudited)	31 December 2018 HK$'000 (Audited)
0 – 30 days	**2,873**	9,723
31 – 60 days	**1,266**	8,113
61 – 90 days	**701**	1,597
Over 90 days	**1,462**	1,108
	6,302	20,541

As at 30 June 2019, total bills received amounting to HK$543,000 (31 December 2018: HK$294,000) are held by the Group for future settlement of trade receivables. All bills received by the Group are with a maturity period of less than three months.

11B. CONTRACT ASSETS

	30 June 2019 HK$'000 (Unaudited)	31 December 2018 HK$'000 (Audited)
Loan facilitation service	**19,164**	35,473

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.

12. TRADE PAYABLES

The credit period on purchase of goods varies from 15 days to 45 days (2018: 20 days to 45 days). The ageing analysis of the trade payables presented based on the invoice date at the end of the reporting period is as follows:

	30 June 2019 HK$'000 (Unaudited)	31 December 2018 HK$'000 (Audited)
0 – 30 days	**3,016**	6,253
31 – 60 days	**1,568**	1,986
61 – 90 days	**–**	–
Over 90 days	**845**	438
	5,429	8,677

13. BANK BORROWINGS

	30 June 2019 HK$'000 (Unaudited)	31 December 2018 HK$'000 (Audited)
Secured bank borrowings		
– Variable rate	**–**	17,373

During the six months period ended 30 June 2019, the Group raised new bank borrowings amounting to approximately HK$9,964,000 (six months ended 30 June 2018: HK$58,410,000) and settled bank borrowings amounting to approximately HK$27,337,000 (six months ended 30 June 2018: HK$74,602,000), of which HK$10,168,000 (six months ended 30 June 2018: HK$27,861,000) were settled with the bank upon settlement of the discounted trade receivables from the Group's debtors.

The variable rate bank borrowings as at 31 December 2018 carried interests at a premium over London Interbank Offered Rate. For the six months ended 30 June 2018, the effective interest rates on bank borrowings was 4.09% to 4.59% (six months ended 30 June 2019: N/A) per annum.

As at 30 June 2019, all the secured bank borrowings have been settled. As at 31 December 2018, the secured bank borrowings are repayable within one year with a repayment on demand clause, therefore, the amounts are classified as current liabilities.

14. SHARE CAPITAL

	Number of shares	Share capital *HK'000*
Authorised ordinary shares at *HK$*0.01 per share:		
At 1 January 2018, 30 June 2018, 1 January 2019 and 30 June 2019	1,000,000,000	10,000
Issued and fully paid ordinary shares at *HK$*0.01 per share:		
At 1 January 2018, 30 June 2018, 1 January 2019 and 30 June 2019	480,000,000	4,800

15. RELATED PARTY DISCLOSURES

The Group provides loan facilitation services 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.

The Group had entered into the following significant transactions with related parties during the reporting periods:

(i) As of 31 December 2018, the Group's bank borrowing was secured by an investment property owned by Mr. Ho Kin Wai, executive director of the Company.

(ii) Compensation of the directors and key management personnel.

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

	Three months ended 30 June		**Six months ended 30 June**	
	2019	2018	**2019**	2018
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Salaries and other allowances	**723**	997	**1,500**	2,104
Retirement benefit scheme contributions	**41**	8	**88**	25
	764	1,005	**1,588**	2,129

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

MANAGEMENT DISCUSSION AND ANALYSIS

The board (the "**Board**") of directors ("**Directors**") of Jimu Group Limited (the "**Company**") presents the unaudited condensed consolidated financial statements of the Company and its subsidiaries (collectively the "**Group**") for the six months and three months ended 30 June 2019, together with the comparative unaudited figures of the corresponding periods in 2018.

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 (including competition from countries in South East Asia) 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 the six months ended 30 June 2019 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 June 2019, the Group has already set up over 50 branch offices across different regions in China to provide assistance to customers with financing needs, with a particular focus on small and micro enterprises, the self-employed and farmers in 3rd and 4th tier cities in China. Such customers normally have a relatively strong demand for short-to-medium term financing to support the development of operating entities and the turnaround of funds, yet, compared with such customers 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.

Major operating statistics for the current period and since the commencement of our loan facilitation business is as follows:

	For the six months ended 30 June			
	2019		2018	
	Current Period	**Accumulated**	Current Period	Accumulated
Number of Customers	**3,518**	**12,152**	1,455	1,455
Loan facilitated (*RMB'000*)	**292,955**	**948,674**	101,870	101,870
Average amount of loan facilitated (*RMB'000*)	**83.3**	**78.1**	70.0	70.0

Our revenue is calculated based on a certain percentage of the amount of loan facilitated.

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 2019. The management is optimistic about the future development of the loan facilitation business and has already expanded the business into Sichuan Province. 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$72.8 million for the six months ended 30 June 2019, a slight decrease of 1.6% compared with that of approximately HK$74.0 million for the six months ended 30 June 2018. Set out below is the revenue breakdown by segment for the six months ended 30 June 2018 and 2019:

	For the six months ended 30 June			
	2019		2018	
	HK$'000	*%*	*HK$'000*	*%*
Trading of footwear				
Men's footwear	**9,878**	**13.6**	40,022	54.1
Women's footwear	**11,930**	**16.4**	14,563	19.7
Children's footwear	**4,119**	**5.6**	7,578	10.2
	25,927	**35.6**	62,163	84.0
Provision of loan facilitation services				
Pre-loan facilitation services	**39,574**	**54.4**	11,728	15.9
Post-loan facilitation services	**7,297**	**10.0**	81	0.1
	46,871	**64.4**	11,809	16.0
Total	**72,798**	**100.0**	73,972	100.0

Footwear Business

Revenue from the footwear business segment decreased significantly by 58.3% from approximately HK$62.2 million for the six months ended 30 June 2018 to approximately HK$25.9 million for the six months ended 30 June 2019. 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

Revenue from the loan facilitation segment increased by 3.0 times from approximately HK$11.8 million for the six months ended 30 June 2018 to approximately HK$46.9 million for the six months ended 30 June 2019. This is due to a full six months' operation recorded for 2019 while less than three months' operation recorded for 2018 as the Group commenced the loan facilitation business in April 2018. The steady growth in customer base since the commencement of the loan facilitation business has contributed to a remarkable increase in post-loan facilitation service income.

Purchases and changes in inventories

The Group's purchases and changes in inventories decreased by approximately 57.4% from approximately HK$54.4 million for the six months ended 30 June 2018 to approximately HK$23.2 million for the six months ended 30 June 2019. The Group's purchases and changes in inventories comprises purchase cost and other costs including mainly sample and molding fees and other overheads. During the six months ended 30 June 2019, sample and molding fees decreased by approximately HK$0.3 million as compared to the corresponding period in 2018 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 85.0% for the six months ended 30 June 2019 comparing to approximately 84.1% for the six months ended 30 June 2018. 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$6.4 million for the six months ended 30 June 2019 from approximately HK$0.8 million for the six months ended 30 June 2018, primarily attributable to an increase in commission income of approximately HK$2.0 million, an increase in consulting service income of HK$2.0 million and an increase in receipt of government subsidies of HK$1.8 million. Commission income represented amount received for the referral of customers to third parties for the purchases of financial products, while consulting service represented data analytics solutions provided to third parties.

Other gains and losses

Other gains (net) amounted to approximately HK$0.3 million for the six months ended 30 June 2019 as compared to other losses of approximately HK$0.8 million for the six months ended 30 June 2018. This is mainly due to the gain on disposal of certain fully depreciated property, plant and equipment in 2019.

Employee benefits expenses

Employee benefits expenses increased to approximately HK$38.8 million for the six months ended 30 June 2019 from approximately HK$22.3 million for the six months ended 30 June 2018, which was mainly due to the increase in number of staff for the loan facilitation business since April 2018.

Other operating expenses

Other operating expenses increased to approximately HK$13.0 million for the six months ended 30 June 2019 from approximately HK$11.7 million for the six months ended 30 June 2018, 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 since April 2018.

Finance costs

Finance costs increased by approximately 35.3% to approximately HK$0.7 million for the six months ended 30 June 2019 from approximately HK$0.5 million for the six months ended 30 June 2018, which was mainly due to the adoption of HKFRS 16 where interest on lease liabilities is recognised as finance costs.

Income tax expenses

Income tax expenses increased to approximately HK$2.8 million for the six months ended 30 June 2019 from approximately HK$1,000 for the six months ended 30 June 2018, which was mainly due to the increase in deferred tax expenses of HK$2.8 million for the six months ended 30 June 2019. The deferred tax expenses arose due to timing differences on revenue recognition under PRC tax rules and relevant accounting standards.

Profit for the period

As a result of foregoing, profit for the period amounted to approximately HK$1.0 million for the six months ended 30 June 2019 as compared to loss for the period of approximately HK$15.0 million for the six months ended 30 June 2018.

Loss before taxation for the footwear business segment decreased to approximately HK$4.3 million for the six months ended 30 June 2019 from approximately HK$6.5 million for the six months ended 30 June 2018, which was mainly due to the decrease in other operating expenses during the period.

Profit before taxation for the loan facilitation service segment amounted to approximately HK$12.6 million for the six months ended 30 June 2019 as compared to a loss before taxation of HK$3.7 million for the six months ended 30 June 2018. This is mainly a result of the strong demand for our loan facilitation services and thus strong revenue stream.

INTERIM DIVIDEND

The Directors do not recommend payment of interim dividend for the six months ended 30 June 2019.

LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

As at 30 June 2019, the Group has no outstanding borrowings (31 December 2018: approximately HK$17.4 million). The borrowings as at 31 December 2018 represented the trust receipt loans for trade finance purpose and trade receivables transferred to banks by discounting those receivables on a recourse basis. As at 30 June 2019, the cash and cash equivalents and pledged bank deposit of the Group amounted to approximately HK$51.7 million (31 December 2018: approximately HK$42.3 million). As at 30 June 2019, debt to equity ratio of the Group was nil (31 December 2018: nil). Debt to equity ratio is calculated by dividing the net debt, which is defined to include bank borrowings and bank overdrafts net of pledged bank deposits and bank balances and cash, by total equity at the end of the respective years. Current ratio as at 30 June 2019 was approximately 1.9 times (31 December 2018: approximately1.8 times).

The Group maintained sufficient working capital as at 30 June 2019 with bank balances and cash of approximately HK$51.6 million (31 December 2018: approximately HK$42.2 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 30 June 2019, the Group's net current assets amounted to approximately HK$45.6 million (31 December 2018: approximately HK$48.9 million). The Group's operations are financed principally by revenue generated from its business operation, available cash and bank balances, bank borrowings and advances from a director.

CAPITAL STRUCTURE

As at 30 June 2019, the share capital and equity attributable to owners of the Company amounted to HK$4.8 million and approximately HK$32.5 million, respectively (31 December 2018: HK$4.8million and approximately HK$35.7million, respectively).

PLEDGE OF ASSETS

As at 30 June 2019, pledged bank deposits of approximately HK$0.1 million (31 December 2018: approximately HK$0.1 million) and trade receivables of nil (31 December 2018: approximately HK$3.6 million) of the Group were pledged to secure the Group's bank borrowings.

EXCHANGE RATE EXPOSURE

The Group's footwear business segment revenue is denominated in United States Dollars ("**US$**") due to the export-oriented nature of the Group's business. The Group's footwear business segment expenses, comprising primarily its payment to its footwear suppliers, are also mainly in US$. As HK$ is pegged to US$, the Group does not expect any significant fluctuation in the exchange rate of HK$ against US$. Revenue, cost and expenses of the Group's loan facilitation service segment are all denominated in Renminbi ("**RMB**"), as such the net exposure to fluctuation of HK$ against RMB is not material. The Group's management considers that the Group has no significant foreign exchange exposures. Foreign exchange risk arising from the normal course of operations is considered to be minimal. As at 30 June 2019, the Group did not use any financial instrument for hedging the foreign exchange risk.

SIGNIFICANT INVESTMENTS HELD

During the six months ended 30 June 2019, there was no significant investment held by the Group.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

During the six months ended 30 June 2019, the Group did not have any material acquisitions and disposals of subsidiaries and affiliated companies.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

During the six months ended 30 June 2019, the Group currently has no other plan for material investments.

CONTINGENT LIABILITIES

As at 30 June 2019, the Group did not have any significant contingent liabilities (31 December 2018: nil).

CAPITAL COMMITMENTS

As at 30 June 2019, the Group had no significant capital commitments (31 December 2018: nil).

EMPLOYEES AND EMOLUMENT POLICIES

The Group had approximately 550 employees (including Directors) as at 30 June 2019 (31 December 2018: approximately 750 employees) in mainland China and Hong Kong. In order to recruit, develop and retain talented employees, the Group offers competitive remuneration packages to our staff, including internal promotion opportunities and performance based bonus. The Group enters into standard employment contracts with our staff which contain provisions on intellectual property rights and confidentiality.

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

COMPARISON OF BUSINESS PLAN WITH ACTUAL BUSINESS PROGRESS

The following is a comparison of the Group's business plan as set out in the prospectus of the Company dated 20 May 2016 (the "**Prospectus**") with actual business progress up to 30 June 2019.

Business plan as set out in Prospectus	Progress up to 30 June 2019
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 and showroom in Dongguan City, Guangdong, the PRC from May 2017 to June 2018 promote the quality products and services of the Group. Currently, the Group leased an office incorporating with a showroom in Hong Kong.
– Recruit additional sales representatives to broaden the customer base and product offerings	The Group has employed a sales staff experienced in footwear market in Australia in October 2016 for broadening its customer base. That sales staff left the Group in October 2017.

Business plan as set out in Prospectus	Progress up to 30 June 2019
Enhancing design, development and production management capabilities	
– Employ advance technology such as 3-dimensional ("**3D**") printing technology in footwear development to shorten the product development time	The Group purchased a 3D printer in February 2017 for employing the 3D printing technology in footwear development.
– Recruit a specialized footwear 3D technician	The Group has employed a 3D technician from May 2017 to September 2018 to produce 3D modelling.
– Recruit additional designers to expand the design and development team	The Group has employed a footwear designer in May 2017 to enhance the product design and development capabilities.
– Recruit an experienced shoe technician to enhance the knowledge on footwear technical requirements and standards of different customers	The Group has employed two shoe technicians in August 2016 to assist our designers in product design and development. Currently the Group has employed one shoe technician.
– Recruit additional quality control and shipping staff to reinforce the quality management and logistics management services of the Group	The Group has employed three quality control inspectors in July 2016 to enhance production management capabilities.
Obtaining licences of multiple brands (note 1)	
– Obtain licences of multiple footwear brands – Engage professional parties to assist the Group in performing research, investigation and due diligence on brand licensing	The Group entered into International Merchandising License Agreement ("**License Agreement**") with ENS Global Marketing Limited (the "**Licensing Agent**") and SEMK Products Limited (the "**Licensor**") in June 2017 for granting to the Group a non-exclusive right and licence to utilize the "B. Duck" brand for footwear. The Group terminated the License Agreement on 6 December 2017 after given the Licensor and Licensing Agent a 7 days' notice in writing pursuant to the terms of the License Agreement.

Business plan as set out in Prospectus	Progress up to 30 June 2019
Enhancing corporate image (note 2&3)	
– 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 (note 3)	
– 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.

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.

Note 3: According to the Company's announcement dated 12 July 2019, the Group resolved to change allocation of net proceed of HK$1.1 million from "enhancing corporate image" and HK$3.4 million from "improving information technology system" 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.

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 31 January 2019)** *HK$'million*	**Planned use of proceed up to 30 June 2019 (as adjusted on 31 January 2019)** *HK$'million*	**Actual amount utilized up to 30 June 2019** *HK$'million*	**Actual balance as at 30 June 2019** *HK$'million*
Broadening customer base and product offerings *(Note (a))*	9.9	9.9	4.9	5.0
Enhancing design, development and production management capabilities	5.9	5.9	2.3	3.6
Obtaining licences of multiple brands *(Note (b))*	0.2	0.2	0.2 *(Note (c))*	–
Enhancing corporate image *(Note (d&e))*	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 *(Note (e))*	4.1	4.1	0.7	3.4
General working capital and other general corporate uses of the Group *(Note (b&e))*	20.0	20.0	17.3	2.7
Total	44.6	44.6	28.8	15.8

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) The Group resolved to change the allocation of net proceed of HK$8 million and HK$7.7 million from "Obtaining licences of multiple brands" to "General working capital and other general corporate uses" on 27 June 2018 and 31 January 2019 respectively as disclosed in the section headed "Future plans and use of proceeds－Use of proceeds" in the Prospectus. Details of the change of use proceed are set out in the announcement of the Company dated 27 June 2018 and 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.

(e) As at 12 July 2019, the Board further resolved that a total of HK$4.5 million Net Proceeds to "General working capital and other general corporate uses", HK$1.1 million from "Enhancing corporate image" and HK$3.4 million from "Improving information technology system". Details of the change of use proceed are set out in the announcement of the Company dated 12 July 2019.

The Group has adjusted the use of proceed on 12 July 2019. The difference of approximately HK$13.5 million between the planned use of proceed up to 12 July 2019 of approximately HK$44.6 million and the actual amount utilized up to 12 July 2019 of approximately HK$31.1 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) given the footwear market remained sluggish for the past few years, the Group reduced the participation in footwear trade show/fairs; and (iii) the Group has not engaged in enhancing and upgrading the business management system as the Board believes that the potential increase in efficiency do not justify the cost given the current market condition.

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

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

CORPORATE GOVERNANCE CODE

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

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

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

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

INTERESTS IN COMPETING BUSINESS

For the six months ended 30 June 2019, none of the Directors, controlling shareholders or substantial shareholders of the Company or any of their respective close associates (all as defined under the GEM Listing Rules) are engaged in any business that competes or may compete, directly or indirectly, with the business of the Group or have any other conflicts of interest with the Group nor are they aware of any other conflicts of interest which any such persons has or may have with the Group.

SHARE OPTION SCHEME

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

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

DIRECTORS' INTERESTS IN SECURITIES

As at 30 June 2019, 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

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

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

Long position in shares or underlying shares of associated corporation

Name of Director	Name of associated corporation	Capacity	No. share(s) held in each class	Approximate percentage of interest in the associated corporation in each class
Mr. Dong Jun ("**Mr. Dong**")	Jimu Holdings Limited (formerly known as Pintec Holdings Limited) ("**Jimu Holdings**") *(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%

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.

Save as disclosed above, as at 30 June 2019, none of the Directors or chief executive of the Company had any interest or short position in shares, debentures or underlying shares of the Company and its associated corporations which was required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO; or (b) pursuant to Section 352 of the SFO, to be recorded in the register referred therein; or (c) pursuant to Rule 5.46 of the GEM Listing Rules to be notified to the Company and the Stock Exchange.

INTERESTS DISCLOSEABLE UNDER THE SFO AND SUBSTANTIAL SHAREHOLDERS

As at 30 June 2019, so far as known to any Director or chief executive of the Company, the following persons had interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO, or recorded in the register required to be kept under Section 336 of the SFO:

Long position in shares or underlying shares of the Company

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

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

Save as disclosed above, as at 30 June 2019, the Directors were not aware of any other persons who had interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO, or recorded in the register required to be kept under Section 336 of the SFO.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the six months ended 30 June 2019, 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.

CHANGE OF DIRECTOR'S AND SUPERVISOR'S INFORMATION

Pursuant to Rule 17.50A(1) of the GEM Listing Rules, the change of Director's and Supervisor's information is as follows:

Mr. Zhang Songyi, retired as a non-executive Director of the Company and no longer act as a member of the Risk Management Committee of the Board with effect from 24 May 2019.

Mr. Lau Kai Pong was appointed as a non-executive Director of the Company with effect from 27 May 2019.

Mr. Liu Jiangtao, resigned as an independent non-executive Director of the Company and no longer act as the chairman of the remuneration committee and a member of the Audit Committee of the Board with effect from 27 May 2019.

Mr. Li Tixin was appointed as an independent non-executive Director and was also appointed as the chairman of the Remuneration Committee and a member of the Audit Committee of the Company with effect from 27 May 2019.

Ms. Long Jingjie, an executive Director was appointed as a member of the risk management committee of the Board with effect from 27 May 2019.

Mr. Hon Ping Cho Terence, an independent non-executive Director was appointed as an independent non-executive Director of 361 Degrees International Limited (listed on the Stock Exchange, Stock Code: 1361) on 20 May 2019.

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. Guo Zhongyong, Mr. Peng Chuang and Mr. Li Tixin, all being independent non-executive Directors.

The Group's interim results for the six months ended 30 June 2019 were unaudited. However, the Company has engaged the Auditor to assist the Audit Committee to review the 2019 unaudited condensed consolidated financial statements of the Group for the six months and three months ended 30 June 2019 in accordance with HKSRE 2410 issue by the HKICPA. A meeting of the Audit Committee was held with the Auditor and the management of the Company for, amongst other things, reviewing the interim results of the Group for the six months ended 30 June 2019.

By order of the Board
Jimu Group Limited
Dong Jun
Chairman

Hong Kong, 9 August 2019

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

This announcement will remain on the "Latest Company Announcements" page of the GEM website at http://www.hkgem.com for at least 7 days from the date of its posting and on the Company's website at http://www.jimugroup.hk.