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 2020

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 report, for which the directors (the "**Directors**") of Jimu Group Limited (the "**Company**") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM 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 2020, together with the comparative unaudited figures of the corresponding periods in 2019.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2020

		Three months ended 30 June		Six months ended 30 June	
	NOTES	**2020**	2019	**2020**	2019
		HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
		(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Revenue from goods and services	*5*	**27,474**	40,420	**35,181**	72,798
Other income	*6*	**5,486**	3,410	**5,891**	6,447
Other gains and losses	*7*	**1,261**	311	**1,225**	306
Purchases and changes in inventories		**(14,853)**	(10,390)	**(14,853)**	(23,202)
Employee benefits expenses		**(8,518)**	(19,452)	**(25,864)**	(38,773)
Other operating expenses		**(2,746)**	(5,609)	**(7,417)**	(12,983)
Finance costs		**(128)**	(281)	**(287)**	(736)
Profit (loss) before taxation		**7,976**	8,409	**(6,124)**	3,857
Income tax (expense) credit	*8*	**(1,042)**	(2,918)	**1,238**	(2,819)
Profit (loss) for the period	*9*	**6,934**	5,491	**(4,886)**	1,038
Other comprehensive expense:					
Item that will not be reclassified to profit or loss:					
Exchange differences on translation from functional currency to presentation currency		**(86)**	–	**(124)**	–
Item that may be reclassified subsequently to profit or loss:					
Exchange differences on translation of foreign operations		**–**	(129)	**–**	(72)
Total comprehensive income (expense) for the period		**6,848**	5,362	**(5,010)**	966
Earnings (loss) per share	*11*				
Basic *(HK cents)*		**1.44**	1.14	**(1.02)**	0.22

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 JUNE 2020

	NOTES	**30 June 2020** *HK$'000* **(Unaudited)**	31 December 2019 *HK$'000* (Audited)
Non-current assets			
Property, plant and equipment	*12*	**513**	731
Right-of-use assets	*12*	**–**	2,689
Rental deposits	*15*	**75**	152
Contract assets	*13B*	**42**	247
		630	3,819
Current assets			
Trade receivables	*13A*	**20,887**	3
Contract assets	*13B*	**3,578**	10,162
Other receivables, prepayment and deposits	*15*	**8,755**	10,898
Bank balances and cash	*1*	**8,684**	33,584
		41,904	54,647
Current liabilities			
Trade payables	*16*	**15,662**	953
Other payables and accruals	*17*	**7,196**	12,653
Tax payable		**1,756**	–
Amount due to a director	*18*	**–**	6,350
Lease liabilities		**1,637**	4,194
Contract liabilities	*19*	**4,133**	7,987
Refund liabilities	*20*	**5,475**	11,509
		35,859	43,646
Net current assets		**6,045**	11,001
Total assets less current liabilities		**6,675**	14,820

	NOTES	30 June 2020 HK$'000 (Unaudited)	31 December 2019 HK$'000 (Audited)
Non-current liabilities			
Lease liabilities		**1,276**	4,608
Contract liabilities	*19*	**653**	581
Refund liabilities	*20*	**182**	1,331
Deferred tax liabilities	*21*	**2,365**	5,451
		4,476	11,971
Net assets		**2,199**	2,849
Capital and reserves			
Share capital	*22*	**4,800**	4,800
Reserves and accumulated losses		**(2,601)**	(1,951)
Total equity		**2,199**	2,849

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2020

	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 1 January 2020 (Audited)	**4,800**	**46,917**	**(177)**	**(67)**	**(48,624)**	**2,849**
Loss for the period	**–**	**–**	**–**	**–**	**(4,886)**	**(4,886)**
Deemed contribution from a director *(Note 18)*	**–**	**–**	**–**	**4,360**	**–**	**4,360**
Exchange differences on translation from functional currency to presentation currency	**–**	**–**	**(124)**	**–**	**–**	**(124)**
Total comprehensive (expense) income for the period	**–**	**–**	**(124)**	**4,360**	**(4,886)**	**(650)**
At 30 June 2020 (Unaudited)	**4,800**	**46,917**	**(301)**	**4,293**	**(53,510)**	**2,199**
At 1 January 2019 (Audited)	4,800	46,917	(67)	(67)	(15,279)	36,304
Profit for the period	–	–	–	–	1,038	1,038
Exchange differences 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

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; 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; and (iii) an amount of HK$4,360,000 representing the waiver of amount due to a director, pursuant to the deed of waiver agreement entered into between the director and Ever Smart International Enterprise Limited, a wholly owned subsidiary of the Group, during the six months ended 30 June 2020.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30 JUNE 2020

	Six months ended 30 June	
	2020	2019
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Net cash (used in) from operating activities	**(20,170)**	11,989
Investing activities		
Interest received	**98**	97
Proceeds from disposal of property, plant and equipment	**–**	1,900
Purchase of property, plant and equipment	**–**	(564)
Payments for rental deposits	**–**	(60)
Net cash from investing activities	**98**	1,373
Financing activities		
Loan from a related party	**44,224**	–
Advance from a director	**1,010**	7,000
Repayment of loan from a related party	**(44,224)**	–
Repayment to a director	**(3,000)**	–
Repayment of lease liabilities	**(2,294)**	(3,393)
Repayment of bank borrowings	**–**	(17,169)
Proceeds from bank borrowings raised	**–**	9,964
Other financing cash flows	**(287)**	(227)
Net cash used in financing activities	**(4,571)**	(3,825)
Net (decrease) increase in cash and cash equivalents	**(24,643)**	9,537
Cash and cash equivalents at beginning of the period	**33,584**	42,166
Effect of foreign exchange rate changes	**(257)**	(91)
Cash and cash equivalents at end of the period, represented by bank balances and cash	**8,684**	51,612

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2020

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 2020 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**").

In view of the Group's expansion of footwear business and loan facilitation service operations in the People's Republic of China (the "**PRC**") and continuous slow down of overseas markets of footwear business, the directors of the Company (the "**Directors**") reassessed the functional currency of the Company and determined that Renminbi ("**RMB**") better reflects the economic substance of the Company and its business activities as an investment holding company with subsidiaries mainly operating in the PRC. Accordingly, the functional currency of the Company was prospectively changed from United States dollars to RMB with effective from 1 January 2020.

2. SIGNIFICANT EVENTS IN THE CURRENT INTERIM PERIOD

The outbreak of Covid-19 and the subsequent quarantine measures as well as the travel restrictions imposed by many countries have had negative impacts to the global economy, and is also severely impacting the business environment in the PRC and directly and indirectly affect the operations of the Group. The Group temporarily closed its branches of loan facilitation business from February 2020 to March 2020 due to mandatory government quarantine measures in an effort to contain the spread of the pandemic. In addition, the spread of the Covid-19 had further worsen the global retail footwear market and significantly affected lenders and intermediary service platforms (collectively, the "**Funding Sources**"). These Funding Sources have become less willing to lend or may have even changed their business plans amid such economic condition. As such, the financial positions and performance of the Group were affected in different aspects, including reduction in revenue and recognition of impairment of relevant right-of-use assets as disclosed in the relevant notes.

3. 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**"), and application of certain accounting policies which became relevant to the Group the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2020 are the same as those presented in the Group's annual financial statements for the year ended 31 December 2019.

3. PRINCIPAL ACCOUNTING POLICIES – continued

Application of amendments to HKFRSs

In the current interim period, the Group has applied the Amendments to References to the Conceptual Framework in HKFRS Standards and the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2020 for the preparation of the Group's condensed consolidated financial statements:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

Except as described below, the application of the Amendments to References to the Conceptual Framework in HKFRS Standards and the 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.

Impacts of application on Amendments to Hong Kong Accounting Standard ("HKAS") 1 and HKAS 8 "Definition of Material"

The amendments provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments also clarify that materiality depends on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements taken as a whole.

The application of the amendments in the current period had no impact on the condensed consolidated financial statements. Changes in presentation and disclosures on the application of the amendments, if any, will be reflected on the consolidated financial statements for the year ending 31 December 2020.

Change in functional currency by the Group

In addition, the Group has changed its functional currency at the beginning of the current interim period.

The change in functional currency of the Company was applied prospectively from the date of change. All items were translated into RMB at the exchange rate on that date. The cumulative currency translation differences which had arisen from the translation of foreign operations up to the date of the change in functional currency were not reclassified from equity to profit or loss until the disposal of the relevant operations.

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.

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 2020 (Unaudited)

	Footwear business *HK$'000*	**Loan facilitation service** *HK$'000*	**Total** *HK$'000*
Revenue	**21,546**	**13,635**	**35,181**
Segment results	**5,650**	**(7,485)**	**(1,835)**
Unallocated expenses			**(4,331)**
Unallocated income			**42**
Loss before taxation			**(6,124)**

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

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 2020	31 December 2019
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Footwear business	**22,052**	1,359
Loan facilitation service	**18,069**	43,660
Total segment assets	**40,121**	45,019
Unallocated assets		
– Bank balances and cash	**2,081**	12,985
– Others	**332**	462
Consolidated assets	**42,534**	58,466

Segment liabilities

	30 June 2020	31 December 2019
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Footwear business	**19,824**	11,147
Loan facilitation service	**18,826**	42,645
Total segment liabilities	**38,650**	53,792
Unallocated liabilities		
– Others	**1,685**	1,825
Consolidated liabilities	**40,335**	55,617

5. REVENUE FROM GOODS AND SERVICES

Disaggregation of revenue from contracts with customers:

	Three months ended 30 June 2020			Six months ended 30 June 2020		
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	11,948	–	11,948	11,948	–	11,948
Women's footwear	9,598	–	9,598	9,598	–	9,598
	21,546	–	21,546	21,546	–	21,546
Provision of loan facilitation service						
Pre-loan facilitation service *(Note)*	–	2,434	2,434	–	6,284	6,284
Post-loan facilitation service	–	3,494	3,494	–	7,351	7,351
	–	5,928	5,928	–	13,635	13,635
Total	21,546	5,928	27,474	21,546	13,635	35,181
Geographical markets						
The PRC	**21,546**	**5,928**	**27,474**	**21,546**	**13,635**	**35,181**
Total	**21,546**	**5,928**	**27,474**	**21,546**	**13,635**	**35,181**
Timing of revenue recognition						
At a point in time	**21,546**	**2,400**	**23,946**	**21,546**	**6,250**	**27,796**
Over time	**–**	**3,528**	**3,528**	**–**	**7,385**	**7,385**
Total	**21,546**	**5,928**	**27,474**	**21,546**	**13,635**	**35,181**

Note: During the current interim period, the Group has earned certain pre-loan facilitation income by granting the rights to access a system for loan facilitation services.

5. REVENUE FROM GOODS AND SERVICES – continued

Segments	Three months ended 30 June 2019 Footwear business *HK$'000*	 Loan facilitation service *HK$'000*	 Total *HK$'000*	Six months ended 30 June 2019 Footwear business *HK$'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

6. OTHER INCOME

	Three months ended 30 June		**Six months ended 30 June**	
	2020	2019	**2020**	2019
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Consultancy income *(Note 1)*	**5,309**	1,563	**5,309**	2,000
Commission income *(Note 1)*	**37**	816	**37**	2,015
Government grant *(Note 2)*	**10**	760	**365**	1,841
Interest income	**75**	86	**124**	125
Sample income	**–**	125	**–**	249
Claims received *(Note 3)*	**–**	–	**–**	38
Miscellaneous income	**55**	60	**56**	179
	5,486	3,410	**5,891**	6,447

Notes:

(1) The Group provided consultancy services and insurance brokerage referral service to financial institutions in the capacity of an agent. Consultancy income or commission income are recognised according to respective agreed terms when the relevant service is provided and the relevant transaction has been entered between the ultimate individual customer and the financial institutions. The normal credit term granted to the customers is ranging from 1 to 9 days.

(2) The government grant represented financial supports granted by the local government. There were no specific conditions attached to the grant and the amounts were recognised in profit or loss when the grant was received.

(3) Claims received represent compensations received from suppliers for sub-quality products.

7. OTHER GAINS AND LOSSES

	Three months ended 30 June		Six months ended 30 June	
	2020	2019	**2020**	2019
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Gain on derecognition of right-of-use assets, net	**1,647**	66	**1,647**	66
Impairment loss recognised on right-of-use assets	**(220)**	–	**(220)**	–
Impairment losses (recognised) reversed under expected credit loss model on				
– trade receivables	**(458)**	–	**(576)**	–
– contract assets	**374**	–	**374**	–
– other receivable	**–**	–	**82**	–
(Loss) gain on disposal of property, plant and equipment, net	**(82)**	321	**(82)**	316
Net foreign exchange losses	**–**	(76)	**–**	(76)
	1,261	311	**1,225**	306

8. INCOME TAX EXPENSES (CREDIT)

	Three months ended 30 June		Six months ended 30 June	
	2020	2019	**2020**	2019
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
PRC Enterprise Income Tax ("**EIT**") current tax	**1,773**	–	**1,773**	–
Deferred tax	**(731)**	2,918	**(3,011)**	2,819
	1,042	2,918	**(1,238)**	2,819

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 2020 and 2019.

PRC EIT is calculated based on the statutory rate of 25% of the assessable profit of those subsidiaries established in the PRC for both periods, except for certain PRC subsidiaries operating in the Ningxia Hui Autonomous Region during the six months ended 30 June 2020 which are subject to a lower concessionary tax rate of 15%.

9. PROFIT (LOSS) FOR THE PERIOD

	Three months ended 30 June		Six months ended 30 June	
	2020	2019	**2020**	2019
	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	**431**	764	**884**	1,588
Other staff costs (excluding directors' remuneration)				
– Salaries, allowances and benefits in kind	**6,882**	15,298	**20,940**	29,391
– Retirement benefit scheme contributions	**1,205**	3,390	**4,040**	7,794
Total staff costs	**8,518**	19,452	**25,864**	38,773
Depreciation of property, plant and equipment	**58**	318	**135**	681
Depreciation of right-of-use assets	**206**	1,020	**589**	2,049
Total depreciation	**264**	1,338	**724**	2,730
Expenses relating to short-term leases	**550**	307	**769**	633

10. DIVIDENDS

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

11. 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	
	2020	2019	**2020**	2019
	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	**6,934**	5,491	**(4,886)**	1,038

11. EARNINGS (LOSS) PER SHARE – continued

	Three months ended 30 June		Six months ended 30 June	
	2020	2019	**2020**	2019
	'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.

12. PROPERTY, PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSETS

During the current interim period, the Group disposed of certain property, plant and equipment with an aggregate carrying amount of approximately HK$82,000 (six months ended 30 June 2019: HK$1,584,000 for cash proceeds of HK$1,900,000), resulting in a loss on disposal of approximately HK$82,000 (six months ended 30 June 2019: gain on disposal of approximately HK$316,000).

During the current interim period, the Group entered into a new lease agreement with lease term of two years and fixed monthly payment. On lease commencement, the Group recognised right-of-use assets of approximately HK$157,000 (six months ended 30 June 2019: approximately HK$1,690,000) and lease liabilities of approximately HK$157,000 (six months ended 30 June 2019: approximately HK$1,675,000). The Group early terminated certain lease agreements and derecognised right-of-use assets of approximately HK$3,652,000 (six months ended 30 June 2019: HK$ Nil) and lease liabilities of approximately HK$2,005,000 (six months ended 30 June 2019: HK$ Nil). As disclosed in Note 2, the Group had to temporarily close its branch premises of loan facilitation business in order to contain the spread of Covid-19.

Impairment assessments

As a result of the changes in the current economic environment related to the Covid-19 pandemic, the Group is experiencing negative conditions including branch premises closures of loan facilitation business, decreased share price and decreased in loan facilitation transactions that indicate that the relevant branch premises assets of loan facilitation segment, which represented mainly right-of-use assets, may be impaired. During the current interim period, the Group performed impairment testing and recognised impairment loss of approximately HK$220,000 related to right-of-use assets.

13A. TRADE RECEIVABLES

	30 June 2020 HK$'000 (Unaudited)	31 December 2019 HK$'000 (Audited)
Trade receivables from contracts with customers	**21,520**	1,450
Less: allowance for credit losses	**(633)**	(1,447)
	20,887	3

The Group allows credit period ranging from 30 days to 60 days (2019: 7 days to 120 days) to its trade debtors in relation to trading of footwear.

The following is an 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 2020 HK$'000 (Unaudited)	31 December 2019 HK$'000 (Audited)
0 to 30 days	**20,887**	–
Over 90 days	**–**	3
	20,887	3

13B. CONTRACT ASSETS

	30 June 2020 HK$'000 (Unaudited)	31 December 2019 HK$'000 (Audited)
Loan facilitation service	**3,620**	10,409
Current	**3,578**	10,162
Non-current	**42**	247
	3,620	10,409

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. IMPAIRMENT ASSESSMENT ON FINANCIAL ASSETS AND OTHER ITEMS SUBJECT TO EXPECTED CREDIT LOSS ("ECL") MODEL

	Three months ended 30 June		Six months ended 30 June	
	2020	2019	**2020**	2019
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Impairment loss (recognised) reversed under expected credit loss model on:				
– trade receivables	**(458)**	–	**(576)**	–
– contract assets	**374**	–	**374**	–
– other receivable	**–**	–	**82**	–
	(84)	–	**(120)**	–

The basis of determining the inputs and assumptions and the estimation techniques used in the condensed consolidated financial statements for the six months ended 30 June 2020 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2019.

15. OTHER RECEIVABLES, PREPAYMENT AND DEPOSITS

	30 June 2020	31 December 2019
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Other receivables *(Note)*	**3,746**	8,808
Consultancy income receivables	**3,613**	–
Rental deposits	**1,004**	1,475
Prepayment	**329**	729
Other deposits	**138**	38
	8,830	11,050
Less: Rental deposits shown under non-current assets	**(75)**	(152)
	8,755	10,898

Note: As at 30 June 2020, other receivable includes loan facilitation service fee receivables which the Group entitled but held by Online Information Intermediary Service Platform (the "**Online Platform**") on behalf of the Group (31 December 2019: receivable from a service provider for deposit previously paid). The amount has been subsequently fully settled.

16. TRADE PAYABLES

The credit period on purchase of goods is 60 days (2019: 20 days to 45 days). The following is an analysis of the trade payables by age, presented based on the invoice date:

	30 June 2020	31 December 2019
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
0 – 30 days	**14,709**	–
31 – 60 days	**–**	–
61 to 90 days	**–**	–
Over 90 days	**953**	953
	15,662	953

17. OTHER PAYABLES AND ACCRUALS

	30 June 2020	31 December 2019
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Accrued staff salaries	**4,559**	6,802
Accrued bonus	**–**	934
Accrued expenses	**1,797**	4,167
Other tax payables	**305**	321
Others	**535**	429
	7,196	12,653

18. AMOUNT DUE TO A DIRECTOR

The amount was unsecured, interest-free and repayable on demand. During the six months ended 30 June 2020, pursuant to the deed of waiver agreement entered into between the director, who is also one of the major shareholders of the Company, and Ever Smart International Enterprise Limited, the wholly owned subsidiary of the Group, the entire remaining balance of HK$4,360,000 is waived and recognised as deemed capital contribution.

19. CONTRACT LIABILITIES

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

	30 June 2020 *HK$'000* **(Unaudited)**	31 December 2019 *HK$'000* (Audited)
Footwear business	**441**	441
Loan facilitation service	**4,345**	8,127
	4,786	8,568
Current	**4,133**	7,987
Non-current	**653**	581
	4,786	8,568

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.

20. REFUND LIABILITIES

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

	30 June 2020 *HK$'000* **(Unaudited)**	31 December 2019 *HK$'000* (Audited)
Refund liabilities arising from refund of loan facilitation service fees due to early repayment	**5,657**	12,840
Current	**5,475**	11,509
Non-current	**182**	1,331
	5,657	12,840

21. DEFERRED TAX

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

	Tax losses *HK$'000*	Timing differences on revenue recognition *HK$'000* *(Note)*	Refund liabilities *HK$'000*	Total *HK$'000*
At 1 January 2018 (audited)	(13,264)	21,611	(2,621)	5,726
Charge (credit) to profit or loss	3,746	(3,242)	(654)	(150)
Exchange adjustments	248	(438)	65	(125)
At 31 December 2019 (audited)	(9,270)	17,931	(3,210)	5,451
Charge (credit) to profit or loss	5,403	(10,165)	1,751	(3,011)
Exchange adjustments	126	(247)	46	(75)
At 30 June 2020 (unaudited)	(3,741)	7,519	(1,413)	2,365

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

22. SHARE CAPITAL

	Number of shares	Share capital *HK'000*
Authorised ordinary shares at HK$0.01 per share:		
At 1 January 2019, 30 June 2019, 1 January 2020 and 30 June 2020	1,000,000,000	10,000
Issued and fully paid ordinary shares at HK$0.01 per share:		
At 1 January 2019, 30 June 2019, 1 January 2020 and 30 June 2020	480,000,000	4,800

23. 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.

24. RELATED PARTY DISCLOSURES

Most of the Group's loan facilitation business is relating to provision of pre-loan facilitation service and post-loan facilitation service to external individual customers ("**Ultimate Customers**") to obtain financing from various financial institution or investors through the Online Platform. Substantially all of the abovementioned business is deriving from Ultimate Customers obtaining the financing from the related party of the Company 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) In April 2020, a subsidiary of the ultimate holding company, Jimu Holdings Limited, has provided a loan of RMB40,000,000 (equivalent to approximately HK$44,224,000) which is unsecured, interest-free and repayable on April 2022. The entire amounts have been early settled during the current interim period.

(ii) During the current interim period, the Group provides loan facilitation services to a related party of the Company in conducting credit assessment of its individual borrowers:

	Three months ended 30 June		**Six months ended 30 June**	
	2020	2019	**2020**	2019
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Provision of loan facilitation service	**71**	–	**71**	–

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**	
	2020	2019	**2020**	2019
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Salaries and other allowances	**427**	723	**857**	1,500
Retirement benefit scheme contributions	**4**	41	**27**	88
	431	764	**884**	1,588

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

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review and Outlook

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

Footwear Business

The Group is engaged in the provision of footwear design and development, production management (including quality control) and logistics management service. The Group offers formal and casual footwear for men, women and children to its customers. Over the years of its operations since 2009, the Group has built a diverse global customer portfolio comprising mainly international wholesaler and retailers which are brand owners and/or licensees of formal and casual footwear. In 2020, the Group further expanded its customer portfolio to include branded wholesalers and retailers in the PRC.

Various uncertainties continue to cloud the global economy, 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 for overseas customer. The spread of Covid-19 in early 2020 and the subsequent lockdown imposed by the government of various countries had further worsen the overseas retail market.

On the other hand, PRC was one of the first major economy to emerge from the impact of Covid-19. The management seized on such opportunity and the Group had completed its first footwear order to renowned retailers in the PRC.

The footwear business segment recorded profit for the six months ended 30 June 2020. The management believes that the footwear business is recovering after years of loss-making and shall continue to seek further development opportunities in both overseas and PRC market.

Loan Facilitation Business

The Group commenced the provision of loan facilitation services to customers in China in 2018. As at the end of June 2020, the Group has already set up over 40 branch offices across different regions in China to provide assistance to customers with financing needs, with a particular focus on individual customers in 3rd and 4th tier cities in China, who in general, compared to individuals in first tier cities, have weaker knowledge or access of financing solutions available in the market. The Group has built a credit rating system which gives customers an internal credit score, taking into account the customer's financial condition, previous lending and repayment history and other behavior pattern. Our risk team periodically monitors and updates the algorithm to meet changing market conditions.

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

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

There is a significant downturn in the loan facilitation business for the six months ended 30 June 2020.

There are two main reasons for the significant decline. First, the loan facilitation business was significantly affected by Covid-19. The PRC Government imposed a number of policies in early 2020 in an effort to contain the spread of Covid-19, including extension of the Lunar New Year holiday and different level of lockdown and travel restrictions across the PRC. The Group also implemented special working arrangements in the PRC, including but not limited to work-from-home arrangements and reduced business meetings with clients. These measures, together with the impact of Covid-19 on the PRC economy, had caused the demand for loan facilitation service to drop drastically. Second, Covid-19 had also significantly affected lenders and intermediary service platforms (collectively, the "**Funding Sources**"). These Funding Sources had become less willing to lend or may have even changed their business plans amid such economic condition.

The management expects the impact of Covid-19 to persist in 2020, and the management anticipates a very difficult time ahead. The management had already adopted plans to reduce costs and improve efficiency by closing down some of the branches and layoff under-performing staffs. On the other hand, the Group is actively seeking other Funding Sources include but not limited to banks, asset management companies, trusts and small loan companies.

Financial Review

Revenue

The Group recorded revenue of approximately HK$35.2 million for the six months ended 30 June 2020, a decrease of 51.7% compared with that of approximately HK$72.8 million for the six months ended 30 June 2019. Set out below is the revenue breakdown by segment for the six months ended 30 June 2019 and 2020:

	For the six months ended 30 June			
	2020		2019	
	HK$'000	*%*	*HK$'000*	*%*
Trading of footwear				
Men's footwear	**11,948**	**33.9**	9,878	13.6
Women's footwear	**9,598**	**27.3**	11,930	16.4
Children's footwear	**–**	**–**	4,119	5.6
	21,546	**61.2**	25,927	35.6
Provision of loan facilitation services				
Pre-loan facilitation services	**6,284**	**17.9**	39,574	54.4
Post-loan facilitation services	**7,351**	**20.9**	7,297	10.0
	13,635	**38.8**	46,871	64.4
Total	**35,181**	**100.0**	72,798	100.0

Footwear Business

Revenue from the footwear business segment decreased by 16.9% from approximately HK$25.9 million for the six months ended 30 June 2019 to approximately HK$21.5 million for the six months ended 30 June 2020. This is mainly due to the decrease in sales to overseas customers amid various uncertainties clouding the global economy, being partially offset by the increase in sales to domestic customers.

Loan Facilitation Business

Revenue from the loan facilitation segment decreased by 70.9% from approximately HK$46.9 million for the six months ended 30 June 2019 to approximately HK$13.6 million for the six months ended 30 June 2020. The revenue dropped significantly mainly due to the impact of Covid-19 during the period.

Purchases and changes in inventories

The Group's purchases and changes in inventories decreased by approximately 36.0% from approximately HK$23.2 million for the six months ended 30 June 2019 to approximately HK$14.9 million for the six months ended 30 June 2020. Purchase cost to sales ratio was approximately 68.9% for the six months ended 30 June 2020 comparing to approximately 85.0% for the six months ended 30 June 2019. The decrease in purchase cost to sales ratio was mainly due to a higher margin for our domestic sales and the trading of certain obsolete footwear stock through our customer network.

Other income

Other income decreased to approximately HK$5.9 million for the six months ended 30 June 2020 from approximately HK$6.4 million for the six months ended 30 June 2019. The decrease is mainly due to the decrease in business activities amid Covid-19 for the six months ended 30 June 2020. Consultancy income represented amount received for the provision of consultation service in relation to loan facilitation businesses.

Other gains and losses

Other gains (net) amounted to approximately HK$1.2 million for the six months ended 30 June 2020 as compared approximately HK$0.3 million for the six months ended 30 June 2019. This is mainly due to the gain on derecognition of certain right-of-use assets of approximately HK$1.6 million upon closing of some of the under-performing branches for the loan facilitation business during the period.

Employee benefits expenses

Employee benefits expenses decreased to approximately HK$25.9 million for the six months ended 30 June 2020 from approximately HK$38.8 million for the six months ended 30 June 2019, which was mainly due to cost-cutting and restructuring plan implemented during the period.

Other operating expenses

Other operating expenses decreased to approximately HK$7.4 million for the six months ended 30 June 2020 from approximately HK$13.0 million for the six months ended 30 June 2019, which was mainly due to the decrease in business activities amid Covid-19 and the cost-cutting and restructuring plan implemented for the six months ended 30 June 2020.

Finance costs

Finance costs decreased by approximately 61.0% to approximately HK$0.3 million for the six months ended 30 June 2020 from approximately HK$0.7 million for the six months ended 30 June 2019, which was mainly because the Group had repaid all bank borrowings in 2019. Finance cost for the period represented interest on lease liabilities.

Income tax (expense) credit

Income tax credit amounted to approximately HK$1.2 million for the six months ended 30 June 2020 as compared to income tax expenses of approximately HK$2.8 million for the six months ended 30 June 2019. This was mainly due to the recognition of deferred tax credit of HK$3.0 million for the period, being partially offset by the current tax provision for our footwear business.

Profit (loss) for the period

As a result of foregoing, loss for the period amounted to approximately HK$4.9 million for the six months ended 30 June 2020 as compared to profit for the period of approximately HK$1.0 million for the six months ended 30 June 2019.

Profit before taxation for the footwear business segment amounted to approximately HK$5.7 million for the six months ended 30 June 2020 as compared to loss before taxation of approximately HK$4.3 million for the six months ended 30 June 2019, which was mainly due to the higher gross profit margin and lower operating costs for the domestic footwear sales business.

Loss before taxation for the loan facilitation service segment amounted to approximately HK$7.5 million for the six months ended 30 June 2020 as compared to a profit before taxation of HK$12.6 million for the six months ended 30 June 2019. This is mainly due to the impact of Covid-19 and the resulting decrease in revenue as discussed above.

INTERIM DIVIDEND

The Directors do not recommend payment of interim dividend for the six months ended 30 June 2020.

LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

As at 30 June 2020, the Group has no outstanding borrowings (31 December 2019: nil). As at 30 June 2020, the cash and cash equivalents and pledged bank deposit of the Group amounted to approximately HK$8.7 million (31 December 2019: approximately HK$33.6 million). As at 30 June 2020, debt to equity ratio of the Group was nil (31 December 2019: 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 2020 was approximately 1.2 times (31 December 2019: approximately 1.3 times).

The Group maintained sufficient working capital as at 30 June 2020 with bank balances and cash of approximately HK$8.7 million (31 December 2019: approximately HK$33.6 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 2020, the Group's net current assets amounted to approximately HK$6.0 million (31 December 2019: approximately HK$11.0 million). The Group's operations are financed principally by revenue generated from its business operation, available cash and bank balances, bank borrowings, advances from a director and loan facility from a related party.

CAPITAL STRUCTURE

As at 30 June 2020, the share capital and deficit attributable to owners of the Company amounted to HK$4.8 million and approximately HK$2.6 million, respectively (31 December 2019: HK$4.8 million and approximately HK$2.0 million, respectively).

PLEDGE OF ASSETS

As at 30 June 2020, the Group had no asset pledged (31 December 2019: nil) to secure the Group's bank borrowings.

EXCHANGE RATE EXPOSURE

Revenue, cost and expenses of the Group's footwear business segment and loan facilitation service segment for the six months ended 30 June 2020 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 2020, the Group did not use any financial instrument for hedging the foreign exchange risk.

SIGNIFICANT INVESTMENTS HELD

During the six months ended 30 June 2020, 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 2020, 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 2020, the Group currently has no other plan for material investments.

CONTINGENT LIABILITIES

As at 30 June 2020, the Group did not have any significant contingent liabilities (31 December 2019: nil).

CAPITAL COMMITMENTS

As at 30 June 2020, the Group had no significant capital commitments (31 December 2019: nil).

EMPLOYEES AND EMOLUMENT POLICIES

The Group had approximately 300 employees (including Directors) as at 30 June 2020 (31 December 2019: approximately 630 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 2020.

Business plan as set out in Prospectus	Progress up to 30 June 2020
Broadening customer base and product offerings (note 1)	
– 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. The sales staff left the Group in October 2017. As at 30 June 2020, the Group has a team of over 10 staff for broadening the customer base in PRC.

Business plan as set out in Prospectus	Progress up to 30 June 2020
Enhancing design, development and production management capabilities (note 1)	
– Employ advance technology such as 3-dimensional ("**3D**") printing technology in footwear development to shorten the product development time	The Group purchased a 3D printer in February 2017 for employing the 3D printing technology in footwear development.
– Recruit a specialized footwear 3D technician	The Group has employed a 3D technician in May 2017 to produce 3D modelling. The technician left the Group in September 2018.
– Recruit additional designers to expand the design and development team	The Group has employed a footwear designer in May 2017 to enhance the product design and development capabilities. The footwear designer left the Group in July 2019.
– 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. The shoe technicians left the Group in July 2019.
– 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. The quality control inspectors left the Group in July 2019.
Obtaining licences of multiple brands (note 2)	
– 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 2020
Enhancing corporate image (note 3&4)	
– 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. One motor vehicle was disposed in May 2019.
Improving information technology system (note 4)	
– 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 17 December 2019, the Group resolved to change allocation of net proceed of HK$4.4 million from "broadening customer base and product offerings" and HK$3.5 million from "enhancing design, development and production management capabilities" 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 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 3: 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 4: 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 17 December 2019)** *HK$'million*	**Planned use of proceed up to 30 June 2020 (as adjusted on 17 December 2019)** *HK$'million*	**Actual amount utilized up to 30 June 2020** *HK$'million*	**Actual balance as at 30 June 2020** *HK$'million*
Broadening customer base and product offerings *(Note (a &f))*	5.5	5.5	5.5	–
Enhancing design, development and production management capabilities *(Note (f))*	2.4	2.4	2.4	–
Obtaining licences of multiple brands *(Note (b))*	0.2	0.2	0.2 *(Note (c))*	–
Enhancing corporate image *(Note (d&e))*	0.4	0.4	0.4	–
Purchasing motor vehicles in Hong Kong *(Note (d))*	3.0	3.0	3.0	–
Improving information technology system *(Note (e))*	0.7	0.7	0.7	–
General working capital and other general corporate uses of the Group *(Note (b,e &f))*	32.4	32.4	32.4	–
Total	44.6	44.6	44.6	–

Notes:

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

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

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

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

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

(e) As at 12 July 2019, the Board further resolved a change in allocation of HK$4.5 million Net Proceeds to "General working capital and other general corporate uses", with 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.

(f) As at 17 December 2019, the Board further resolved a change in allocation of HK$7.9 million Net Proceeds to "General working capital and other general corporate uses", with HK$4.4 million from "Broadening customer base and product offerings" and HK$3.5 million from "Enhancing design, development and production management capabilities". Details of the change of use proceed are set out in the announcement of the Company dated 17 December 2019.

As at 30 June 2020, the net proceeds from the Placing has been fully utilised as intended.

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 2020, 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 2020, the interests and short positions of the Directors or chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "**SFO**")), which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO; or (b) pursuant to Section 352 of the SFO, to be recorded in the register referred therein; or (c) pursuant to Rule 5.46 of the GEM Listing Rules to be notified to the Company and the Stock Exchange, were as follows:

Long position in shares or underlying shares of the Company

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

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

Long position in shares or underlying shares of associated corporation

Name of Director	Name of associated corporation	Capacity	No. share(s) held in each class	Approximate percentage of interest in the associated corporation in each class
Mr. Dong Jun ("**Mr. Dong**")	Jimu Holdings Limited (formerly known as Pintec Holdings Limited) ("**Jimu Holdings**") *(Note 1)*	Founder of discretionary trust	21,524,698 (ordinary shares)	29.90%
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 2020, 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 2020, 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%
Huawen Industry Group Limited (formerly known as 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 Huawen Industry Group Limited and Huawen Industry Group Limited is wholly-owned by Jimu Holdings. Under the SFO, Jimu Holdings and Huawen Industry Group Limited are deemed to be interested in 350,400,000 Shares.

Save as disclosed above, as at 30 June 2020, 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 2020, 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. Yan Taotao, retired as an executive Director of the Company and no longer act as a chairman of the Risk Management Committee of the Board with effect from 5 June 2020.

Mr. Huang Zexiong was elected as an executive Director and was also appointed as the chairman of the Risk Management Committee of the Board with effect from 5 June 2020.

AUDIT COMMITTEE

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

The Group's interim results for the six months ended 30 June 2020 were unaudited. Disclosure of financial information in this announcement complies with the applicable accounting standards, the requirements under the GEM Listing Rules and other applicable legal requirements. The Company's Audit Committee has reviewed the unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2020.

By order of the Board
Jimu Group Limited
Dong Jun
Chairman

Hong Kong, 10 August 2020

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, and Mr. Huang Zexiong; 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. 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.