



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 2022

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.

Hong Kong Exchanges and Clearing Limited and the Stock Exchange take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

*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 2022, together with the comparative unaudited figures of the corresponding periods in 2021.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2022

	NOTES	Three months ended 30 June		Six months ended 30 June	
		2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Revenue from goods and services	4	9,234	3,016	15,524	5,294
Cost of goods sold		(8,844)	(1,557)	(14,512)	(1,557)
Other income	5	84	65	85	170
Other gains and losses	6	712	332	712	332
Employee benefits expenses		(736)	(4,000)	(1,481)	(10,248)
Other operating expenses		(951)	(3,130)	(1,895)	(5,728)
Finance costs		(165)	(26)	(331)	(71)
Loss before taxation		(666)	(5,300)	(1,898)	(11,808)
Income tax credit	7	231	852	53	1,822
Loss for the period	8	(435)	(4,448)	(1,845)	(9,986)
Other comprehensive income:					
<i>Item that will not be reclassified to profit or loss:</i>					
Exchange differences on translation from functional currency to presentation currency		80	32	72	47
Total comprehensive expense for the period		(355)	(4,416)	(1,773)	(9,939)
Loss per share					
Basic and diluted (HK cents)	10	(0.07)	(0.89)	(0.31)	(1.99)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 JUNE 2022

		30 June 2022	31 December 2021
	<i>NOTES</i>	HK\$'000	HK\$'000
		(Unaudited)	(Audited)
Non-current assets			
Plant and equipment		58	140
Right-of-use assets		206	283
Rental deposits	14	69	144
Contract assets	13	27	32
		360	599
Current assets			
Inventories	11	12,222	12,156
Trade receivables	12	2,934	2,986
Other receivables, prepayment and deposits	14	471	866
Contract assets	13	1,414	1,519
Bank balances and cash		5,668	3,485
		22,709	21,012
Current liabilities			
Trade payables	15	4,796	9,792
Other payables and accruals	16	6,920	7,813
Interest-bearing borrowings	17	8,026	8,026
Lease liabilities		162	789
Contract liabilities	18	738	746
Refund liabilities		–	6
		20,642	27,172
Net current assets (liabilities)		2,067	(6,160)
Total assets less current liabilities		2,427	(5,561)

		30 June 2022	31 December 2021
	<i>NOTES</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Audited)
Non-current liabilities			
Lease liabilities		46	486
Contract liabilities	18	–	3
Deferred tax liabilities		134	194
		<u>180</u>	<u>683</u>
Net assets (liabilities)		<u>2,247</u>	<u>(6,244)</u>
Capital and reserves			
Share capital	19	6,019	5,016
Reserves		(3,772)	(11,260)
Total equity (capital deficiency)		<u>2,247</u>	<u>(6,244)</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2022

	Share capital HK\$'000	Share premium HK\$'000	Translation reserve HK\$'000	Capital reserve HK\$'000	Statutory reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 January 2022 (Audited)	5,016	55,784	218	4,950	1,630	(73,842)	(6,244)
Loss for the period	-	-	-	-	-	(1,845)	(1,845)
Exchange differences on translation from functional currency to presentation currency	-	-	72	-	-	-	72
Total comprehensive income (expense) for the period	-	-	72	-	-	(1,845)	(1,773)
Placing of new shares (Note)	1,003	9,731	-	-	-	-	10,734
Transaction costs attributable to placing of new shares	-	(470)	-	-	-	-	(470)
At 30 June 2022 (Unaudited)	6,019	65,045	290	4,950	1,630	(75,687)	2,247
At 1 January 2021 (Audited)	5,016	55,784	148	4,950	1,630	(58,959)	8,569
Loss for the period	-	-	-	-	-	(9,986)	(9,986)
Exchange differences on translation from functional currency to presentation currency	-	-	47	-	-	-	47
Total comprehensive income (expense) for the period	-	-	47	-	-	(9,986)	(9,939)
At 30 June 2021 (Unaudited)	5,016	55,784	195	4,950	1,630	(68,945)	(1,370)

Note: On 31 December 2021, the Company and a placing agent entered into a placing agreement pursuant to which the Company has conditionally agreed to place a maximum of 100,320,000 placing shares to independent investors at a price of HK\$0.107 per share. The placing was completed on 17 January 2022 pursuant to which the Company has allotted and issued 100,320,000 placing shares. The net proceeds derived from the placing amounted to approximately HK\$10,264,000 and resulted in the increase in share capital of approximately HK\$1,003,000 and share premium of approximately HK\$9,731,000, net of transaction costs of approximately HK\$470,000.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30 JUNE 2022

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Net cash used in operating activities	<u>(7,517)</u>	<u>(15,491)</u>
Investing activities		
Interest received	1	70
Proceeds from disposal of property, plant and equipment	<u>–</u>	<u>58</u>
Net cash from investing activities	<u>1</u>	<u>128</u>
Financing activities		
Proceeds from placing of new shares	10,734	–
Transaction costs of placing of new shares	(470)	–
Repayment to a former fellow subsidiary	–	(6,998)
Repayment to a former director	–	(402)
Repayment of lease liabilities	(76)	(316)
Interest paid	<u>(331)</u>	<u>(58)</u>
Net cash from (used in) financing activities	<u>9,857</u>	<u>(7,774)</u>
Net increase (decrease) in cash and cash equivalents	2,341	(23,137)
Cash and cash equivalents at beginning of the period	3,485	26,831
Effect of foreign exchange rate changes	<u>(158)</u>	<u>(197)</u>
Cash and cash equivalents at end of the period, represented by bank balances and cash	<u><u>5,668</u></u>	<u><u>3,497</u></u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

1. BASIS OF PREPARATION

The unaudited 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 2022 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**”) and Chapter 18 of the Rules Governing the Listing of Securities on GEM of the Stock Exchange of Hong Kong Limited (the “**GEM Rules**”).

The functional currency of the Group is Reminbi (“**RMB**”). The unaudited condensed consolidated financial statements are presented in Hong Kong dollars as management considered it is more beneficial to users of the unaudited condensed consolidated financial statements. All values stated in these unaudited condensed consolidated financial statements are rounded to the nearest thousands Hong Kong dollars (“**HK\$’000**”).

The unaudited condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2021.

The unaudited condensed consolidated financial statements have not been audited by the Company’s auditors, but have been reviewed by the audit committee of the Company.

2. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies and the methods of computation used in the unaudited condensed consolidated financial statements for the six months ended 30 June 2022 are the same as those followed in the Group’s audited consolidated financial statements for the year ended 31 December 2021. The adoption of the new/amendments to Hong Kong Financial Reporting Standards (“**HKFRSs**”) that are relevant to the Group and effective from the current period had no significant effects on the results and financial position of the Group for the current and prior periods.

The Group has not early adopted the new/amendments to HKFRSs that have been issued but are not yet effective. The Directors do not anticipate that the adoption of the new/amendments to HKFRSs in future periods will have any material impact on the Group’s condensed consolidated financial statements.

3. SEGMENT INFORMATION

Information reported to the executive directors 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. No operating segments identified by the CODM have been aggregated in arriving at the reportable segments of the Group.

Specifically, the Group’s operating and reportable segment under HKFRS 8 Operating Segments are as follows:

- Footwear and apparel businesses – trading of footwear and apparel; and
- Loan facilitation and credit assessment services – provision of pre-loan facilitation services, post-loan facilitation services and credit assessment services.

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

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

Six months ended 30 June 2022 (Unaudited)

	Footwear and apparel businesses <i>HK\$'000</i>	Loan facilitation and credit assessment services <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue	<u>15,462</u>	<u>62</u>	<u>15,524</u>
Segment results	<u>802</u>	<u>377</u>	<u>1,179</u>
Unallocated income			1
Unallocated expenses			<u>(3,078)</u>
Loss before taxation			<u><u>(1,898)</u></u>

Six months ended 30 June 2021 (Unaudited)

	Footwear and apparel businesses <i>HK\$'000</i>	Loan facilitation and credit assessment services <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue	<u>1,640</u>	<u>3,654</u>	<u>5,294</u>
Segment results	<u>(2,836)</u>	<u>(6,570)</u>	<u>(9,406)</u>
Unallocated expenses			<u>(2,402)</u>
Loss before taxation			<u><u>(11,808)</u></u>

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

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 2022 HK\$'000 (Unaudited)	31 December 2021 HK\$'000 (Audited)
Footwear and apparel businesses	19,027	18,720
Loan facilitation and credit assessment services	<u>2,116</u>	<u>2,696</u>
Total segment assets	21,143	21,416
Unallocated assets		
– Bank balances and cash	1,096	173
– Others	<u>830</u>	<u>22</u>
Consolidated assets	<u><u>23,069</u></u>	<u><u>21,611</u></u>

Segment liabilities

	30 June 2022 HK\$'000 (Unaudited)	31 December 2021 HK\$'000 (Audited)
Footwear and apparel businesses	3,546	12,324
Loan facilitation and credit assessment services	<u>4,120</u>	<u>5,551</u>
Total segment liabilities	7,666	17,875
Unallocated liabilities		
– Interest-bearing borrowings	8,026	8,026
– Others	<u>5,130</u>	<u>1,954</u>
Consolidated liabilities	<u><u>20,822</u></u>	<u><u>27,855</u></u>

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

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

Geographical information

The following table sets out information about the geographical location of the Group's revenue from external customers. The geographical location of revenue is based on the location of external customers.

	Three months ended 30 June		Six months ended 30 June	
	2022	2021	2022	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
The People's Republic of China ("PRC")	1	1,376	62	3,654
Hong Kong	4,110	–	6,110	–
Canada	5,123	–	9,352	–
Mexico	–	1,640	–	1,640
	<u>9,234</u>	<u>3,016</u>	<u>15,524</u>	<u>5,294</u>

4. REVENUE FROM GOODS AND SERVICES

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

	Three months ended 30 June		Six months ended 30 June	
	2022	2021	2022	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Trading of footwear and apparel business	9,233	1,640	15,462	1,640
Provision of loan facilitation and credit assessment services	1	1,376	62	3,654
	<u>9,234</u>	<u>3,016</u>	<u>15,524</u>	<u>5,294</u>

5. OTHER INCOME

	Three months ended 30 June		Six months ended 30 June	
	2022	2021	2022	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Interest income	1	28	1	70
Miscellaneous income	83	37	84	100
	<u>84</u>	<u>65</u>	<u>85</u>	<u>170</u>

6. OTHER GAINS AND LOSSES

	Three months ended 30 June		Six months ended 30 June	
	2022	2021	2022	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Gain on derecognition of right-of-use assets, net	–	378	–	378
Gain on termination of lease liabilities, net	980	–	980	–
Impairment losses recognised on other receivables	(262)	–	(262)	–
Loss on disposal of plant and equipment, net	–	(46)	–	(46)
Net foreign exchange losses	(6)	–	(6)	–
	<u>712</u>	<u>332</u>	<u>712</u>	<u>332</u>

7. INCOME TAX CREDIT

	Three months ended 30 June		Six months ended 30 June	
	2022	2021	2022	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Hong Kong – current tax	4	–	–	–
PRC Enterprise Income Tax (“EIT”)				
– Current tax	–	–	–	–
– Deferred tax	227	852	53	1,822
	<u>231</u>	<u>852</u>	<u>53</u>	<u>1,822</u>

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%. Accordingly, the Hong Kong Profits Tax of the qualifying group entity is calculated at 8.25% on the first HK\$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK\$2 million.

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 2022 and 2021.

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%.

8. LOSS FOR THE PERIOD

	Three months ended 30 June		Six months ended 30 June	
	2022	2021	2022	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Loss for the period has been arrived at after charging:				
Directors' remuneration	255	395	530	863
Other staff costs (excluding directors' remuneration)				
– Salaries, allowances and benefits in kind	439	2,773	864	7,481
– Retirement benefit scheme contributions	42	832	87	1,904
Total staff costs	736	4,000	1,481	10,248
Depreciation of plant and equipment	21	62	78	127
Depreciation of right-of-use assets	39	–	77	–
Total depreciation	60	62	155	127
Expenses relating to short-term leases	7	134	21	544

9. DIVIDENDS

No dividends were paid, declared or proposed during the current and prior interim periods. The directors of the Company do not recommend the payment of any interim dividend for the six months ended 30 June 2022 (2021: HK\$Nil).

10. LOSS PER SHARE

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

	Three months ended 30 June		Six months ended 30 June	
	2022	2021	2022	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Loss:				
Loss for the purpose of basic loss per share	(435)	(4,448)	(1,845)	(9,986)

	Three months ended 30 June		Six months ended 30 June	
	2022	2021	2022	2021
	'000	'000	'000	'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Number of shares:				
Weighted average number of ordinary shares for the purpose of calculating basic loss per share	601,920	501,600	593,052	501,600

For the three months ended 30 June 2022 and six months ended 30 June 2022, the weighted average number of ordinary shares for the purpose of basic loss per share has been adjusted for the share placing in January 2022.

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

11. INVENTORIES

	30 June 2022 HK\$'000 (Unaudited)	31 December 2021 HK\$'000 (Audited)
Merchandise of footwear and apparel for resale	12,222	12,156

12. TRADE RECEIVABLES

	30 June 2022 HK\$'000 (Unaudited)	31 December 2021 HK\$'000 (Audited)
Trade receivables from contracts with customers	2,968	3,028
Less: allowance for credit losses	(34)	(42)
	2,934	2,986

The Group allows credit period ranging from 30 days to 60 days (2021: 30 days to 60 days) to its trade debtors in relation to trading of footwear and apparel.

The following is an aged analysis of trade receivables, net of allowance for credit losses, presented based on the invoice date:

	30 June 2022 HK\$'000 (Unaudited)	31 December 2021 HK\$'000 (Audited)
0 to 30 days	2,619	–
Over 90 days	315	2,986
	2,934	2,986

13. CONTRACT ASSETS

	30 June 2022 HK\$'000 (Unaudited)	31 December 2021 HK\$'000 (Audited)
Loan facilitation services, net of allowances	<u>1,441</u>	<u>1,551</u>
Current	1,414	1,519
Non-current	<u>27</u>	<u>32</u>
	<u>1,441</u>	<u>1,551</u>

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.

14. OTHER RECEIVABLES, PREPAYMENT AND DEPOSITS

	30 June 2022 HK\$'000 (Unaudited)	31 December 2021 HK\$'000 (Audited)
Other deposits	6	61
Other receivables, net of allowances	99	379
Prepayment	362	304
Rental deposits	<u>73</u>	<u>266</u>
	540	1,010
Less: Rental deposits shown under non-current assets	<u>(69)</u>	<u>(144)</u>
	<u>471</u>	<u>866</u>

15. TRADE PAYABLES

The credit period on purchase of goods varies from 0 day to 70 days (2021: 60 days). The following is an analysis of the trade payables presented based on the invoice date:

	30 June 2022 HK\$'000 (Unaudited)	31 December 2021 HK\$'000 (Audited)
0 to 30 days	1,107	6,101
31 to 60 days	–	2,738
Over 90 days	<u>3,689</u>	<u>953</u>
	<u>4,796</u>	<u>9,792</u>

16. OTHER PAYABLES AND ACCRUALS

	30 June 2022 HK\$'000 (Unaudited)	31 December 2021 HK\$'000 (Audited)
Accrued staff salaries	2,577	2,653
Accrued expenses	1,521	2,116
Other tax payables	1,212	1,380
Others	1,610	1,664
	<u>6,920</u>	<u>7,813</u>

17. INTEREST-BEARING BORROWINGS

During the year ended 31 December 2021, a new loan amount of HK\$8,000,000 was obtained from an independent third party (“**Other Loan**”). Other Loan is unsecured, bearing interest at 8% per annum and repayable after six months from the date of drawdown or on demand initially. During the six months ended 30 June 2022, the Group has extended the term of Other Loan for another six months. After the extension, Other Loan is repayable after twelve months from the date of drawdown or on demand.

18. CONTRACT LIABILITIES

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

	30 June 2022 HK\$'000 (Unaudited)	31 December 2021 HK\$'000 (Audited)
Footwear and apparel businesses	441	441
Loan facilitation services	297	308
	<u>738</u>	<u>749</u>
Current	738	746
Non-current	–	3
	<u>738</u>	<u>749</u>

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.

19. SHARE CAPITAL

	Number of shares		Share capital	
	30 June 2022 (Unaudited)	31 December 2021 (Audited)	30 June 2022 HK\$'000 (Unaudited)	31 December 2021 HK\$'000 (Audited)
Authorised ordinary shares at HK\$0.01 per share:				
At the beginning and end of the period/year	1,000,000,000	1,000,000,000	10,000	10,000
Issued and fully paid shares at HK\$0.01 per share:				
At the beginning of the period/year	501,600,000	501,600,000	5,016	5,016
Placement of new shares (<i>Note</i>)	100,320,000	—	1,003	—
At the end of the period/year	601,920,000	501,600,000	6,019	5,016

Note: On 31 December 2021, the Company and a placing agent entered into a placing agreement pursuant to which the Company has conditionally agreed to place a maximum of 100,320,000 placing shares to independent investors at a price of HK\$0.107 per share. The placing was completed on 17 January 2022 pursuant to which the Company has allotted and issued 100,320,000 placing shares. The net proceeds derived from the placing amounted to approximately HK\$10,264,000 and resulted in the increase in share capital of approximately HK\$1,003,000 and share premium of approximately HK\$9,731,000, net of transaction costs of approximately HK\$470,000.

20. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

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

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

21. RELATED PARTY DISCLOSURES

Compensation of the Directors and key management personnel

The key management of the Group comprises all executive directors of the Company, details of their emoluments are disclosed in Note 8. The emoluments of the executive 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.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review and Outlook

The Group is engaged in the footwear and apparel businesses and the loan facilitation and credit assessment businesses.

Footwear and Apparel Businesses

The Group is engaged in the trading of footwear and apparel. The Group offers formal and casual footwear and apparel 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 or licensees of formal and casual footwear. Also, the Group seized the opportunity for extending to apparel business since 2021 as we see the massive market potential for apparel business in overseas. The management believes that the footwear and apparel business are recovering and shall continue to seek further development opportunities in both local and overseas markets. Starting from 2021, the Group has been reorganising resources to invest in the footwear business, especially focusing on the development of premium and collector sneakers trading business and football jersey business in North America and Asia.

Since early 2022, the Group diversified its footwear and apparel businesses by selling branded footwear and apparels products in Canada on consignment basis. The Directors believe that the commencement of such new business in North America allows the Group to develop a diversified range of customers in terms of geographical locations. Also, the Directors are of the view that there are well established footwears and apparels supply and sales network in North America whereby the Group has set up a new company and established its presence in Vancouver, Canada during the six months ended 30 June 2022. The Group will then expand the scale of operations and retail network to other places in North America as and when appropriate. At the date of authorisation of the Interim Financial Statements, the Group has transferred approximately CAD450,000 to the newly set up Canada based company as its working capital. Besides, the Group also engaged in the wholesale of footwear and apparel businesses in Hong Kong and Canada during the first half year 2022.

As the market started to recover from COVID-19 in the second quarter of 2022, it is anticipated that the Group could achieve significant growth in revenue and gross profit in the year ending 31 December 2022. Going forward, the Group plans to continue to widen the consumer reach by expanding its brand portfolio and product categories. Specifically, it is the direction of the Group to broaden its brand portfolio across various soft fashion segments through acquisition, investment and licensing. The Group will also expand the product categories with a focus on trendy active footwear, men's footwear, sportswear, childrenswear, as well as bags and accessories. By doing so, the Group will recruit more talent to expand its operation teams, which is expected to help expanding the customer base and achieve higher sales.

Loan Facilitation and Credit Assessment Businesses

The Group commenced the provision of loan facilitation services to customers in the PRC in 2018.

The Group has set up branch office network across different regions in the PRC to provide assistance to customers with financing needs, with a particular focus on individual customers in 3rd and 4th tier cities in the PRC, who in general, compared to individuals in first tier cities, have weaker knowledge or access of financing solutions available in the market. Our branch offices liaise between customers and the funding sources and arrange for contract signing upon agreement by both parties.

Since 2021, the management of the Group (the “**Management**”) had been continuously assessing the change in economic condition of the loan market. The global spread of COVID-19 pandemic and actions taken in response to the virus have negatively affected workforces, customers, consumer confidence, financial markets, consumer spending and credit markets, caused significant economic and business disruption, volatility and financial uncertainty, and led to a significant economic downturn, including in the loan market where the Group operate. After considered the characteristics and typically higher risk profile of this operating segment, the Management had not been confident in continuing the operation of the loan facilitation and credit assessment businesses. Therefore, the Board, after reviewed the adverse market condition, has decided to downsize the loan facilitation and credit assessment businesses in the third quarter of 2021 and it is expected that the planned downsizing of the loan facilitation and credit assessment businesses will allow the Group to reallocate its resources and effort in the footwear and apparel businesses.

Financial Review

Revenue

The Group recorded revenue of approximately HK\$15.5 million for the six months ended 30 June 2022, an increase of approximately 193.2% compared with that of approximately HK\$5.3 million for the six months ended 30 June 2021. Revenue for the six months ended 30 June 2022 mainly derived from the footwear and apparel businesses.

Footwear and Apparel Businesses

The Group recorded revenue from the footwear and apparel businesses of approximately HK\$15.5 million for the six months ended 30 June 2022 (2021: approximately HK\$1.6 million) since the Group had started the consignment sales business by selling branded footwear and apparels products in Canada and the Group has also engaged in the wholesale of footwear and apparel business in Hong Kong and Canada during the first six months of 2022.

Loan Facilitation and Credit Assessment Businesses

Revenue from the loan facilitation segment decreased by 98.3% from approximately HK\$3.7 million for the six months ended 30 June 2021 to approximately HK\$62,000 for the six months ended 30 June 2022. The revenue dropped significantly due to the closing down of branches and laying off staff since 2020. The Group had already closed the branches and layoff staffs of loan facilitation business to reduce operating costs.

Cost of goods sold

Cost of goods sold of approximately HK\$14.5 million mainly comprised the cost of inventories sold and consignment costs incurred during the six months ended 30 June 2022 (2021: approximately HK\$1.6 million).

Other gains and losses

Other gains (net) amounted to approximately HK\$0.7 million for the six months ended 30 June 2022 as compared approximately HK\$0.3 million for the six months ended 30 June 2021. This is mainly due to the recognition of gain on termination of lease liabilities of approximately HK\$1.0 million during the six months ended 30 June 2022 (2021: HK\$Nil).

Employee benefits expenses

Employee benefits expenses decreased to approximately HK\$1.5 million for the six months ended 30 June 2022 from approximately HK\$10.3 million for the six months ended 30 June 2021, which was mainly due to the further cost-cutting and restructuring plan implemented in 2021.

Other operating expenses

Other operating expenses decreased to approximately HK\$1.9 million for the six months ended 30 June 2022 from approximately HK\$5.7 million for the six months ended 30 June 2021, which was mainly a result of the further cost-cutting and restructuring plan implemented in 2021.

Finance costs

The increase of finance costs by 366.2% to approximately HK\$331,000 for the six months ended 30 June 2022 from approximately HK\$71,000 for the six months ended 30 June 2021, which was mainly due to the interest charged for the HK\$8 million loan (bearing interest at 8% per annum) obtained in December 2021.

Income tax credit

Income tax credit decreased to approximately HK\$53,000 for the six months ended 30 June 2022 from approximately HK\$1.8 million for the six months ended 30 June 2021, which was mainly representing the recognition of deferred tax credit for the six months ended 30 June 2021 arising from the timing differences between the revenue recognized and the collection of service fees from loan facilitation services.

Loss for the period

As a result of foregoing, loss for the period decreased to approximately HK\$1.8 million for the six months ended 30 June 2022 from approximately HK\$10.0 million for the six months ended 30 June 2021.

Profit (loss) before tax for the footwear and apparel businesses segment increased to profit of approximately HK\$0.8 million for the six months ended 30 June 2022 from loss of approximately HK\$2.8 million for the six months ended 30 June 2021. This was mainly due to the start of consignment business in Canada and the wholesale business in Hong Kong since early 2022.

Profit (loss) before tax for the loan facilitation and credit assessment segment increased to profit of approximately HK\$0.4 million for the six months ended 30 June 2022 from loss of approximately HK\$6.6 million for the six months ended 30 June 2021. This was mainly due to the further cost-cutting and restructuring plan implemented in 2021 and the existence of gain on termination of lease liabilities of approximately HK\$1.0 million during the six months ended 30 June 2022 (2021: HK\$Nil).

OTHER INFORMATION

Dividend

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2022 (2021: HK\$Nil).

Liquidity, Financial and Capital Structure

As at 30 June 2022, the total borrowings of the Group amounted to approximately HK\$8.2 million (31 December 2021: approximately HK\$9.3 million) which comprised interest-bearing borrowings and lease liabilities.

As at 30 June 2022, the gearing ratio of the Group was 35.7% (31 December 2021: 43.0%). Gearing ratio is calculated based on total borrowings divided by total assets at the end of the relevant period.

As at 30 June 2022, the Group's net current assets amounted to approximately HK\$2.1 million (31 December 2021: net current liabilities amounted to approximately HK\$6.2 million). The current ratio of the Group was approximately 1.1 times (31 December 2021: approximately 0.8 times). Current ratio is calculated based on total current assets divided by total current liabilities at the end of the relevant period.

The Group's operations are financed principally by revenue generated from its business operation, available bank balances and cash as well as interest-bearing borrowings. The Board will continue to follow a prudent treasury policy in managing its bank balances and cash and maintain a strong and healthy liquidity position to ensure that the Group is well positioned to achieve its business objectives and strategies.

Pledge of Assets

As at 30 June 2022, the Group had no asset pledged (31 December 2021: HK\$Nil) to secure the Group's other borrowings.

Exchange Rate Exposure

Revenue, cost and expenses of the Group's are denominated in Hong Kong dollars ("HK\$"), Renminbi ("RMB") and Canadian dollars ("CAD"), as such the net exposure to fluctuation of HK\$ against RMB and CAD are 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 2022, the Group did not use any financial instrument for hedging the foreign exchange risk.

Significant Investments Held

During the six months ended 30 June 2022, there was no significant investment held by the Group.

Material Acquisitions and Disposals of Subsidiaries and Affiliated Companies

Memorandum of understanding (the "MOU") in relation to 67% interests in Stay Fresh Footwear Inc. ("Stay Fresh")

As disclosed in the Company's announcement dated 10 November 2021, the Company entered into the non-legally binding MOU with Mr. Li Kwok Ming and Mr. Dai Aleix (collectively the "Vendors", and together with the Company, the "Parties").

As disclosed in the Company's announcement dated 19 January 2022 (the "SSA Announcement"), the Parties together with Ms. Ha April Yi Pui entered into the share subscription agreement (the "SSA") in relation to the possible subscription of 7% equity interest in Stay Fresh at 17 January 2022.

As disclosed in the Company's announcement dated 30 June 2022, as some conditions precedent to the SSA as disclosed in the SSA Announcement have not been fully satisfied (or waived) by the long stop date, following further negotiation and discussion, the Company and Stay Fresh decided not to proceed with the share subscription, and the SSA shall cease and determine and none of the parties thereto shall have any obligations and liabilities towards each other.

During the six months ended 30 June 2022, saved as disclosed above, 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 2022, the Group currently has no other plan for material investments.

Contingent Liabilities

As at 30 June 2022, the Group did not have any significant contingent liabilities (31 December 2021: HK\$Nil).

Capital Commitments

As at 30 June 2022, the Group had no significant capital commitments (31 December 2021: HK\$Nil).

Employees and Emolument Policies

As at 30 June 2022, the total employees in mainland China and Hong Kong has decreased from 12 in 31 December 2021 to 11 in 30 June 2022. 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.

Compliance with the Corporate Governance Code

The Company is committed to achieve high standards of corporate governance to safeguard the interests of the shareholders of the Company and enhance its corporate value. The Company's corporate governance practices are based on the principles and code provisions as set out in the Corporate Governance Code in Appendix 15 to the GEM Listing Rules (the “**CG Code**”). During the six months ended 30 June 2022, to the best knowledge of the Board, the Company had complied with the code provisions in the CG Code.

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 2022, none of the Directors or any of their respective close associates (all as defined under the GEM Listing Rules) are engaged in any business that competes or may compete, directly or indirectly, with the business of the Group or have any other conflicts of interest with the Group nor are they aware of any other conflicts of interest which any such persons has or may have with the Group.

Share Option Scheme

The Company had adopted a share option scheme (the “**Share Option Scheme**”) on 11 May 2016. Since the adoption of the Share Option Scheme and up to the date of this announcement, no share options have been granted, exercised, cancelled or lapsed 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 Directors, 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.

Fund Raising Activities

The Group had below fund raising activity during the past twelve months immediately preceding 30 June 2022, as detailed below:

Date of announcement	Fund raising activities	Net proceeds	Intended use of proceeds	Actual use of proceeds
17 January 2022	Placing of 100,320,000 new ordinary shares of HK\$0.01 each under general mandate at the placing price of HK\$0.107 per share to not less than six places who and whose respective ultimate beneficial owners shall be independent third parties (closing price of the Share as quoted on the Stock Exchange on the date of the placing agreement is HK\$0.132)	Approximately HK\$10.26 million (net proceeds raised per share was approximately HK\$0.102)	Intended to be used for the business operation and general working capital of the Group	Fully utilised as intended

Directors' and Chief Executives' Interests and/or Short Positions in Shares, Underlying Shares and Debentures of the Company

As at 30 June 2022, 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			Approximate percentage of interest in the Company
		Ordinary shares	Share options	Total	
Mr. Shum Tsz Yeung	Beneficial owner	135,000	–	135,000	0.02%

Save as disclosed above, as at 30 June 2022, 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 30 June 2022, according to the register kept by the Company pursuant to section 336 of SFO, and so far as is known to the Directors or chief executive of the Company, no person (other than a Director or a chief executive of the Company) had, or was deemed or taken to have, an interest or short position in the shares or underlying shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

Purchase, Sale or Redemption of the Company's Listed Securities

During the six months ended 30 June 2022, 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:

Position held with the Company

Mr. Lam Wai Hung resigned as an independent non-executive Director on 14 January 2022 and ceased to be a chairman of the audit committee of the Board ("**Audit Committee**") and a member of each of the remuneration committee of the Board ("**Remuneration Committee**") and nomination committee of the Board ("**Nomination Committee**") on the same day.

Mr. Eric Todd resigned as an independent non-executive Director on 12 February 2022 and ceased to be a member of each of the Audit Committee, Remuneration Committee and Nomination Committee on the same day.

Mr. Choi Ho Yan was appointed as an independent non-executive Director on 12 February 2022 and appointed as a chairman of the Audit Committee and a member of each of the Remuneration Committee, the Nomination committee and the risk management committee of the Board ("**Risk Management Committee**") on the same day.

Mr. Tsang Hing Bun was appointed as an executive Director on 1 April 2022.

Mr. Yiu Yu Hong John (“**Mr. Yiu**”) was appointed as an executive Director on 1 April 2022 and appointed as a member of each of the Audit Committee, the Remuneration Committee, the Nomination committee on the same day.

Mr. Dong Jun resigned as an executive Director on 4 May 2022 and ceased to be the chairman of the Board and the chairman of the Nomination Committee on the same day.

Mr. Huang Zexiong resigned as an executive Director on 4 May 2022 and ceased to be the chief executive officer and the compliance officer of the Company, the chairman of the Remuneration Committee and a member of the Risk Management Committee on the same day.

Mr. Chen Zuze resigned as an executive Director on 4 May 2022 and ceased to be a member of the Risk Management Committee on the same day.

Mr. Yiu was appointed as the chairman of the Nomination Committee and the chairman of the Risk Management Committee on 4 May 2022.

Ms. Wei Ju was appointed as the compliance officer of the Company on 4 May 2022.

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 Corporate Governance Code as set out in Appendix 15 to the GEM Listing Rules. 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 three members, namely Mr. Choi Ho Yan (Chairman), Mr. Hung Wai Che and Mr. Yiu Yu Hong John, all being independent non-executive Directors.

The Audit Committee has reviewed the Group’s interim results for the six months ended 30 June 2022. The Audit Committee is of the view that the unaudited condensed consolidated financial statements have been prepared in accordance with the applicable accounting standards, the requirements under the GEM Listing Rules and other applicable legal requirements.

The unaudited condensed consolidated financial results for the six months ended 30 June 2022 have not been audited or reviewed by the Company's auditors.

By order of the Board
Jimu Group Limited
Wei Ju
Executive Director

Hong Kong, 11 August 2022

As at the date of this announcement, the executive Directors are Ms. Wei Ju and Mr. Tsang Hing Bun; the non-executive Director is Mr. Shum Tsz Yeung; and the independent non-executive Directors are Mr. Hung Wai Che, Mr. Choi Ho Yan and Mr. Yiu Yu Hong John.

This announcement will remain on the "Latest Listed Company Information" page of the Stock Exchange's website at <http://www.hkexnews.hk> for at least 7 days from the date of its posting and on the Company's website at <http://www.jimugroup8187.com>.