



JIMU GROUP LIMITED

積木集團有限公司

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

**ANNOUNCEMENT OF UNAUDITED ANNUAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

**CHARACTERISTICS OF 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 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

Due to the impact of the COVID-19 coronavirus outbreak, the audit process for the annual results of Jimu Group Limited (the “**Company**”) and its subsidiaries (collectively the “**Group**”) for the year ended 31 December 2019 has been delayed and not been fully completed as of the announcement date, while in order to keep the Shareholders and potential investors informed of the business operation and financial position of the Group, after our discussion with auditor, the board (the “**Board**”) of directors (“**Directors**”) of the Company decides to publish the unaudited annual results announcement of the Company for the year ended 31 December 2019 together with the audited comparative figures for the corresponding period in 2018.

The Board presents the unaudited consolidated financial results of the Group for the year ended 31 December 2019, together with the comparative audited figures for the year ended 31 December 2018.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019

	NOTES	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Audited)
Revenue from goods and services	2	110,173	219,353
Other income	4	8,695	4,494
Other gains and losses		(10,944)	(1,593)
Purchases and changes in inventories		(27,946)	(107,982)
Employee benefits expenses		(81,789)	(77,718)
Other operating expenses		(30,518)	(33,713)
Finance costs	5	(1,166)	(967)
(Loss) profit before taxation		(33,495)	1,874
Income tax credit (expenses)	6	150	(5,865)
Loss for the year	7	(33,345)	(3,991)
Other comprehensive expense			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		(110)	(335)
Total comprehensive expense for the year		(33,455)	(4,326)
Loss per share	9		
Basic (<i>HK cents</i>)		(6.95)	(0.83)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 December 2019

	<i>NOTES</i>	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Audited)
Non-current assets			
Property, plant and equipment		731	3,732
Right-of-use assets		2,689	–
Rental deposits		152	1,163
Contract assets		247	–
		<u>3,819</u>	<u>4,895</u>
Current assets			
Trade and bills receivables	10	3	20,835
Other receivables, prepayment and deposits		10,898	10,184
Contract assets		10,162	35,473
Pledged bank deposits		–	120
Bank balances and cash		33,584	42,166
		<u>54,647</u>	<u>108,778</u>
Current liabilities			
Trade payables	11	953	8,677
Other payables and accruals		12,653	20,876
Amount due to a director		6,350	–
Bank borrowings		–	17,373
Lease liabilities		4,194	–
Contract liabilities		7,987	6,645
Refund liabilities		11,509	6,355
		<u>43,646</u>	<u>59,926</u>
Net current assets		<u>11,001</u>	<u>48,852</u>
Total assets less current liabilities		<u>14,820</u>	<u>53,747</u>
Non-current liabilities			
Lease liabilities		4,608	–
Contract liabilities		581	3,348
Refund liabilities		1,331	4,129
Deferred tax liabilities		5,451	5,726
		<u>11,971</u>	<u>13,203</u>
Net assets		<u>2,849</u>	<u>40,544</u>
Capital and reserves			
Share capital		4,800	4,800
Reserves and accumulated losses		(1,951)	35,744
Total equity		<u>2,849</u>	<u>40,544</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Translation reserve <i>HK\$'000</i>	Capital reserve <i>HK\$'000</i> (Note 1)	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2018 (audited)	4,800	46,917	268	(67)	(7,048)	44,870
Loss for the year	–	–	–	–	(3,991)	(3,991)
Exchange differences arising on translation of foreign operations	–	–	(335)	–	–	(335)
Total comprehensive expense for the year	–	–	(335)	–	(3,991)	(4,326)
At 31 December 2018 (audited)	4,800	46,917	(67)	(67)	(11,039)	40,544
Adjustments (Note 2)	–	–	–	–	(4,240)	(4,240)
At 1 January 2019 (restated)	4,800	46,917	(67)	(67)	(15,279)	36,304
Loss for the year	–	–	–	–	(33,345)	(33,345)
Exchange differences arising on translation of foreign operations	–	–	(110)	–	–	(110)
Total comprehensive expense for the year	–	–	(110)	–	(33,345)	(33,455)
At 31 December 2019 (unaudited)	4,800	46,917	(177)	(67)	(48,624)	2,849

Notes:

- Capital reserve represents i) an amount of HK\$77,000 representing the difference between the carrying amount of the non-controlling interests which exceeded the fair value of the consideration paid for the acquisition of additional 60% non-controlling interests in a subsidiary, Alliance International Sourcing Limited (“Alliance”) in previous years; and ii) an amount of HK\$10,000 representing the sum of the share capital of certain group entities, including Ever Smart International Enterprise Limited, Dodge & Swerve Limited and Alliance, which have been transferred to capital reserve under the reorganisation in 2015.
- An impairment loss of HK\$4,240,000 is recognised at the date of the initial application of HKFRS 16 *Leases* as the recoverable amount of the right-of-use assets is estimated to be less than its carrying amount.

NOTES:

1. GROUP INFORMATION AND BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

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

The Company is an investment holding company. The Company and its subsidiaries (collectively referred to as the “Group”) is principally engaged in the footwear business and the provision of loan facilitation service.

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

2. REVENUE FROM GOODS AND SERVICES

Disaggregation of revenue from contracts with customers

Segments	For the year ended 31 December 2019		
	Footwear business <i>HK\$'000</i> (Unaudited)	Loan facilitation service <i>HK\$'000</i> (Unaudited)	Total <i>HK\$'000</i> (Unaudited)
Types of goods or service			
Trading of footwear			
Men's footwear	12,133	–	12,133
Women's footwear	14,497	–	14,497
Children's footwear	4,395	–	4,395
	<u>31,025</u>	<u>–</u>	<u>31,025</u>
Provision of loan facilitation service			
Pre-loan facilitation service	–	63,917	63,917
Post-loan facilitation service	–	15,231	15,231
	<u>–</u>	<u>79,148</u>	<u>79,148</u>
Total	<u>31,025</u>	<u>79,148</u>	<u>110,173</u>
Geographical markets			
The PRC	392	79,148	79,540
Australia	11,251	–	11,251
United Arab Emirates	3,919	–	3,919
United Kingdom	3,147	–	3,147
New Zealand	2,507	–	2,507
Chile	1,832	–	1,832
Belgium	1,464	–	1,464
United States	260	–	260
Others	6,253	–	6,253
	<u>31,025</u>	<u>79,148</u>	<u>110,173</u>
Total	<u>31,025</u>	<u>79,148</u>	<u>110,173</u>
Timing of revenue recognition			
At a point in time	31,025	63,917	94,942
Over time	–	15,231	15,231
	<u>–</u>	<u>15,231</u>	<u>15,231</u>
Total	<u>31,025</u>	<u>79,148</u>	<u>110,173</u>

Segments	For the year ended 31 December 2018		
	Footwear business <i>HK\$'000</i> (Audited)	Loan facilitation service <i>HK\$'000</i> (Audited)	Total <i>HK\$'000</i> (Audited)
Types of goods or service			
Trading of footwear			
Men's footwear	61,382	–	61,382
Women's footwear	37,977	–	37,977
Children's footwear	23,768	–	23,768
	<u>123,127</u>	<u>–</u>	<u>123,127</u>
Provision of loan facilitation service			
Pre-loan facilitation service	–	93,303	93,303
Post-loan facilitation service	–	2,923	2,923
	<u>–</u>	<u>96,226</u>	<u>96,226</u>
Total	<u>123,127</u>	<u>96,226</u>	<u>219,353</u>
Geographical markets			
The PRC	37	96,226	96,263
Australia	50,948	–	50,948
United Arab Emirates	6,049	–	6,049
United Kingdom	15,400	–	15,400
New Zealand	12,045	–	12,045
Chile	3,979	–	3,979
Belgium	7,843	–	7,843
United States	4,188	–	4,188
Others	22,638	–	22,638
	<u>123,127</u>	<u>96,226</u>	<u>219,353</u>
Total	<u>123,127</u>	<u>96,226</u>	<u>219,353</u>
Timing of revenue recognition			
At a point in time	123,127	93,303	216,430
Over time	–	2,923	2,923
	<u>123,127</u>	<u>96,226</u>	<u>219,353</u>
Total	<u>123,127</u>	<u>96,226</u>	<u>219,353</u>

3. SEGMENT INFORMATION

Information reported to the Chief Executive Officer of the Company, being the Chief Operating Decision Maker (“CODM”), for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided.

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

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

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

Segment revenue and results

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

For the year ended 31 December 2019

	Footwear business HK\$’000 (Unaudited)	Loan facilitation service HK\$’000 (Unaudited)	Total HK\$’000 (Unaudited)
Segment revenue	<u>31,025</u>	<u>79,148</u>	<u>110,173</u>
Segment results	<u>(13,916)</u>	<u>(10,425)</u>	<u>(24,341)</u>
Unallocated expenses			(9,302)
Unallocated income			<u>148</u>
Loss before taxation			<u><u>(33,495)</u></u>

For the year ended 31 December 2018

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

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

Segment results represent the profit or loss before taxation of each segments without allocation of interest income, central administration costs and directors' emoluments. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

Segment assets and liabilities

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

Segment assets

	2019 <i>HK\$'000</i> (Unaudited)	2018 <i>HK\$'000</i> (Audited)
Footwear business	1,359	36,322
Loan facilitation service	43,660	55,979
	<hr/>	<hr/>
Total segment assets	45,019	92,301
Unallocated assets		
– Bank balances and cash	12,985	20,908
– Others	462	464
	<hr/>	<hr/>
Consolidated assets	<u>58,466</u>	<u>113,673</u>

Segment liabilities

	2019 <i>HK\$'000</i> (Unaudited)	2018 <i>HK\$'000</i> (Audited)
Footwear business	11,147	31,346
Loan facilitation service	42,645	39,382
	<hr/>	<hr/>
Total segment liabilities	53,792	70,728
Unallocated liabilities		
– Others	1,825	2,401
	<hr/>	<hr/>
Consolidated liabilities	<u>55,617</u>	<u>73,129</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 Group's operations are located in Hong Kong and the PRC.

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

	2019 <i>HK\$'000</i> (Unaudited)	2018 <i>HK\$'000</i> (Audited)
The PRC	79,540	96,263
Australia	11,251	50,948
United Arab Emirates	3,919	6,049
United Kingdom	3,147	15,400
New Zealand	2,507	12,045
Chile	1,832	3,979
Belgium	1,464	7,843
United States	260	4,188
Others*	6,253	22,638
	<u>110,173</u>	<u>219,353</u>

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

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

	2019 <i>HK\$'000</i> (Unaudited)	2018 <i>HK\$'000</i> (Audited)
Hong Kong	478	3,137
PRC	3,341	1,758
	<u>3,819</u>	<u>4,895</u>

Information about major customers

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

	2019 <i>HK\$'000</i> (Unaudited)	2018 <i>HK\$'000</i> (Audited)
Customer A ¹	<u>11,945</u>	<u>51,839</u>

¹ Revenue from trading of footwear.

4. OTHER INCOME

	2019 <i>HK\$'000</i> (Unaudited)	2018 <i>HK\$'000</i> (Audited)
Commission income (<i>Note 1</i>)	3,027	2,572
Consultancy income (<i>Note 1</i>)	2,663	–
Government grant (<i>Note 2</i>)	2,062	–
Sample income	326	907
Interest income	307	154
Claims received (<i>Note 3</i>)	40	239
Miscellaneous income	<u>270</u>	<u>622</u>
	<u>8,695</u>	<u>4,494</u>

Notes:

- (1) The Group provides insurance brokerage referral service or consultancy services to financial institutions in the capacity of an agent. Commission income or consultancy 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.

5. FINANCE COSTS

	2019 <i>HK\$'000</i> (Unaudited)	2018 <i>HK\$'000</i> (Audited)
Interests on bank borrowings	240	967
Interests on lease liabilities	926	–
	<u>1,166</u>	<u>967</u>

6. INCOME TAX (CREDIT) EXPENSES

	2019 <i>HK\$'000</i> (Unaudited)	2018 <i>HK\$'000</i> (Audited)
PRC Enterprise Income Tax (“EIT”)		
– Underprovision in respect of prior year	–	1
Deferred tax	(150)	5,864
	<u>(150)</u>	<u>5,865</u>

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2018 (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%.

The directors of the Company considered the amount involved upon implementation of the two-tiered profits tax rates regime as insignificant to the consolidated financial statements. Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

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

For both years, no provision for PRC EIT has been made in the consolidated financial statements as the Group has no taxable income. 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%.

7. LOSS FOR THE YEAR

	2019 <i>HK\$'000</i> (Unaudited)	2018 <i>HK\$'000</i> (Audited)
Loss for the year has been arrived at after charging:		
Directors' remuneration	2,773	4,685
Other staff costs (excluding directors' remuneration):		
– Salaries, allowances and benefits in kind	63,929	61,643
– Retirement benefit scheme contributions	15,087	11,390
	<hr/>	<hr/>
Total staff costs	81,789	77,718
	<hr/>	<hr/>
Auditor's remuneration	2,932	2,729
Depreciation of property, plant and equipment	1,114	1,941
Depreciation of right-of-use assets	4,052	–
Expenses relating to short term leases	1,435	–
Operating lease rental expense in respect of rental premises	–	6,624
	<hr/> <hr/>	<hr/> <hr/>

8. DIVIDENDS

No dividend was paid or proposed for the years ended 31 December 2019 and 2018, nor has any dividend been proposed since the end of the reporting period.

9. LOSS PER SHARE

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

	2019 <i>HK\$'000</i> (Unaudited)	2018 <i>HK\$'000</i> (Audited)
Loss:		
Loss for the year for the purpose of basic loss per share	(33,345)	(3,991)
	<hr/> <hr/>	<hr/> <hr/>
	2019 <i>'000</i> (Unaudited)	2018 <i>'000</i> (Audited)
Number of shares:		
Number of ordinary shares for the purpose of basic loss per share	480,000	480,000
	<hr/> <hr/>	<hr/> <hr/>

No diluted loss per share for the years ended 31 December 2019 and 2018 is presented as there were no potential ordinary shares in issue for both years.

10. TRADE AND BILLS RECEIVABLES

	2019 <i>HK\$'000</i> (Unaudited)	2018 <i>HK\$'000</i> (Audited)
Trade receivables from contracts with customers	1,450	17,401
Trade receivables discounted with recourse	–	3,615
Less: allowance for credit losses	(1,447)	(475)
	<u>3</u>	<u>20,541</u>
Bills receivables	–	294
	<u>3</u>	<u>20,835</u>

As at 1 January 2018, trade receivables from contracts with customers amounted to HK\$45,246,000.

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

	2019 <i>HK\$'000</i> (Unaudited)	2018 <i>HK\$'000</i> (Audited)
0 to 30 days	–	9,723
31 to 60 days	–	8,113
61 to 90 days	–	1,597
Over 90 days	3	1,108
	<u>3</u>	<u>20,541</u>

As at 31 December 2018, total bills received amounting to HK\$294,000 (2019: HK\$nil) are held by the Group for future settlement of trade receivables. The Group continues to recognise their full carrying amounts at the end of the reporting period. The following is the aged analysis of bills receivables based on their time to maturity at the end of the reporting dates.

	2019 <i>HK\$'000</i> (Unaudited)	2018 <i>HK\$'000</i> (Audited)
Within 30 days	–	294

As at 31 December 2019, included in the Group's trade receivables balance are debtors with aggregate carrying amount of HK\$3,000 (2018: HK\$3,230,000) which are past due as at the reporting date. Out of the past due balances, HK\$nil (2018: HK\$1,108,000) has been past due 90 days or more and is not considered as in default by considering the background of the debtors, subsequent settlement, historical payment arrangement and credit standing of these trade receivables.

11. TRADE PAYABLES

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

	2019 <i>HK\$'000</i> (Unaudited)	2018 <i>HK\$'000</i> (Audited)
0 – 30 days	–	6,253
31 – 60 days	–	1,986
61 to 90 days	–	–
Over 90 days	<u>953</u>	<u>438</u>
	<u>953</u>	<u>8,677</u>

12. EVENTS AFTER THE REPORTING PERIOD

An outbreak of respiratory illness caused by novel coronavirus (the “COVID-19”) has been expanded across the PRC and globally. Since then, major cities in the PRC have taken emergency public health measures and draconian measures including travel restrictions in an effort to contain the coronavirus outbreak.

The PRC entities of the Group have been directed by the local government to facilitate the prevention and control measures of the COVID-19, including expanding the Chinese New Year holidays, and adopted safety reparations for resuming operation under the guidance and approval of the local government.

Further, the Group has implemented prevention and control measures for the Epidemic, such as keep close track of the employees’ health situation and the development of the Epidemic, to ensure the Group’s continued capacity to operate its business.

Meanwhile, the COVID-19 had also 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. Given there are difficulties in obtaining the financing from existing funding sources, the Group is actively seeking other funding sources include but not limited to banks, asset management companies, trusts and small loan companies. In considering the above impacts, the recoverable amounts of the Group’s right-of-use assets in the PRC are expected to be negatively affected.

The directors of the Company will continue to assess the impact of the COVID-19 on the Group’s operation and financial performance and closely monitor the Group’s exposure to the risks and uncertainties in connection with the COVID-19.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

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

Footwear Business

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

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

The management had already adopted certain cost-cutting measures and slowed down certain business plan for the footwear business. In order to further reduce operating costs, the management ceased the operation in Donugguan in late 2019. Meanwhile, the management shall evaluate the current business model and long-term viability of the footwear business so as to create most value for the shareholders.

Loan Facilitation Business

In April 2018, the Group commenced the provision of loan facilitation services to customers in China. As at the end of December 2019, the Group has already set up over 50 branch offices across different regions in China to provide assistance to customers with financing needs, with a particular focus on 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.

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

	For the year ended 31 December			
	2019		2018	
	Current year	Accumulated	Current year	Accumulated
Number of Customers	6,868	15,502	8,634	8,634
Loan facilitated (<i>RMB'000</i>)	567,055	1,222,775	655,720	655,720
Average amount of loan facilitated (<i>RMB'000</i>)	<u>82.6</u>	<u>78.9</u>	<u>75.9</u>	<u>75.9</u>

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

China's economy showed signs of weakening growth amid certain uncertainties including the US-China Trade War. We have already observed a decline in lenders' willingness to lend in late 2019 as they take up a more conservative approach in view of the continually softening economy. The outbreak of Novel Coronavirus Disease in early 2020 further worsen the outlook for the loan facilitation business as the demand for loan facilitation service dropped drastically. The outbreak disrupted our operation and business plan and we anticipate a very difficult period ahead. The management intends to reduce costs and improve efficiency by closing down some of the branches and layoff under-performing staffs in the coming months in response to the challenges ahead.

FINANCIAL REVIEW

Revenue

The Group recorded revenue of approximately HK\$110.2 million in 2019, a decrease of 49.8% compared with that of approximately HK\$219.4 million for 2018. Set out below is the revenue breakdown by segment for the years ended 31 December 2018 and 2019:

	For the year ended 31 December			
	2019		2018	
	<i>HK\$'000</i>	<i>%</i>	<i>HK\$'000</i>	<i>%</i>
	(Unaudited)		(Audited)	
Trading of footwear				
Men's footwear	12,133	11.0	61,382	28.0
Women's footwear	14,497	13.2	37,977	17.3
Children's footwear	4,395	4.0	23,768	10.8
	<u>31,025</u>	<u>28.2</u>	<u>123,127</u>	<u>56.1</u>
Provision of loan facilitation services				
Pre-loan facilitation services	63,917	58.0	93,303	42.5
Post-loan facilitation services	15,231	13.8	2,923	1.4
	<u>79,148</u>	<u>71.8</u>	<u>96,226</u>	<u>43.9</u>
Total	<u><u>110,173</u></u>	<u><u>100.0</u></u>	<u><u>219,353</u></u>	<u><u>100.0</u></u>

Footwear Business

Revenue from the footwear business segment decreased significantly by 74.8% from approximately HK\$123.1 million for 2018 to approximately HK\$31.0 million for 2019. This is mainly due to various uncertainties clouding the global economy, in particular, the continuous impact of the Brexit, sluggish economic growth in the EU and the US-China Trade War, which have adversely affected customer sentiment.

Loan Facilitation Business

Revenue from the loan facilitation segment decreased by 17.7% from approximately HK\$96.2 million for 2018 to approximately HK\$79.1 million for 2019. The business maintained strong growth in the first half of 2019 but slowed down in the second half of 2019 as the lenders adopted a more conservative approach amid economic uncertainties in China.

Purchases and changes in inventories

The Group's purchases and changes in inventories decreased by approximately 74.1% from approximately HK\$108.0 million for 2018 to approximately HK\$27.9 million for 2019. Purchase cost to sales ratio was approximately 90.1% for 2019 comparing to approximately 87.7% for 2018.

Other income

Other income increased to approximately HK\$8.7million for 2019 from approximately HK\$4.5 million for 2018, primarily attributable to an increase in consultancy service income of HK\$2.7 million and an increase in receipt of government subsidies of HK\$2.1 million. Consultancy service represented data analytics solutions provided to third parties.

Other gains and losses

Other losses (net) increased to approximately HK\$10.9 million for 2019 from approximately HK\$1.6 million for 2018. This was mainly due to impairment losses recognised on various assets of approximately HK\$12.2 million due to uncertain market conditions in both the footwear and loan facilitation business, being partially offset by the gain on derecognition of certain right-of-use assets of approximately HK\$1.3 million during the year.

Finance costs

Finance costs increased by approximately 20.6% to approximately HK\$1.2 million for 2019 from approximately HK\$1.0 million for 2018, which was mainly due to the adoption of HKFRS 16 where interest on lease liabilities is recognised as finance costs.

Employee benefits expenses

Employee benefits expenses increased to approximately HK\$81.8 million for 2019 from approximately HK\$77.7 million for 2018, which was mainly due to the increase in payroll for the loan facilitation business being partially offset by the decrease in payroll for the footwear business.

Other operating expenses

Other operating expenses decreased to approximately HK\$30.5 million for 2019 from approximately HK\$33.7 million for 2018, which was mainly a result of the implementation of certain cost cutting measures during the year.

Income tax credit/(expenses)

Income tax credit amounted to approximately HK\$0.2 million for 2019 as compared to income tax expenses of approximately HK\$5.9 million for 2018, which was mainly due to the recognition of deferred tax credit of HK\$0.2 million for 2019.

Loss for the year

As a result of foregoing, loss for the year increased to approximately HK\$33.3 million for 2019 from approximately HK\$4.0 million for 2018.

Loss before taxation for the footwear business segment increased to approximately HK\$13.9 million for 2019 from approximately HK\$10.1 million for 2018, which was mainly due to the decrease in revenue and impairment loss recognised during the year.

Loss before taxation for the loan facilitation service segment amounted to approximately HK\$10.4 million for 2019 as compared to profit before taxation of approximately HK\$24.3 million for 2018. This was mainly due to the decrease in revenue as a result of decline in lenders' willingness to lend and impairment loss recognised during the year.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 December 2019, the Group had no outstanding borrowings (2018: approximately HK\$17.4 million). The borrowings as at 31 December 2018 represented the trust receipt loans for trade finance purpose and trade receivables transferred to banks by discounting those receivables on a recourse basis. As at 31 December 2019, the cash and cash equivalents and pledged bank deposit of the Group amounted to approximately HK\$33.6 million (2018: approximately HK\$42.3 million). As at 31 December 2019, debt to equity ratio of the Group was nil (2018: nil). Debt to equity ratio is calculated by dividing the net debt, which is defined as bank borrowings and bank overdrafts net of pledged bank deposits and bank balances and cash, by total equity at the end of the respective years. Current ratio as at 31 December 2019 was approximately 1.3 times (2018: approximately 1.8 times).

The Group maintained sufficient working capital as at 31 December 2019 with bank balances and cash of approximately HK\$33.6 million (2018: approximately HK\$42.2 million). The Board of Directors will continue to follow a prudent treasury policy in managing its cash balances and maintain a strong and healthy liquidity to ensure that the Group is well placed to take advantage of growth opportunities for the business.

As at 31 December 2019, the Group's net current assets amounted to approximately HK\$11.0 million (2018: approximately HK\$48.9 million). The Group's operations are financed principally by revenue generated from its business operation, available cash and bank balances and bank borrowings.

PLEDGE OF ASSETS

As at 31 December 2019, the Group had no asset pledged (2018: pledged bank deposits of approximately HK\$0.1 million and trade receivables of approximately HK\$3.6 million) to secure the Group's bank borrowings.

EXCHANGE RATE EXPOSURE

The Group's footwear business segment revenue is denominated in United States Dollars ("US\$") due to the export-oriented nature of the Group's business. The Group's footwear business segment expenses, comprising primarily its payment to its footwear suppliers, are also mainly in US\$. As HK\$ is pegged to US\$, the Group does not expect any significant fluctuation in the exchange rate of HK\$ against US\$. Revenue, cost and expenses of the Group's loan facilitation service segment are all denominated in Renminbi ("RMB"), as such the net exposure to fluctuation of HK\$ against RMB is not material. The Group's management considers that the Group has no significant foreign exchange exposures. Foreign exchange risk arising from the normal course of operations is considered to be minimal. As at 31 December 2019, the Group did not use any financial instrument for hedging the foreign exchange risk.

SIGNIFICANT INVESTMENTS HELD

During the year ended 31 December 2019, there was no significant investment held by the Group.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

During the year ended 31 December 2019, the Group did not have other plans for material investments and capital assets.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

During the year ended 31 December 2019, the Group did not have any material acquisitions and disposals of subsidiaries and affiliated companies.

CONTINGENT LIABILITIES

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

CAPITAL COMMITMENTS

As at 31 December 2019, the Group did not have any significant capital commitments (2018: nil).

EMPLOYEES AND EMOLUMENT POLICIES

As at 31 December 2019, the total employees in mainland China and Hong Kong has decreased from approximately 750 in 2018 to approximately 630 in 2019, which was mainly a result of our cost-cutting measures. In order to recruit, develop and retain talented employees, the Group offers competitive remuneration packages to our staff, including internal promotion opportunities and performance based bonus. The Group enters into standard employment contracts with our staff which contain provisions on intellectual property rights and confidentiality.

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

PRINCIPAL RISKS AND UNCERTAINTIES

Credit risk

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. As at 31 December 2019, approximately 98% and 63% of the total trade receivables were due from our five largest debtors (all being customers) and our largest debtor (being a customer) respectively. The Group will review and monitor the level of exposure to ensure that follow-up actions are taken to recover overdue debts. In addition, at the end of each reporting year, the Group performs impairment assessment under expected credit loss model so as to ensure that adequate impairment losses are made. The carrying amounts of trade receivables, other receivables and contract assets represent the Group's maximum exposure to credit risk in relation to financial assets.

Interest rate risk

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

Liquidity risk

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

COMPLIANCE WITH LAWS AND REGULATIONS

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

ENVIRONMENTAL POLICIES AND PERFORMANCE

According to our business nature and pursuant to the laws of Hong Kong, there are no specific environmental standards and/or requirements for conducting the Group's business in Hong Kong. The Group is aware of environmental protection and social responsibility as an enterprise citizen and promotes healthy work place. The Group's Environmental, Social and Governance Report for the year ended 31 December 2019 will be published on the respective websites of the Stock Exchange and the Company on or before 30 June 2020.

KEY RELATIONSHIP WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

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

The Group also maintains a good relationship with its suppliers. During the year ended 31 December 2019, no complaint was received from the suppliers and there was no disputed debts or unsettled debts and all the debts are settled on or before due dates or a latest date as mutually agreed.

During the year ended 31 December 2019, there was no dispute on salary payments and all accrued remunerations were settled on or before their respective due dates, as stipulated under individual employee's employment contract. The Group also ensures that all the employees are reasonably remunerated by regular review the policies on salary increment, promotion, bonus, allowances and all other related benefits.

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

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The corporate governance practices of the Group are based on the principles and the code provisions in the Corporate Governance Code (the "Code") as set out in Appendix 15 to the Rules Governing the Listing of Securities on the GEM of the Stock Exchange ("GEM Listing Rules").

During the year ended 31 December 2019, the Company has complied with all the applicable code provisions of the Code, except for the following deviations:

Code Provision A.2.7 of the Code provides that the chairman should at least annually hold meetings with the non-executive directors (including independent non-executive directors) without the executive directors present. For the year ended 31 December 2019, a formal meeting was not arranged between the Chairman and the non-executive Directors (including independent non-executive Directors) without the executive Directors present due to the tight schedules of the Chairman and the independent non-executive Directors. Although such meeting was not held during the year, the Chairman could be contacted by email or phone to discuss any potential concerns and/or questions that the non-executive Directors and the independent non-executive Directors might have and would arrange to set up follow-up meetings, whenever necessary.

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.

DIRECTORS' SECURITIES TRANSACTIONS

The Group has adopted the required standard of dealing, as set out in Rules 5.48 to 5.67 of the GEM Listing Rules, as the code of conduct for securities transactions by the Directors in respect of the shares of the Company. Having made specific enquiry of all Directors, all Directors have confirmed that they have complied with the required standard of dealing and the code of conduct for securities transactions by directors for the year ended 31 December 2019 and up to the date of this announcement.

INTERESTS IN COMPETING BUSINESS

For the year ended 31 December 2019, 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 pursuant to the Share Option Scheme.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the year ended 31 December 2019, the Company did not redeem any of its shares, and neither did the Company nor any of its subsidiaries purchase or sell any of the Company's shares.

EVENTS AFTER THE BALANCE SHEET DATE

Details of significant events occurring after the announcement date are set out in note 12 to the consolidated financial statement.

DIVIDENDS

The Board does not recommend the payment of a final dividend for the year ended 31 December 2019. (2018: nil).

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 Audit Committee had reviewed the first quarterly report of the Group for the three months ended 31 March 2019, the interim results of the Group for the six months ended 30 June 2019 and the third quarterly results of the Group for the nine months ended 30 September 2019.

REVIEW OF UNAUDITED ANNUAL RESULTS

For the reasons explained above on page 2 of the announcement, the unaudited annual results contained herein have not yet been agreed with the Company’s auditors. An announcement relating to the audited results will be made when the auditing process has been completed in accordance with Hong Kong Standards on Auditing issued by Hong Kong Institute of Certified Public Accountants.

The audit committee of the Company has reviewed and has discussed with the Company’s auditors and the management of the unaudited annual results contained herein.

FURTHER ANNOUNCEMENT

Following the completion of the auditing process, the Company will issue further announcement in relation to (i) the audited results for the year ended 31 December 2019 as agreed by the Company’s auditors and the material differences (if any) as compared with the unaudited annual results contained herein, (ii) the proposed date on which the forthcoming annual general meeting will be held, and (iii) the period during which the register of members holding ordinary shares will be closed in order to ascertain shareholders’ eligibility to attend and vote at the said meeting (and the proposed arrangements relating to dividend payment, if any). In addition, the Company will issue further announcement as and when necessary if there are other material development in the completion of the auditing process.

PUBLICATION OF ANNUAL REPORT

The annual report of the Company will be published on the website of the Company and the website of Hong Kong Exchanges and Clearing Limited, and dispatched to the shareholders of the Company according to the GEM Listing Rule and, in any event, not later than mid of May 2020.

The financial information contained herein in respect of the annual results of the Group has not been audited and has not been agreed with the auditors. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

By order of the Board
JIMU GROUP LIMITED
Dong Jun
Chairman

Hong Kong, 27 March 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. Yan Taotao; 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>.