JIMU

JIMU GROUP LIMITED

積木集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8187)

2022

ANNUAL REPORT

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*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 report 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 report misleading.*

CONTENT

Board of Directors

Executive Directors
Ms. Wei Ju
Mr. Tsang Hing Bun (Appointed on 1 April 2022)
Mr. Dong Jun (Resigned on 4 May 2022)
Mr. Huang Zexiong (Resigned on 4 May 2022)
Mr. Chan Zuze (Resigned on 4 May 2022)

Non-Executive Director
Mr. Shum Tsz Yeung

Independent Non-Executive Directors
Mr. Hung Wai Che
Mr. Choi Ho Yan (Appointed on 12 February 2022)
Mr. Yiu Yu Hong John (Appointed on 1 April 2022)
Mr. Lam Wai Hung (Resigned on 14 January 2022)
Mr. Eric Todd (Resigned on 12 February 2022)

Company Secretary
Mr. Ngai Tsz Hin Michael

Compliance Officer
Ms. Wei Ju

Authorised Representatives
Mr. Shum Tsz Yeung
Mr. Ngai Tsz Hin Michael

Audit Committee
Mr. Choi Ho Yan *(Chairman)*
Mr. Hung Wai Che
Mr. Yiu Yu Hong John

Remuneration Committee
Mr. Hung Wai Che *(Chairman)*
Mr. Choi Ho Yan
Mr. Yiu Yu Hong John

Nomination Committee
Mr. Yiu Yu Hong John *(Chairman)*
Mr. Hung Wai Che
Mr. Choi Ho Yan

Risk Management Committee
Mr. Yiu Yu Hong John *(Chairman)*
Ms. Wei Ju
Mr. Shum Tsz Yeung
Mr. Hung Wai Che
Mr. Choi Ho Yan

Stock Code
8187

Registered Office
Windward 3, Regatta Office Park
PO Box 1350
Grand Cayman KY1-1108
Cayman Islands

Head Office and Principal Place of Business in Hong Kong
Unit 06, 12th Floor, The Broadway
No. 54–62 Lockhart Road
Hong Kong

Principal Share Registrar and Transfer Office
Ocorian Trust (Cayman) Limited
Windward 3, Regatta Office Park
PO Box 1350
Grand Cayman KY1-1108
Cayman Islands

Hong Kong Branch Share Registrar and Transfer Office
Tricor Investor Services Limited
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

Principal Bankers
Bank of China (Hong Kong) Limited
Bank of Communications (Hong Kong) Limited
Chong Hing Bank Limited
The Hongkong and Shanghai Banking Corporation Limited

Auditor
Prism Hong Kong and Shanghai Limited
Certified Public Accountants
Registered Public Interest Entity Auditor
Units 1903A–1905, 19/F., 8 Observatory Road
Tsim Sha Tsui, Kowloon, Hong Kong

Legal Adviser
Khoo & Co. Lawyers

Company's Website
www.jimugroup8187.com

MESSAGE FROM THE BOARD

Dear Shareholders,

On behalf of the board (the "**Board**") of directors (the "**Directors**") of Jimu Group Limited (the "**Company**") and its subsidiaries (the "**Group**"), we are pleased to present the annual results of the Group for the year ended 31 December 2022.

The revenue from the footwear and apparel businesses segment increased significantly by 441.1% from approximately HK$5.6 million in 2021 to approximately HK$30.3 million in 2022. The loss was reduced drastically from HK$4.9 million in 2021 to approximately HK$1.3 million in 2022. This was mainly attributable to the wealth effect as a result of the consumption voucher relief measure promoted by the Hong Kong Government and the World Cup fever, which boosted the sales of branded footwear and apparel products in Hong Kong, as well as established our business presence in Canada this year together with the economic recovery after the COVID-19 pandemic.

The revenue from the loan facilitation and credit assessment segment, however, decreased by 71.1% from approximately HK$3.8 million for 2021 to approximately HK$1.1 million for 2022 and recorded a loss of approximately HK$0.5 million for the year ended 31 December 2022. The significant decrease was mainly due to the severe impact of the COVID-19 pandemic measures on social activities and cross-border epidemic control, leading to significant economic and business disruption in the PRC which further reduced the need for loan facilitation and credit assessment business during the year ended 2022. Even though the pandemic seems to have died down in the PRC and people have started to resume their normal lives, the management expects the business will not be able to go back to where it was in the foreseeable future as a considerable amount of time is needed for the public sector to lead and give a strong and continuous impetus to the economy therefore we cannot benefit from the post-COVID recovery effect shortly. As a result, we will consider taking all possible and appropriate measures towards this business in due course.

Looking forward, we will continue to maintain and solidify our position within the industry, and allocate internal resources to develop our existing business in the trading of footwear and apparel, but in the meantime, we will explore suitable business opportunities. We plan and have made corresponding preparations to explore the following aspects:

1. Continue to explore the footwear business in North America with a Vancouver-based market place boutique;

2. Keep the trendy footwear and sports apparel products in Hong Kong and extend footwear trading networks to online platforms; and

3. Seek cooperation with more local and overseas enterprises to expand our retail business.

Finally, we wish to extend our sincere appreciation to all of our staff for their tireless efforts, diligence and contribution during 2022 and express our utmost gratitude to all shareholders, investors, customers, suppliers and business partners for their continued and valuable support and trust to the Group.

On behalf of the Board
Tsang Hing Bun
Executive Director

Hong Kong, 23 March 2023

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

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

Footwear and Apparel Businesses

The Group is engaged in the trading of footwear and apparel business. The Group offers formal and casual footwear and apparel to its customers. Over the years of its operations since 2009, the Group has built a diverse global customer portfolio comprising mainly international wholesalers and retailers, which are brand owners or licensees of formal and casual footwear. Also, the Group seized the opportunity to extend the apparel business since 2021 as we see the massive market potential for the apparel business overseas. The management believes that the footwear and apparel business is recovering and will continue to seek further development opportunities in both local and overseas markets.

Since early 2022, the Group has diversified its footwear and apparel businesses by selling branded footwear and apparel products in Hong Kong and Canada. The Directors believe that the commencement of such new business in Hong Kong and North America allows the Group to develop a diversified range of customers in different geographical locations. The Group has set up a new company and established its presence in Vancouver, Canada in 2022. The Group will then maintain the scale of operations and retail network in 2023 and regularly review the market conditions in North American and adjust the strategies in due course.

As most of the countries' economies have started to recover from the COVID-19 pandemic since early 2022, together with the consumption voucher scheme implemented by the Hong Kong Government and the World Cup played in 2022, the Group achieved significant growth in revenue for the year ended 31 December 2022. Going forward, the Group plans to continue to widen the consumer reach by expanding its brand portfolio and product categories and the Group will explore business opportunities in various soft fashion trading networks and online platforms and seek operations with more local and overseas enterprises to expand our retail business.

Loan Facilitation and Credit Assessment Businesses

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

Since 2021, the management of the Group (the "**Management**") has been continuously assessing the change in economic condition of the loan market. The PRC business remained disappointing and shrank sharply. The restriction of social activities measures due to the COVID-19 pandemic and the cross-border epidemic control measures taken in response to the virus have negatively affected workforces, customers, consumer confidence, financial markets, consumer spending and credit markets, leading to significant economic and business disruption, volatility and financial uncertainty, and dragging down the PRC economy significantly, further reducing the need for borrowing and business growth, which in turn undermined the loan market where the Group operate. Although the pandemic seems to have died down in the PRC and people have started to resume normal lives, the Board expects that business will not be able to go back to where it was in the foreseeable future as it takes time for the public sector to take up the impetus to boost up the economy. As a result, we will consider taking all possible and appropriate measures towards this business in due course.

FINANCIAL REVIEW

Revenue

The Group recorded revenue of approximately HK$31.4 million for 2022, an increase of approximately 237.6% compared with that of approximately HK$9.3 million for 2021. Revenue for 2022 mainly derived from the footwear and apparel businesses.

Footwear and Apparel Businesses

The Group recorded revenue from the footwear and apparel businesses of approximately HK$30.3 million for 2022 (2021: approximately HK$5.6 million) since the Group has also engaged in the footwear and apparel business in Hong Kong and Canada in 2022.

Loan Facilitation and Credit Assessment Businesses

Revenue from the loan facilitation segment decreased by 71.1% from approximately HK$3.8 million for 2021 to approximately HK$1.1 million for 2022. The revenue dropped significantly due to the closing down of branches and laying off staff since 2020. The Group had already closed the branches and layoff staffs of loan facilitation business to reduce operating costs.

Cost of inventories sold

Cost of inventories sold of approximately HK$27.5 million mainly comprised the cost of inventories sold and consignment costs incurred for 2022 (2021: approximately HK$5.2 million).

Other gains and losses

Other losses (net) amounted to approximately HK$0.3 million for 2022 as compared to other gain (net) approximately HK$0.4 million for 2021. This is mainly due to the exchange loss of HK$0.3 million due to depreciation of Canadian dollars during 2022 (2021: HK$57,000).

Employee benefits expenses

Employee benefits expenses decreased to approximately HK$3.1 million for 2022 from approximately HK$13.3 million for 2021, which was mainly due to the further cost-cutting and restructuring plan related to loan facilitation and credit assessment businesses implemented in 2021.

Other operating expenses

Other operating expenses decreased to approximately HK$4.4 million for 2022 from approximately HK$9.3 million for 2021, which was mainly attributable to the legal and professional fees amounted to HK$1.2 million and audit fee amounted to HK$0.8 million respectively and the decrease is a result of the further cost-cutting and restructuring plan related to loan facilitation and credit assessment businesses implemented in 2021.

Finance costs

The increase of finance costs by 112.3% to approximately HK$900,000 for 2022 from approximately HK$424,000 for 2021, which was mainly due to the interest charged from the HK$8 million loan obtained in 2021 and fully repaid in late 2022 and more loans were further obtained in November and December 2022 respectively which aggregated to HK$11.5 million (bearing interest ranges from 8–9% per annum).

Income tax credit

Income tax credit decreased to approximately HK$423,000 for 2022 from income tax credit approximately HK$3.4 million for 2021, which was mainly representing the decrease in the timing differences between the revenue recognised and the collection of service fees from loan facilitation services.

Loss for the year

As a result of foregoing, loss for the year decreased to approximately HK$5.3 million for 2022 from approximately HK$14.9 million for 2021.

Loss before tax for the footwear and apparel businesses segment decreased to loss of approximately HK$1.3 million for 2022 from loss of approximately HK$4.9 million for 2021. This was mainly due to the start of the footwear and apparel businesses in Hong Kong and Canada since early 2022.

Loss before tax for the loan facilitation and credit assessment segment decreased to loss of approximately HK$0.5 million for 2022 from loss of approximately HK$7.7 million for 2021. This was mainly due to the downsize of the loan facilitation and credit assessment segment and continued the cost-cutting and restructuring plan implemented in 2022 (2021: HK$Nil).

LIQUIDITY, FINANCIAL RESOURCES AND LOAN CAPITAL STRUCTURE

As at 31 December 2022, the total borrowings of the Group amounted to approximately HK$14.5 million (2021: approximately HK$9.3 million) which comprised interest-bearing borrowings and lease liabilities.

As at 31 December 2022, the gearing ratio of the Group was 49.0% (2021: 42.5%). Gearing ratio is calculated based on total borrowings divided by total assets at the end of the relevant period.

The Group maintained sufficient working capital as at 31 December 2022 with bank balances and cash of approximately HK$2.0 million (2021: approximately HK$3.5 million). The Board of Directors will continue to follow a prudent treasury policy in managing its cash balances and maintain a strong and healthy liquidity to ensure that the Group is well placed to take advantage of growth opportunities for the business.

As at 31 December 2022, the Group's net current assets amounted to approximately HK$11.0 million (31 December 2021: net current liabilities approximately HK$6.2 million). The current ratio of the Group was approximately 1.7 times (31 December 2021: approximately 0.8 times). Current ratio is calculated based on total current assets divided by total current liabilities at the end of the relevant period.

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

On 31 December 2021, the Company has entered into a placing agreement (the "**2021 Placing Agreement**") with a placing agent (the "**2021 Placing Agent**"), pursuant to which the Company has conditionally agreed to place through the 2021 Placing Agent, a maximum of 100,320,000 new shares (the "**Placing Shares of 2021 Placing**") to not less than six independent placees at the placing price of HK$0.107 per Placing Share (the "**2021 Placing**"). The 2021 Placing was completed on 17 January 2022 (the "**Completion of 2021 Placing**"). The Company has fully placed an aggregate of 100,320,000 Placing Shares of 2021 Placing, representing (i) 20% of the issued share capital of the Company immediately prior to the Completion of 2021 Placing; and (ii) approximately 16.67% of the issued share capital of the Company as enlarged by the issue of the 100,320,000 Placing Shares of 2021 Placing. The Company's issued share capital increased from 501,600,000 to 601,920,000 immediately after the Completion of 2021 Placing. The net proceeds from the issue of the Placing Shares of 2021 Placing after deduction of all relevant expenses amounted to approximately HK$10.3 million. For details on the use of proceeds from the 2021 Placing refer to the section "Use of proceeds from the Placing" below.

On 24 November 2022, the Company has entered into a placing agreement (the "**2022 Placing Agreement**") with a placing agent (the "**2022 Placing Agent**"), pursuant to which the Company has conditionally agreed to place through the 2022 Placing Agent, a maximum of 120,384,000 new shares (the "**Placing Shares of 2022 Placing**") to not less than six independent placees at the placing price of HK$0.0200 per Placing Share (the "**2022 Placing**"). The 2022 Placing was completed on 14 December 2022 (the "**Completion of 2022 Placing**"). The Company has fully placed an aggregate of 120,384,000 Placing Shares of 2022 Placing, representing (i) 20% of the issued share capital of the Company immediately prior to the Completion of 2022 Placing; and (ii) approximately 16.67% of the issued share capital of the Company as enlarged by the issue of the 120,384,000 Placing Shares of 2022 Placing. The Company's issued share capital increased from 601,920,000 to 722,304,000 immediately after the Completion of 2022 Placing. The net proceeds from the issue of the Placing Shares of 2022 Placing after deduction of all relevant expenses amounted to approximately HK$2.3 million. For details on the use of proceeds from the 2022 Placing refer to the section "Use of proceeds from the Placing" below.

Further details of the above placing were set out in the announcements of the Company dated 31 December 2021, 17 January 2022, 24 November 2022 and 14 December 2022.

PLEDGE OF ASSETS

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

EXCHANGE RATE EXPOSURE

Revenue, cost and expenses of the Group's are denominated in Hong Kong dollars ("**HK$**"), Renminbi ("**RMB**") and Canadian dollars ("**CAD**"), as such the net exposure to fluctuation of HK$ against RMB and CAD are not material. The Group's management considers that the Group has no significant foreign exchange exposures. Foreign exchange risk arising from the normal course of operations is considered to be minimal. As at 31 December 2022, the Group did not use any financial instrument for hedging the foreign exchange risk.

SIGNIFICANT INVESTMENTS HELD

During the year ended 31 December 2022, there was no significant investment held by the Group.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

During the year ended 31 December 2022, the Group currently has no other plan for material investments.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

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

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

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

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

Saved as disclosed above, the Group did not have any material acquisitions and disposals of subsidiaries and affiliated companies during the year ended 31 December 2022.

CONTINGENT LIABILITIES

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

CAPITAL COMMITMENTS

As at 31 December 2022, the Group did not have any significant capital commitments (2021: HK$Nil).

USE OF PROCEEDS FROM THE PLACING

The net proceed from the 2021 Placing and 2022 Placing, amounted to approximately HK$10.3 million and HK$2.3 million respectively.

Set out below is the actual use of net proceeds up to the date of this annual report.

Use of net proceeds	Net proceeds HK$'000	Unutilised net proceeds as at 31 December 2021 HK$'000 (Note 1)	Net proceeds utilised during the year ended 31 December 2021 HK$'000 (Note 1)	Net proceeds utilised during the six months ended 30 June 2022 HK$'000 (Note 2)	Net proceeds utilised during the six months ended 31 December 2022 HK$'000	Unutilised net proceeds as at 31 December 2022 HK$'000	Expected timeline on utilisation of Unutilised net proceeds
2021 Placing							
Business operation	9,216	–	–	9,216	–	–	N/A
General working capital	1,048	–	–	1,048	–	–	N/A
2022 Placing							
Business operation	494	N/A	N/A	N/A	494	–	N/A
General working capital	1,874	N/A	N/A	N/A	1,824	50	June 2023
	12,632	–	–	10,264	2,318	50	

Notes:

1. The 2021 Placing Agreement was executed on 31 December 2021, but the completion of 2021 Placing was on 17 January 2022.

2. The 2022 Placing Agreement was executed on 24 November 2022, but the completion of 2022 Placing was on 14 December 2022.

There is no material change between the intended use of the net proceeds of the 2021 Placing and 2022 Placing respectively, and the actual use of the net proceeds of the 2021 Placing and 2022 Placing.

MANAGEMENT DISCUSSION AND ANALYSIS

EVENT AFTER THE REPORTING PERIOD

1. Implementing share consolidation

On 17 March 2023, the shareholders at the EGM approved share consolidation ("**Share Consolidation**") on the basis that every twenty (20) issued and unissued existing shares of HK$0.01 each will be consolidated into one (1) consolidated share of HK$0.20 each.

The consolidation was implemented on 21 March 2023. 722,304,000 Existing Shares of par value HK$0.01 each successfully converted into 36,115,200 consolidated shares par value of HK$0.20 each which are fully paid or credited as fully paid. The board lot size for trading in the consolidated shares remained unchanged at 5,000 consolidated shares per board lot.

2. Entering into tenancy agreement

On 12 January 2023, the Group entered into new tenancy agreement for the use of retail shop for selling sportswear, footwear and related sports equipment for two year and six months with monthly rent amounted of HK$38,000.

EMPLOYEES AND EMOLUMENT POLICIES

As at 31 December 2022, the total employees in mainland China, Canada and Hong Kong has increased from 12 in 2021 to 16 in 2022, which was mainly increase in recruitment of the retail business in 2022. In order to recruit, develop and retain talented employees, the Group offers competitive remuneration packages to our staff, including internal promotion opportunities and performance based bonus. The Group enters into standard employment contracts with our staff which contain provisions on intellectual property rights and confidentiality.

The remuneration committee of the Company will make 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 2022, approximately 100% and 100% 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 minimal interest rate risk as if mainly in relation to variable-rate bank balances. The Group monitors the interest rate exposure on a continuous basis and will consider hedging significant interest rate exposure should the need arise.

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.

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 2022 will be published on the respective websites of the Stock Exchange and the Company 23 March 2023.

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 2022, 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 2022, there was no dispute on salary payments and all accrued remunerations were settled on or before their respective due dates, as stipulated under individual employee's employment contract. The Group also ensures that all the employees are reasonably remunerated by regular review the policies on salary increment, promotion, bonus, allowances and all other related benefits.

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

KEY PERFORMANCE INDICATORS

The key financial performance indicators of the Group for the year ended 31 December 2022 is set out in the section headed "Five Years' Financial Summary" of the annual report.

REPORT OF THE DIRECTORS

The board (the "**Board**") of directors (the "**Directors**") of Jimu Group Limited (the "**Company**") presents herewith the annual report together with the audited consolidated financial statements of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2022.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The Group is principally engaged in the trading of footwear and apparel businesses and the provision of loan facilitation and credit assessment services.

The activities of its principal subsidiaries are set out in note 37 to the consolidated financial statements.

BUSINESS REVIEW

The business review of the Group for the year ended 31 December 2022 is set out in the sections headed "Message from the Board" and "Management Discussion and Analysis" of the annual report.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2022 and the financial position of the Company and the Group as at 31 December 2022 are set forth in the audited consolidated financial statements on pages 45 to 123 of the annual report.

The Board does not recommend the payment of a final dividend for the year ended 31 December 2022 (2021: Nil).

FINANCIAL SUMMARY

A summary of the published results and assets and liabilities of the Group for the last five financial years, as extracted from the audited consolidated financial statements in the annual report and the Prospectus, is set out on page 124. This summary does not form part of the audited consolidated financial statements in the annual report.

RESERVES

Movements in reserves of the Group during the year are set out in the consolidated statement of changes in equity on page 47.

DISTRIBUTABLE RESERVES

As at 31 December 2022, the Company has no distributable reserves available for distribution to shareholders of the Company (2021: Nil). Under the Companies Law (Revised) of the Cayman Islands, the share premium of the Company is distributable to the Shareholders provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business. The share premium may also be distributed in form of fully paid bonus shares.

PLANT AND EQUIPMENT

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

SHARE CAPITAL

Details of movements in share capital of the Company during the year are set out in note 29 to the consolidated financial statements.

DONATIONS

There were no charitable donations made by the Group during the year ended 31 December 2022 (2021: HK$Nil).

DIRECTORS

The Directors who held office during the year ended 31 December 2022 and as at the date of this report were:

Executive Directors

Ms. Wei Ju
Mr. Tsang Hing Bun *(Note 1)*
Mr. Dong Jun *(Note 2)*
Mr. Huang Zexiong *(Note 3)*
Mr. Chen Zuze *(Note 4)*

Non-Executive Director

Mr. Shum Tsz Yeung

Independent Non-Executive Directors

Mr. Eric Todd *(Note 5)*
Mr. Lam Wai Hung *(Note 6)*
Mr. Hung Wai Che
Mr. Choi Ho Yan *(Note 7)*
Mr. Yiu Yu Hong John *(Note 8)*

Notes:

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

2. Mr. Dong Jun was appointed as an executive Director on 11 December 2017. Mr. Dong resigned as an executive Director on 4 May 2022 and ceased to be the chairman of the Board and the chairman of the nomination committee of the Board (the "**Nomination Committee**") on the same day.

3. Mr. Huang Zexiong was appointed as an executive Director on 5 June 2020. Mr. Huang resigned as an executive Director on 4 May 2022 and ceased to be the chief executive officer and the compliance officer of the Company, the chairman of the remuneration committee of the Board (the "**Remuneration Committee**") and a member of the risk management committee of the Board (the "**Risk Management Committee**") on the same day.

4. Mr. Chen Zuze was appointed as an executive Director on 18 September 2020. Mr. Chen resigned as an executive Director on 4 May 2022 and ceased to a member of the Risk Management Committee on the same day.

5. Mr. Eric Todd was appointed as an independent non-executive Director on 25 May 2021. Mr. Todd resigned as an independent non-executive Director on 12 February 2022 and ceased to be a member of each of the audit committee of the board (the "**Audit Committee**"), Remuneration Committee and Nomination Committee on the same day.

6. Mr. Lam Wai Hung was appointed as an independent non-executive Director on 25 May 2021. Mr. Lam resigned as an independent non-executive Director on 14 January 2022 and ceased to be a chairman of the Audit Committee and a member of each of the Remuneration Committee and the Nomination Committee on the same day.

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

8. Mr. Yiu Yu Hong John was appointed as an independent non-executive Director on 1 April 2022 and appointed as a member of each of the Audit Committee, the Remuneration Committee and the Nomination committee on the same day. Mr. Yiu was further appointed as the chairman of the Nomination Committee and the chairman of the Risk Management Committee on 4 May 2022.

RE-ELECTION OF DIRECTORS

In accordance with Article 108(a) of the Articles of Association, Ms. Wei Ju and Mr. Tsang Hing Bun will retire from office as Directors by rotation at the AGM. Ms. Wei Ju and Mr. Tsang Hing Bun will offer themselves for re-election.

DIRECTORS' SERVICE CONTRACTS

Ms. Wei Ju being an executive Director, has entered into a service agreement with the Company for an initial term of one year commencing from 14 November 2022, which shall continue thereafter unless terminated by either party by giving not less than one months' prior written notice.

Mr. Tsang Hing Bun being an executive Director, has entered into a service agreement with the Company for an initial term of one year commencing from 1 April 2022, which shall continue thereafter unless terminated by either party by giving not less than one months' prior written notice.

Mr. Shum Tsz Yeung, being a non-executive Director, has entered into a letter of appointment with the Company for an initial term of one year from 14 November 2022 which may be terminated by either party by giving not less than one month's prior written notice.

Each of Mr. Hung Wai Che, Mr. Choi Ho Yan and Mr. Yiu Yu Hong John, being an independent non-executive Director, has entered into a letter of appointment with the Company for an initial term of one year term commencing from 30 December 2021, 12 February 2022 and 1 April 2022, respectively, which may be terminated by either party by giving not less than one month's prior written notice.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

The biographical details of the Directors and senior management are disclosed in the section headed "Biographies of Directors and Senior Management" on pages 37 to 39 in the annual report.

DIRECTORS' REMUNERATIONS

Details of the remunerations of the Directors are set out in note 11 to the consolidated financial statements in the annual report.

INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received, from each of the independent non-executive Directors, an annual confirmation of his independence pursuant to Rule 5.09 of the Rules Governing the Listing of Securities on GEM ("**GEM Listing Rules**"). The Company considers all of the independent non-executive Directors are independent.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the paragraph headed "Directors' and Chief Executives' Interests and/or Short Positions in Shares, Underlying Shares and Debentures of the Company or any associated corporation" below, at no time during the year or at the end of the year has been/was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTEREST IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

There has been no transaction, arrangement or contract of significance to which the Company, its holding company, or any of its subsidiaries or fellow subsidiaries was a party and in which a Director or an entity connected with the Director is or was materially interested, either directly or indirectly, subsisting during or at the end of the year.

EQUITY-LINKED AGREEMENTS

Other than the share option scheme of the Company as disclosed below, no equity-linked agreements that will or may result in the Company issuing shares or that require the Company to enter into any agreements that will or may result in the Company issuing shares were entered into by the Company during the year or subsisted at the end of the year.

MAJOR CUSTOMERS AND SUPPLIERS

Sales to the Group's five largest customers accounted for 45.2% and sales to the Group's largest customer amounted to approximately 25.7% of the total sales for the year, respectively. Purchases from the Group's five largest suppliers accounted for 45.1% and purchases from the Group's largest supplier amounted to approximately 16.4% of the total purchases for the year.

REPORT OF THE DIRECTORS

To the best knowledge of the Directors, neither the Directors, their close associates, nor any shareholders (which to the knowledge of the Directors) owned more than 5% of the Company's issued shares, had any beneficial interest in any of the Group's five largest customers or suppliers during the year.

RELATED PARTY TRANSACTIONS AND CONNECTED TRANSACTIONS

The significant related party transactions entered into by the Group during the year are set out in note 31 to the consolidated financial statements.

During the year, the Group provides loan facilitation services to the external individual customers to obtain financing from a micro-finance company in PRC, a connected person of the Company. It will continue to carry out such transactions. The transactions fall within the de minimis rule under Rule 20.74(1) of the GEM Listing Rules and are fully exempt from shareholders' approval, annual review and all disclosure requirements.

Saved as disclosed, none of the related party transactions constituted a connected transaction or continuing connected transaction (as defined in the GEM Listing Rules) that was required to be disclosed and the Company had not entered into any connected transaction or continuing connected transaction which is subject to the disclosure requirements under the GEM Listing Rules.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year ended 31 December 2022, the Company did not redeem any of its shares, and neither did the Company nor any of its subsidiaries purchase or sell any of the Company's shares.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Articles of Association or the laws of the Cayman Islands which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or existed during the year ended 31 December 2022.

CONTRACTS OF SIGNIFICANCE

No contract of significance in relation to the Group's business to which any member of the Group was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year ended 31 December 2022.

No contract of significance (including provision of services) between the Company, or any of its subsidiaries, and a controlling shareholder or any of its subsidiaries subsisted during the year ended 31 December 2022.

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

As at 31 December 2022, the interests and short positions of the Directors or chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "**SFO**")), which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO; or (b) pursuant to Section 352 of the SFO, to be recorded in the register referred therein; or (c) pursuant to Rule 5.46 of the GEM Listing Rules to be notified to the Company and the Stock Exchange, were as follows:

Long position in shares or underlying shares of the Company

		Number of shares or underlying shares held			
Name of Director	**Capacity**	**Ordinary shares**	**Share options**	**Total**	**Approximate percentage of interest in such corporation**
Mr. Shum Tsz Yeung	Beneficial owner	135,000	–	135,000	0.02%

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

As at 31 December 2022, according to the register kept by the Company pursuant to section 336 of SFO, and so far as is known to the Directors or chief executive of the Company, no person (other than a Director or a chief executive of the Company) had, or was deemed or taken to have, an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

SHARE OPTIONS

The Company adopted a share option scheme (the "**Share Option Scheme**") on 11 May 2016. The following is a summary of the principal terms and conditions of the Share Option Scheme.

1. Purpose of the Share Option Scheme

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

2. Who may join

The Board may, at its discretion, invite any Eligible Persons to take up Options at a price calculated in accordance with sub-paragraph (4) below. Upon acceptance of the Option, the Eligible Person shall pay HK$1.00 to the Company by way of consideration for the grant. The Option will be offered for acceptance for a period of not less than 5 business days from the date on which the Option is granted.

3. Grant of Option

Any grant of Options must not be made after an inside information has come to the Company's knowledge until it has announced the information in accordance with the requirements of the GEM Listing Rules. In particular, during the period commencing one month immediately preceding the earlier of (a) the date of our Board meeting (as such date is first notified to the Stock Exchange in accordance with the GEM Listing Rules) for the approval of the Company's results for any year, half-year, quarter-year period or any other interim period (whether or not required under the GEM Listing Rules), and (b) the deadline for the Company to publish an announcement of its results for any year, half-year, quarter-year period under the GEM Listing Rules or any other interim period (whether or not required under the GEM Listing Rules), and ending on the date of the results announcement, no Option may be granted. The period during which no Option may be granted will cover any period of delay in the publication of a result announcement.

The total number of Shares issued and to be issued upon exercise of the Options granted to a Eligible Person who accepts or is deemed to have accepted the offer of any Option in accordance with the terms of the Share Option Scheme ("**Participant**") under the Share Option Scheme and other schemes (including both exercised and outstanding Options) in any 12-month period must not exceed 1% of the Shares in issue from time to time, and provided that if approved by Shareholders in general meeting with such Participant and his close associates (or his associates if the participant is a connected person) abstaining from voting, the Company may make a further grant of Options to such Participant (the "**Further Grant**") notwithstanding that the Further Grant would result in the Shares issued and to be issued upon exercise of all Options granted and to be granted under the Share Option Scheme and other schemes to such Participant (including exercised, cancelled and outstanding Options) in the 12-month period up to and including the date of the Further Grant representing in aggregate over 1% of the Shares in issue from time to time. In relation to the Further Grant, the Company must send a circular to its Shareholders, which discloses the identity of the relevant Participant, the number and the terms of the Options to be granted (and Options previously granted to such Participant under the Share Option Scheme and other schemes) and the information required under the GEM Listing Rules. The number and terms (including the exercise price) of Options which is the subject of the Further Grant shall be fixed before the relevant Shareholders' meeting and the date of meeting of our Board for proposing the Further Grant should be taken as the date of grant for the purpose of calculating the Exercise Price (as defined below).

Where Options are proposed to be granted to a director, chief executive or substantial shareholder of the Company or any of their respective associates, the proposed grant must be approved by the independent non-executive Directors (excluding any independent non-executive Director who is the proposed Participant). If a grant of Options to a substantial shareholder of the Company or an independent non-executive Director, or any of their respective associates will result in the total number of the Shares issued and to be issued upon exercise of the Options granted and to be granted (including Options exercised, cancelled and outstanding) to such person in any 12-month period up to and including the date of the grant (i) representing in aggregate over 0.1% (or such other percentage as may from time to time specified by the Stock Exchange) of the Shares in issue, and (ii) having an aggregate value, based on the closing price of the Shares at the date of the grant, in excess of HK$5 million, then the proposed grant of Options must be approved by the Shareholders on a poll in a general meeting.

4. Price of Shares

The exercise price for the Shares subject to Options will be a price determined by the Board ("**Exercise Price**") and notified to each Participant and shall be the highest of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the Options, which must be a Trading Day; (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five Trading Days immediately preceding the date of grant of the Options; and (iii) the nominal value of a Share.

5. Maximum number of Shares

The total number of Shares which may be issued upon the exercise of all Options to be granted under the Share Option Scheme and other schemes must not, in aggregate, exceed 10% of the Shares in issue (the "**Scheme Mandate Limit**") unless approved by the Shareholders pursuant to the terms of the Share Option Scheme. Options lapsed in accordance with the terms of the Share Option Scheme or other scheme will not be counted for the purpose of calculating the Scheme Mandate Limit. As at the date of this report, on the basis of 36,115,200 Shares in issue, the Scheme Mandate Limit will be equivalent to 3,611,520 Shares, representing 10% of the Shares in issue.

Subject to the approval of Shareholders in general meeting, the Company may renew the Scheme Mandate Limit to the extent that the total number of Shares which may be issued upon exercise of all Options to be granted under the Share Option Scheme and other schemes under the Scheme Mandate Limit as renewed must not exceed 10% of the Shares in issue as at the date of such Shareholders' approval provided that Options previously granted under the Share Option Scheme and other schemes (including those outstanding, cancelled, exercised or lapsed in accordance with the terms thereof) will not be counted for the purpose of calculating the Scheme Mandate Limit as renewed.

The Company may not grant any Options if the number of Shares which may be issued upon exercise of all outstanding Options granted and yet to be exercised under the Share Option Scheme and other schemes in aggregate exceeds 30% of the Shares in issue from time to time.

6. Time of exercise of Option

An Option may be exercised in accordance with the terms of the Share Option Scheme at any time during the applicable option period, provided that, among others, the period within which the Option must be exercised shall not be more than 10 years from the date of the grant of Option. The exercise of an Option may be subject to the achievement of performance target and/or any other conditions to be notified by the Board to each Participant, which the Board may in its absolute discretion determine.

7. Period of Share Option Scheme

The Share Option Scheme will be valid and effective for a period of ten years commencing on 30 May 2016, after which period no further Options may be granted but the provisions of the Share Option Scheme shall remain in full force and effect in all other respects and Options granted during the life of the Share Option Scheme may continue to be exercisable in accordance with their terms of issue.

No share option has been granted, cancelled or lapsed since the adoption of the Share Option Scheme and there was no share option outstanding as at 31 December 2022.

On 6 January 2023, 14,400,000 share options were granted to certain eligible participants to subscribe for shares of the Company under the Share Option Scheme. Please refer to the Company's announcement dated 6 January 2023 for further details. Subsequent to the Company's share consolidation implemented on 21 March 2023 and as at the date of this report, there are 720,000 outstanding share options granted under the Share Option Scheme entitling the holders thereof to subscribe for 720,000 shares of the Company at the exercise price of HK$0.42 per share.

As the share consolidation had taken effect on 21 March 2023, adjustments were made to the exercise prices and the number of shares of the Company falling to be issued in respect of the outstanding share options in accordance with the terms and conditions of the Share Option Scheme and the GEM Listing Rules. As at the date of this report, there are 1,680,000 share options available for future grant.

Particulars of the movement of options granted under the Share Option Scheme as at the date of this annual report are as follows (the Share price and number of Shares has been adjusted pursuant to the Share Consolidation):

Name	Capacity	Date of Grant	Vesting Period	Validity Period	Exercise Price (HK$/per share)	Shares granted during the Reporting Period	Shares exercised during the Reporting Period	Shares outstanding as at the date of this annual report
Tsang Hing Bun	Director	6 January 2023	6 January 2024	6 January 2023 to 5 January 2033	0.42	–	–	360,000
Grantee A	General manager of a subsidiary of the Group	6 January 2023			0.42	–	–	360,000

INTERESTS IN COMPETING BUSINESS

For the year ended 31 December 2022, none of the Directors or any of their respective close associates (all as defined under the GEM Listing Rules) are engaged in any business that competes or may compete, directly or indirectly, with the business of the Group or have any other conflicts of interest with the Group nor are they aware of any other conflicts of interest which any such persons has or may have with the Group.

BUSINESS ACTIVITIES IN SANCTIONED COUNTRIES

The United States ("**US**") government and other jurisdictions, including the European Union ("**EU**"), the United Nations and the Australian government, have comprehensive or broad economic sanctions targeting the Sanctioned Countries. "Sanctioned Countries" are those countries which are the targets of economic sanctions as administered by the U.S., the EU, the United Nations and Australia.

The Board had effectively monitored and evaluated our business exposure to sanctions risk, including (i) the establishment of a risk management committee (the "**Risk Management Committee**"), comprising Ms. Wei Ju, Mr. Shum Tsz Yeung, Mr. Hung Wai Che, Mr. Choi Ho Yan, Mr. Yiu Yu Hong John. The responsibilities of the Risk Management Committee include, among others, monitoring our exposure to sanctions risk and our implementation of the related internal control procedures; (ii) assigned members of our merchandising department and order processing department to review the information relating to our customer(s) or the counterparty(ies) of the contract (including its full name, country of incorporation or registration and country of shipment destination) before entering into any business transaction with any of them. Our designated staff will check the information of our customer(s) or the counterparty(ies) against various lists of restricted parties and countries maintained by the US, the EU, Australia or the United Nations, including, without limitation, any government, individual or entity that is the subject of any OFAC-administered sanctions (the "**International Sanctions List**"), and determine whether our customer(s) or the counterparty(ies) (i) is/are registered or operate(s) in the Sanctioned Countries; (ii) is/are owned or controlled by a sanctioned person; or (iii) has/have shipment destination which is located in the Sanctioned Countries.

During the year ended 31 December 2022 and up to the date of the annual report, none of our products were sold to any Sanctioned Countries. The Group has not entered into any sanctionable transactions that would or may expose our Group, the Stock Exchange, HKSCC, HKSCC Nominees and our shareholders or investors to any risk of being sanctioned. Also, the Company has not used any of the proceeds from the Placing as well as any other funding raised through the Stock Exchange to finance or facilitate, directly or indirectly, activities or business with, or for the benefit of, the Sanctioned Countries or any other government, individual or entity sanctioned by the US, the EU, Australia or the United Nations, which include, without limitation, any government, individual or entity that is the subject of any OFAC-administered sanction. During the year, the Company has maintained separate bank accounts in licensed banks in Hong Kong which are designated for proceeds from the Placing.

DIRECTORS' EMOLUMENT POLICY

The remuneration committee of the Company was established for reviewing the Group's emolument policy and structure for all remuneration of the Directors and senior management of the Group having regard to the Group's operating results, individual performance and comparable market standard and practices. The Company has adopted a share option scheme as an incentive to the Directors and eligible employees, details of which are set out in the section headed "Share Option Scheme" of this report.

CORPORATE GOVERNANCE

The Company is committed to maintain a high standard of corporate governance. Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 25 to 36.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and to the best knowledge of the Directors, the Company has maintained the prescribed public float under the GEM Listing Rules for the year ended 31 December 2022.

REPORT OF THE DIRECTORS

PERMITTED INDEMNITY PROVISION

Pursuant to the Articles of Association of the Company, subject to the applicable laws and regulations, every Director shall be indemnified and secured harmless out of the assets and profits of the Company against all actions, costs, charges, losses, damages and expenses which they or any of them may incur or sustain in or about the execution of their duty in their offices. Such permitted indemnity provision has been in force throughout the year. The Company has arranged appropriate directors' and officers' liability insurance coverage for the directors and officers of the Group.

AUDITOR

The consolidated financial statements for the year ended 31 December 2022 have been audited by Prism Hong Kong and Shanghai Limited (formerly known as UniTax Prism (HK) CPA Limited) ("**Prism**"). Prism will retire and, being eligible, offer themselves for reappointment at the forthcoming annual general meeting. A resolution to reappoint Prism and to authorise the Directors to fix its remuneration will be proposed at the forthcoming annual general meeting.

On behalf of the Board
Tsang Hing Bun
Executive Director

Hong Kong, 23 March 2023

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The corporate governance practices of Jimu Group Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") are based on the principles and the code provisions in the Corporate Governance Code (the "**CG Code**") as set out in Appendix 15 to the Rules ("**GEM Listing Rules**") Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited ("**Stock Exchange**").

During the year ended 31 December 2022, the Company has complied with all the applicable code provisions of the Code, except for the following deviations:

Code Provision D.2.1 of the CG Code provides that risk management committee should review the Group's effectiveness of the risk management and internal control systems at least annually. For the year ended 31 December 2022, a risk management committee meeting was not arranged between the risk management committee members due to the tight schedules of the risk management committee members. Although such meeting was not held during the reporting period, a risk management committee meeting was held on 9 February 2023 accordingly.

Code Provision A.5.1 of the Code (which has been re-numbered as Rules 5.36A of the GEM Listing Rules since 1 January 2022) requires the Nomination Committee to be chaired by the chairman of the board or an independent non-executive director and comprising a majority of independent non-executive directors. Following the resignation of Mr. Eric Todd and Mr. Lam Wai Hung on 12 February 2022 and 14 January 2022 respectively, the number of independent non-executive directors on the Board was less than three and the Audit Committee, Remuneration Committee and Nomination Committee did not comprise a majority of independent non-executive directors. The Company thereafter identified suitable replacements and appointed Mr. Choi Hoi Yan and Mr. Yiu Yu Hong John as independent non-executive Directors of the Company with effect from 12 February 2022 and 1 April 2022 respectively.

Subsequent to the resignation of Mr. Lam Wai Hung, the number and composition of independent non-executive directors failed to meet the requirements under (i) Rule 5.05(1) of the GEM Listing Rules which requires the board of directors must include at least 3 independent non-executive directors; (ii) Rule 5.05(A) of the GEM Listing Rules which requires the Company must appoint independent non-executive directors representing at least one-third of the board; (iii) Rule 5.05(2) of the GEM Listing Rules which requires at least one of the independent non-executive directors to have appropriate professional qualifications or accounting or related financial management expertise; and (iv) Rule 5.28 of the GEM Listing Rules which requires the audit committee to comprise a minimum of three members and at least one of whom is an independent non-executive director with appropriate professional qualifications or accounting or related financial management expertise as required in Rule 5.05(2) of the GEM Listing Rules, the majority of the audit committee members must be independent non-executive directors and the audit committee must be chaired by an independent non-executive director.

Following the appointment of Mr. Yiu Yu Hong John, the Company met all relevant requirements set out in Rule 5.05, Rule 5.05A and Rule 5.28 of the GEM Listing Rules.

CHAIRMAN AND THE CHIEF EXECUTIVE OFFICER

Currently, the positions of Chairman and Chief Executive Officer have been vacant but the Executive Director performs similar function as Chief Executive Officer. Besides, the Board directly, and indirectly through its committees, leads and provides direction to management by laying down strategies and overseeing their implementation by management. The Board monitors the Group's operating and financial performance and ensures that effective governance and corporate social responsibility and policies and sound internal control and risk management systems are in place. As such, the Board considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are comparable to those in the Code Provision.

The Board will continue to review and enhance its corporate governance practice of the Company to ensure compliance with the CG Code and align with the latest development.

APPOINTMENT, RE-ELECTION AND RETIREMENT OF THE DIRECTORS

In accordance with article 108 of the articles of association (the "**Articles**") of the Company, at each annual general meeting ("**AGM**") one-third of the Directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement at an AGM at least once every three years.

Pursuant to article 108(a) of the Articles, Ms. Wei Ju and Mr. Tsang Hing Bun will retire from office as Directors by rotation at the AGM and, being eligible will offer themselves for re-election.

Ms. Wei Ju being an executive Director, has entered into a service agreement with the Company for an initial term of one year commencing from 14 November 2021, which shall continue thereafter unless terminated by either party by giving not less than one months' prior written notice.

Mr. Tsang Hing Bun, being an executive Director, has entered into a service agreement with the Company for an initial term of one year commencing from 1 April 2022, which shall continue thereafter unless terminated by either party by giving not less than one month's prior written notice.

No Director proposed for re-election at the AGM has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Group has adopted the required standard of dealing, as set out in Rules 5.48 to 5.67 of the GEM Listing Rules, as the code of conduct for securities transactions by the Directors in respect of the shares of the Company. Having made specific enquiry of all Directors, all Directors have confirmed that they have complied with the required standard of dealing and the code of conduct for securities transactions by directors during the year ended 31 December 2022.

BOARD OF DIRECTORS

The Directors who held office during the year ended 31 December 2022 and as at the date of this report are as follows:

Executive Directors

Ms. Wei Ju
Mr. Tsang Hing Bun *(Note 1)*
Mr. Dong Jun *(Note 2)*
Mr. Huang Zexiong *(Note 3)*
Mr. Chen Zuze *(Note 4)*

Non-Executive Director

Mr. Shum Tsz Yeung

Independent Non-Executive Directors

Mr. Eric Todd *(Note 5)*
Mr. Lam Wai Hung *(Note 6)*
Mr. Hung Wai Che
Mr. Choi Ho Yan *(Note 7)*
Mr. Yiu Yu Hong John *(Note 8)*

Notes:

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

2. Mr. Dong Jun was appointed as an executive Director on 11 December 2017. Mr. Dong resigned as an executive Director on 4 May 2022 and ceased to be the chairman of the Board and the chairman of the nomination committee of the Board (the "**Nomination Committee**") on the same day.

3. Mr. Huang Zexiong was appointed as an executive Director on 5 June 2020. Mr. Huang resigned as an executive Director on 4 May 2022 and ceased to be the chief executive officer and the compliance officer of the Company, the chairman of the remuneration committee of the Board (the "**Remuneration Committee**") and a member of the risk management committee of the Board (the "**Risk Management Committee**") on the same day.

4. Mr. Chen Zuze was appointed as an executive Director on 18 September 2020. Mr. Chen resigned as an executive Director on 4 May 2022 and ceased to a member of the Risk Management Committee on the same day.

5. Mr. Eric Todd was appointed as an independent non-executive Director on 25 May 2021. Mr. Todd resigned as an independent non-executive Director on 12 February 2022 and ceased to be a member of each of the audit committee of the board (the "**Audit Committee**"), Remuneration Committee and Nomination Committee on the same day.

6. Mr. Lam Wai Hung was appointed as an independent non-executive Director on 25 May 2021. Mr. Lam resigned as an independent non-executive Director on 14 January 2022 and ceased to be a chairman of the Audit Committee and a member of each of the Remuneration Committee and the Nomination Committee on the same day.

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

8. Mr. Yiu Yu Hong John was appointed as an independent non-executive Director on 1 April 2022 and appointed as a member of each of the Audit Committee, the Remuneration Committee and the Nomination committee on the same day. Mr. Yiu was further appointed as the chairman of the Nomination Committee and the chairman of the Risk Management Committee on 4 May 2022.

The brief biographic details of the Directors are set out in the section headed "Biographies of Directors and Senior Management" on pages 37 to 39 of the annual report.

The Company has complied with the requirements under Rule 5.05(1) and (2), and 5.05A of the GEM Listing Rules during the year ended 31 December 2022. All independent non-executive Directors also meet the guidelines for assessment of their independence as set out in Rule 5.09 of the GEM Listing Rules.

FUNCTIONS OF THE BOARD

The Board supervises the management of the business and affairs of the Company. The Board's primary duty is to ensure the viability of the Company and to ensure that it is managed in the best interests of the Shareholders as a whole while taking into account the interests of other stakeholders. The management is delegated with the authority and responsibility by the Board for the management and administration of the Group. The Group has adopted internal guidelines in setting forth matters that require the Board's approval. Apart from its statutory responsibilities, the Board approves the Group's strategic plan, key operational initiatives, major investments and funding decisions. It also reviews the Group's financial performance, identifies principal risks of the Group's business and ensures implementation of appropriate systems to manage these risks. Daily business operations and administrative functions of the Group are delegated to the management.

The Board is also delegated with the corporate governance functions under code provision A.2.1 of the CG Code. The Board has reviewed and discussed the corporate governance policy of the Group and is satisfied with the effectiveness of the corporate governance policy.

BOARD MEETINGS AND PROCEDURES

Board members were provided with complete, adequate and timely information to allow them to fulfill their duties properly. In compliance with code provision C.5.3 of the CG Code, at least 14 days' notice has been given for a regular Board meeting to give all Directors an opportunity to attend. Notice, agenda and board papers of regular Board meetings are sent to all Directors within reasonable time and at least 3 days prior to the meetings. Directors are free to contribute and share their views at meetings and major decisions will only be taken after deliberation at Board meetings. Directors who are considered having conflict of interests or material interests in the proposed transactions or issues to be discussed will not be counted in the quorum of meeting and will abstain from voting on the relevant resolutions. Full minutes are prepared after the meetings and the draft minutes are sent to all Directors for their comments before the final version of which are endorsed in the subsequent Board meeting.

Details of the attendance of the Board meetings, audit committee (the "**Audit Committee**") meetings, remuneration committee (the "**Remuneration Committee**") meeting, nomination committee (the "**Nomination Committee**") meeting, risk management committee (the "**Risk Management Committee**") meeting and general meetings of the Company held during the year ended 31 December 2022 are summarized as follows:

	Board meeting	Audit Committee meeting	Remuneration Committee meeting	Nomination Committee meeting	Risk Management Committee meeting	Annual General meeting
Executive Directors						
Ms. Wei Ju	9/9	N/A	N/A	N/A	N/A	1/1
Mr. Tsang Hing Bun *(Note 1)*	5/5	N/A	N/A	N/A	N/A	1/1
Mr. Dong Jun *(Note 2)*	0/4	N/A	N/A	0/2	N/A	N/A
Mr. Huang Zexiong *(Note 3)*	1/4	N/A	1/2	N/A	N/A	N/A
Mr. Chen Zuze *(Note 4)*	1/4	N/A	N/A	N/A	N/A	N/A
Non-executive Director						
Mr. Shum Tsz Yeung	8/8	N/A	N/A	N/A	N/A	1/1
Independent Non-executive Directors						
Mr. Eric Todd *(Note 5)*	2/2	N/A	N/A	1/1	N/A	N/A
Mr. Lam Wai Hung *(Note 6)*	2/2	N/A	N/A	N/A	N/A	N/A
Mr. Hung Wai Che	9/9	4/4	2/2	2/2	N/A	1/1
Mr. Choi Ho Yan *(Note 7)*	6/6	4/4	2/2	2/2	N/A	1/1
Mr. Yiu Yu Hong *(Note 8)*	5/5	3/3	N/A	N/A	N/A	1/1

Notes:

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

2. Mr. Dong Jun was appointed as an executive Director on 11 December 2017. Mr. Dong resigned as an executive Director on 4 May 2022 and ceased to be the chairman of the Board and the chairman of the nomination committee of the Board (the "**Nomination Committee**") on the same day.

3. Mr. Huang Zexiong was appointed as an executive Director on 5 June 2020. Mr. Huang resigned as an executive Director on 4 May 2022 and ceased to be the chief executive officer and the compliance officer of the Company, the chairman of the remuneration committee of the Board (the "**Remuneration Committee**") and a member of the risk management committee of the Board (the "**Risk Management Committee**") on the same day.

4. Mr. Chen Zuze was appointed as an executive Director on 18 September 2020. Mr. Chen resigned as an executive Director on 4 May 2022 and ceased to a member of the Risk Management Committee on the same day.

5. Mr. Eric Todd was appointed as an independent non-executive Director on 25 May 2021. Mr. Todd resigned as an independent non-executive Director on 12 February 2022 and ceased to be a member of each of the audit committee of the board (the "**Audit Committee**"), Remuneration Committee and Nomination Committee on the same day.

6. Mr. Lam Wai Hung was appointed as an independent non-executive Director on 25 May 2021. Mr. Lam resigned as an independent non-executive Director on 14 January 2022 and ceased to be a chairman of the Audit Committee and a member of each of the Remuneration Committee and the Nomination Committee on the same day.

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

8. Mr. Yiu Yu Hong John was appointed as an independent non-executive Director on 1 April 2022 and appointed as a member of each of the Audit Committee, the Remuneration Committee and the Nomination committee on the same day. Mr. Yiu was further appointed as the chairman of the Nomination Committee and the chairman of the Risk Management Committee on 4 May 2022.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE FUNCTION

The Board recognises that corporate governance should be the collective responsibility of the Directors which includes:

(a) to review and monitor the Company's policies and practices in compliance with legal and regulatory requirements;

(b) to review and monitor the training and continuous professional development of the Directors and senior management;

(c) to develop, review and monitor the codes of conduct and compliance manuals applicable to employees and the Directors;

(d) to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board on such matters;

(e) to review the Company's compliance with the CG Code and disclosure in the corporate governance report; and

(f) to review and monitor the Company's compliance with the Company's whistleblowing policy.

BOARD COMMITTEES

The Board has established specific committees, namely the Audit Committee, the Remuneration Committee, the Nomination Committee and the Risk Management Committee to oversee particular aspects of the Company's affairs. The Board committees are provided with sufficient resources to discharge their duties.

The written terms of reference of the Audit Committee, the Remuneration Committee and the Nomination Committee are posted on the respective websites of the Stock Exchange and the Company.

AUDIT COMMITTEE

The Company established the Audit Committee on 11 May 2016 with written terms of reference in compliance with the code provisions of the Code. The primary duties of the Audit Committee are to make recommendation to the Board on the appointment and removal of external auditors; review financial statements and material advice in respect of financial reporting; and oversee internal control procedures of the Company.

The Audit Committee currently consists of three members, namely Mr. Choi Ho Yan (Chairman), Mr. Hung Wai Che and Mr. Yiu Yu Hong John, all being independent non-executive Directors (the "**Audit Committee**"). The Audit Committee had reviewed the first quarterly report of the Group for the three months ended 31 March 2022, the interim results of the Group for the six months ended 30 June 2022; the third quarterly results of the Group for the nine months ended 30 September 2022 and the final results for the year ended 31 December 2022 before submission to the Board for approval. The Audit Committee is of the view that the annual results complied with the applicable accounting standards, the requirements under the GEM Listing Rules and other applicable legal requirements, and that adequate disclosures had been made.

The Audit Committee held 4 meetings during the year ended 31 December 2022. Details of the attendance of the Audit Committee meetings are set out above.

REMUNERATION COMMITTEE

The Company established the Remuneration Committee on 11 May 2016 with written terms of reference in compliance with the code provisions of the Code. The primary duties of the Remuneration Committee are to make recommendation to the Board on the overall remuneration policy and structure relating to all Directors and senior management of our Group; review performance based remuneration; and ensure none of our Directors determine their own remuneration.

The Remuneration Committee currently consists of three members, namely Mr. Hung Wai Che (Chairman), Mr. Choi Ho Yan and Mr. Yiu Yu Hong John, being independent non-executive Directors (the "**Remuneration Committee**"). The majority of the members of the Remuneration Committee are independent non-executive Directors. The remuneration of the Directors was determined with reference to, among other things, market level of salaries paid by comparable companies, the respective responsibilities of the Directors and the performance of the Group. The Remuneration Committee makes recommendations to the Board on remuneration packages of individual executive Directors and the members of senior management.

The Remuneration Committee held 2 meetings during the year ended 31 December 2022. Details of the attendance of the Remuneration Committee meeting are set out above.

At the meeting, the Remuneration Committee had reviewed the remuneration packages and performance of the Directors and the senior management during the year ended 31 December 2022.

NOMINATION COMMITTEE

The Company established the Nomination Committee on 11 May 2016 with written terms of reference in compliance with the code provisions of the Code. The primary duties of the Nomination Committee are to review the structure, size and composition of the Board on regular basis; identify individuals suitably qualified to become Board members; assess the independence of independent non-executive Directors; and make recommendations to the Board on relevant matters relating to the appointment or re-appointment of Directors.

The Nomination Committee currently consists of three members, namely, Mr. Yiu Yu Hong John (Chairman), Mr. Hung Wai Che and Mr. Choi Ho Yan, being independent non-executive Directors (the "**Nomination Committee**"). The majority of the members of the Nomination Committee are independent non-executive Directors.

The Nomination Committee held 2 meetings during the year ended 31 December 2022. Details of the attendance of the Nomination Committee meeting are set out above.

At the meeting, the Nomination Committee had reviewed the structure, size and composition of the Board, assessed the independence of the independent non-executive Directors, reviewed the qualifications of the Directors, the progress on the implementation of the board diversity policy and other related matters of the Company.

RISK MANAGEMENT COMMITTEE

The Company established the Risk Management Committee on 11 May 2016. The primary duties of the Risk Management Committee are to review the Company's risk management policies and monitor the Company's exposure to sanctions law risks and our implementation of the related internal control procedures.

The Risk Management Committee currently consists of five members, namely Mr. Yiu Yu Hong John (Chairman), Ms. Wei Ju, Mr. Shum Tsz Yeung, Mr. Hung Wai Che and Mr. Choi Ho Yan (the "**Risk Management Committee**").

The Risk Management Committee did not held any meeting during the year ended 31 December 2022 due to the tight schedule of the Risk Management Committee member.

DIVERSITY OF THE BOARD

The Group has adopted policy in relation to the diversity of the members of the Board and the summary of the policy is as follows:

(1) selection of Board members will be based on a range of diversity perspectives, which would include but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service; and

(2) the Nomination Committee will monitor the implementation of the diversity policy from time to time to ensure the effectiveness of the diversity policy.

During the Reporting Period, the Group had appointed six Directors, one of which was female. The Nomination Committee was of the opinion that the Board consists of members with diversified gender, age, education background, professional/business experience, skills and knowledge.

The Board has actively identified individuals that are suitable and qualified to become Board members to fulfill the board diversity policy and enhance gender diversity on the Board. The Company will also proactively provide trainings to our senior management and will take into account the factor of gender diversity when recruiting suitable candidates for our senior management in the future, so to develop a pipeline of potential successors for the Board and enhance gender diversity in the Board in the coming years. The Company may also engage human resources agencies to identify potential successors for the Board and enhance gender diversity in the coming years, if necessary. The Board understands a single gender board will not consider diversity to be achieved. The Board intends to appoint another female director of a different gender no later than 31 December 2024.

INDEPENDENT NON-EXECUTIVE DIRECTORS

All independent non-executive Directors have been appointed for an unfixed term. Every Director is subject to re-election on retirement by rotation in accordance with the articles of association of the Company. The Company has received from each of the independent non-executive Directors an annual confirmation of independence pursuant to Rule 5.09 of the GEM Listing Rules and considers the independent non-executive Directors to be independent as at the date of the annual report.

DIRECTORS' INDUCTION AND CONTINUING PROFESSIONAL DEVELOPMENT

Each newly appointed Director receives a formal, comprehensive and tailored induction on the first occasion of his appointment to ensure that he has a proper understanding of the Company's operations and business and is fully aware of the director's responsibilities under the statues and common law, the GEM Listing Rules, legal and other regulatory requirements and the Company's business and governance policies. The Directors had attended training sessions on obligations, duties and responsibilities of directors conducted by the Company's Hong Kong legal advisers.

The Company will from time to time provide briefings to all Directors to refresh their duties and responsibilities. All Directors are also encouraged to attend relevant training courses at the Company's expense and they have been requested to provide the Company with their training records. According to the training records maintained by the Company, the trainings received by each of the Directors (including directors' induction training) up to 31 December 2022 are summarised as follows:

Name of Directors	Type of trainings
Mr. Dong Jun	N/A
Mr. Huang Zexiong	N/A
Mr. Chen Zuze	N/A
Ms. Wei Ju	B
Mr. Tsang Hing Bun	B
Mr. Shum Tsz Yeung	B
Mr. Eric Todd	N/A
Mr. Lam Wai Hung	N/A
Mr. Hung Wai Che	B
Mr. Yiu Yu Hong John	B

A: attending seminars/conferences/forums

B: reading newspapers, journals and updates relating to the economy, general business, corporate governance and directors' duties and responsibilities

COMPANY SECRETARY

Mr. Ngai Tsz Hin Michael has been appointed as the company secretary of the Company since 1 September 2021. In accordance with Rule 5.15 of the GEM Listing Rules, Mr. Ngai has taken no less than 15 hours of relevant professional training during the year ended 31 December 2022.

All Directors have access to the advice and services of the company secretary. The company secretary reports to the executive directors on board governance matters, and are responsible for ensuring that board procedures are followed, and for facilitating communications among Directors as well as with shareholders of the Company (the "Shareholders") and management.

COMPLIANCE OFFICER

Ms. Wei Ju, an executive Director, has been appointed as the compliance officer of the Group to oversee all compliance matters.

SENIOR MANAGEMENT'S AND MANAGEMENT'S REMUNERATION

The senior management's and management's remuneration payment of the Group during the year ended 31 December 2022 falls within the following bands:

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

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors are responsible for the preparation of the consolidated financial statements of the Group for each financial period to give a true and fair view of the state of affairs of the Group and of the results and cash flows for that period in accordance with accounting principles generally accepted in Hong Kong. The statement by the auditor of the Company about its responsibilities for the financial statements is set out in the independent auditor's report contained in the annual report. The Directors adopt the going concern approach in preparing the consolidated financial statements and are not aware of any material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

EXTERNAL AUDITOR'S REMUNERATION

The Company engaged UniTax Prism Hong Kong and Shanghai Limited ("**Prism**") as its principal auditor for the year ended 31 December 2022. There was no disagreement between the Board and the Audit Committee on the selection, appointment, resignation or dismissal of the principal auditor. During the year ended 31 December 2022, the fee payable to Prism in respect of its statutory audit services provided to the Group was HK$800,000.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledges that it is its duty to monitor the risk management and internal control systems of the Group on an ongoing basis and review their effectiveness. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

During the year ended 31 December 2022, the Board, through the Risk Management Committee, conducted review of both design and implementation effectiveness of the risk management and internal control systems of the Group, covering all material controls, including financial, operational and compliance controls, with a view to ensuring that resources, staff qualifications and experience, training programmes and budget of the Group's accounting, internal audit and financial reporting functions are adequate. In this respect, the Risk Management Committee communicates any material issues to the Board.

Our Enterprise Risk Management Framework

The Company established its enterprise risk management framework in 2016. While the Board has the overall responsibility to ensure that sound and effective internal controls are maintained, management is responsible for designing and implementing an internal control system to manage all kinds of risks faced by the Group.

Through the risk identification and assessment processes, risks are identified, assessed, prioritized and allocated treatments. Our risk management framework follows the COSO Enterprise Risk Management – Integrated Framework, which allows the Board and management to manage the risks of the Group effectively. The Board receives regular reports through the Risk Management Committee that oversights risk management and internal audit functions.

Our Risk Control Mechanism

The Group adopts a "three lines of defence" corporate governance structure with operational management and controls performed by operations management, coupled with risk management monitoring carried out by the finance and compliance team and independent internal audit outsourced to and conducted by an independent external consultant. The Group maintains a risk register to keep track of all identified major risks of the Group. The risk register provides the Board, the Risk Management Committee, and management with a profile of its major risks and records management's action taken to mitigate the relevant risks. Each risk is evaluated at least annually based on its likelihood of occurrence and potential impact upon the Group. The risk register is updated by management as the risk owners with addition of new risks and/or removal of existing risks, if applicable, at least annually, after the annual risk evaluation has been performed. This review process can ensure that the Group proactively manages the risks faced by it in the sense that all risk owners have access to the risk register and are aware of and alert to those risks in their area of responsibility so that they can take follow-up action in an efficient manner.

Our risk management activities are performed by management on an ongoing process. The effectiveness of our risk management framework will be evaluated at least annually, and periodic management meeting is held to update the progress of risk monitoring efforts. Management is committed to ensuring that risk management forms part of the daily business operation processes in order to align risk management with corporate goals in an effective manner.

The Company will continue to engage external independent professionals to review the Group's system of internal controls and risk management annually and further enhance the Group's internal control and risk management systems as appropriate.

There is currently no internal audit function within the Group. The directors have reviewed the need for an internal audit function and are of the view that in light of the size, nature and complexity of the business of the Group, it would be more cost effective to appoint external independent professionals to perform internal audit function for the Group in order to meet its needs. Nevertheless, the directors will continue to review at least annually the need for an internal audit function.

The Company has developed its disclosure policy which provides a general guide to the Directors, senior management and relevant employees of the Company in handling confidential information, monitoring information disclosure and responding to enquiries. Control procedures have been implemented to ensure that unauthorized access and use of inside information are strictly prohibited.

THE SHAREHOLDERS' RIGHTS TO CONVENE AN EXTRAORDINARY GENERAL MEETING

Pursuant to article 64 of the Articles, extraordinary general meetings shall be convened on the requisition of one or more Shareholders holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Board or the company secretary of the Company for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within 2 months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner.

COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

In order to keep Shareholders well informed of the business activities and direction of the Group, information about the Group has been provided to the Shareholders through financial reports and announcements. The Company has established its own corporate website (www.jimugroup8187.com) as a channel to facilitate effective communication with its Shareholders and the public. The Company will continue to enhance communications and relationships with its Shareholders and investors. A shareholder communication policy was adopted on 11 May 2016 to comply with code the CG Code.

Shareholders, investors and interested parties can make enquiries directly to the Company through the following e-mail: info@jimugroup8187.com

PROCEDURES FOR DIRECTING SHAREHOLDERS' ENQUIRIES TO THE BOARD

Shareholders may at any time send their enquiries and concerns to the Board in writing. Contact details are as follows:

Jimu Group Limited

Address:	Unit 06, 12th Floor, The Broadway, No. 54–62 Lockhart Road, Hong Kong
Tel:	(852) 3905-1878
Fax:	(852) 3461-9787
E-mail:	info@jimugroup8187.com

Shareholders' enquiries and concerns will be forwarded to the Board and/or relevant committees of the Board, where appropriate, to answer the Shareholders' questions.

The Company keeps on promoting investor relations and enhancing communication with the existing shareholders and potential investors. It welcomes suggestions from investors, stakeholders and the public. The Company reviewed the implementation and effectiveness of the shareholders' communication policy and considered it to be effective for the year ended 31 December 2022 in the light of the foregoing communication channels.

PROCEDURES FOR PUTTING FORWARD PROPOSALS AT GENERAL MEETINGS BY SHAREHOLDERS

Pursuant to article 113 of the Articles, no person (other than a retiring Director) shall be eligible for election to the office of Director at any general meeting unless a notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected shall have been lodged at the head office or at the office of the branch share registrar and transfer office of the Company in Hong Kong no earlier than the day after the despatch of the notice of the general meeting appointed for such election and end no later than 7 days prior to the date of such general meeting and the minimum length of the period during which such notices to the Company may be given will be at least 7 days. The procedures for Shareholders to propose a person for election as a Director is posted on the website of the Company.

DIVIDEND POLICY

The Directors shall consider the following factors before declaring or recommending dividends:

1. the Company's actual and expected financial performance;
2. retained earnings and distributable reserves of the Company and each of the members of the Group;
3. the Group's working capital requirements, capital expenditure requirements and future expansion plans;
4. the Group's liquidity position;
5. general economic conditions, business cycle of the Group's business and other internal or external factors that may have an impact on the business or financial performance and position of the Company; and
6. other factors that the Board deems relevant.

SIGNIFICANT CHANGES IN CONSTITUTIONAL DOCUMENTS

There had been no significant changes in the constitutional documents of the Company during the year ended 31 December 2022.

WHISTLE-BLOWING POLICY AND ANTI-CORRUPTION

The Group has formulated policy on whistle-blowing and anti-corruption to handle advices and complaints from the employees. Details of which are disclosed in the ESG report published on the websites of the Stock Exchange at www.hkexnews.com.hk and the Company at www.jimugroup8187.com.

DIRECTORS

Executive Directors

Ms. Wei Ju (韋菊)
Executive Director

Ms. Wei, aged 29, was appointed as an executive Director on 14 November 2021. Ms. Wei has studied administrative management in Guangdong Ocean University and graduated in June 2015. Ms. Wei has over 5 years of experience in asset management and administrative work. She was a director assistant in Shenzhen Baoliqin Information consulting Co., Ltd* (深圳市寶利勤資訊諮詢有限公司) from 2015 to 2018. She was also work as an investment manager in Shenwan hongyuan securities Co., Ltd* (申萬宏源證券深圳分公司) from 2018 to 2019. Since 2019, she has been a director of marketing in Shenzhen Hongji Tai Fu Asset Management Co., Ltd.* (深圳市泓基泰富資產管理有限公司).

Mr. Tsang Hing Bun (曾慶贇)
Executive Director

Mr. Tsang, aged 43, was appointed as an executive Director on 1 April 2022. Mr. Tsang holds a Bachelor Degree of Social Science from the Chinese University of Hong Kong and a Master of Science Degree in Finance from City University of Hong Kong. He has more than 20 years of experience in audit, accounting, corporate finance and compliance. Mr. Tsang is a member of The Hong Kong Institute of Certified Public Accountants, an associate member of The Hong Kong Institute of Chartered Secretaries and The Chartered Governance Institute. He is also a financial risk manager granted by Global Association of Risk Professionals. He has been an executive director of Kingkey Intelligence Culture Holdings Limited (stock code: 550), a company listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") since September 2015, and a non-executive director of Sino Oil and Gas Holdings Limited (stock code: 702), a company listed on the Main Board of the Stock Exchange since August 2020, and a non-independent non-executive director of HMVOD Limited (stock code: 8103), a company listed on the GEM Board of the Stock Exchange since July 2022 and an independent non-executive director of Teamway International Group Holdings Limited (stock code: 1239), a company listed on the Main Board of the Stock Exchange since January 2023. He had been an executive director of Carry Wealth Holdings Limited (stock code: 643), a company listed on the Main Board of the Stock Exchange from July 2022 to January 2023.

Non-Executive Director

Mr. Shum Tsz Yeung (岑子揚)
Non-Executive Director

Mr. Shum, aged 44, was appointed as a non-executive Director on 14 November 2021. He has over 20 years of experience in accounting, auditing, advisory on corporate governance, internal control, financial management and business administration. He is currently a chief financial officer of Sang Hing Holdings (International) Limited (stock code: 1472), a company listed on the Main Board of the Stock Exchange since July 2018.

* *For reference purposes only, the Chinese names of the PRC entities and terms have been translated into English in this report. In the event of any discrepancies between the Chinese names of the PRC entities and terms and their English translation, the Chinese version shall prevail.*

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Independent Non-Executive Directors

Mr. Hung Wai Che (孔偉賜)
Independent Non-Executive Director

Mr. Hung, aged 46, was appointed as an independent non-executive Director on 30 December 2021. Mr. Hung has over 14 years of experience in legal field and operating and managing various energy and recycling projects including power station and oil refinery factories in China and Hong Kong. He graduated from the University of Wales, Aberystwyth, United Kingdom with Honours Degree in Law. Since August 2016, Mr. Hung is the independent non-executive director of Kingkey Financial International (Holdings) Limited (stock code: 1468), a company listed on the Main Board of the Stock Exchange.

Mr. Choi Ho Yan (蔡浩仁)
Independent Non-Executive Director

Mr. Choi, aged 46, was appointed as an independent-non-executive Director on 12 February 2022. Mr. Choi has over 24 years of extensive experience in accounting, auditing, corporate finance and restructuring, investor relations, and project acquisitions. He also has experience in serving listed companies operating in Mainland China, Hong Kong and Singapore. He graduated from University of Hertfordshire, the United Kingdom in July 1998 with a bachelor of arts. Since May 2013, Mr. Choi has been serving as an independent non-executive director of Time Watch Investments Limited (stock code: 2033). From March 2020 to March 2021, Mr. Choi served as an independent non-executive director of Long Well International Holdings Limited ("**Long Well**") (stock code: 850). From June 2020 to November 2022, Mr. Choi served as an independent non-executive director of China Saite Group Company Limited (stock code: 153).

Mr. Yiu Yu Hong John (姚宇航)
Independent Non-Executive Director

Mr. Yiu, aged 38, was appointed as an independent non-executive Director on 1 April 2022. He is responsible for supervising and providing independent advice on the operation and management of the Group. He is also the chairman of the risk management committee and a member to each of the audit committee, nomination committee and remuneration committee of the board.

Mr. Yiu has over 10 years of experience in steel trading industry, business strategy and experience on corporate governance and risk management. Mr. Yiu is the founder member and work as a general manager at Asia Delicious Food Holdings Limited since June 2017. He joined Sum Kee Metal Company Limited as Chief Warehouse Officer since July 2010. He obtained a diploma of Culinary Arts from Pacific Institute of Culinary Arts in Canada.

COMPANY SECRETARY

Mr. Ngai Tsz Hin Michael (倪子軒)

Mr. Ngai Tsz Hin Michael obtained his Bachelor of Laws and postgraduate certificate in laws from City University of Hong Kong in 2011 and 2012, respectively. He is a practicing solicitor in Hong Kong, and currently a principal of Michael Ngai & Co., a partner of Khoo & Co. and a consultant of O Tse & Co.. He currently serves as the company secretary of various companies listed on the Stock Exchange.

CHANGE IN DIRECTORS' BIOGRAPHICAL DETAILS UNDER RULE 17.50A(1) OF THE GEM LISTING RULES

During the reporting period and as at the date of this report, Mr. Choi from June 2020 to November 2022 has served as an independent non-executive director of China Saite Group Company Limited (stock code: 153), a company listed on the Main Board of the Stock Exchange.

Mr. Tsang was a non-independent non-executive director of HMVOD Limited (stock code: 8103), a company listed on the GEM Board of the Stock Exchange since July 2022 and an independent non-executive director of Teamway International Group Holdings Limited (stock code: 1239), a company listed on the Main Board of the Stock Exchange since January 2023. He had been an executive director of Carry Wealth Holdings Limited (stock code: 643), a company listed on the Main Board of the Stock Exchange from July 2022 to January 2023.

Save for the aforesaid, there has been no change in Director's biographical details which are required to be disclosed pursuant to Rule 17.50A(1) of the GEM Listing Rules.

INDEPENDENT AUDITOR'S REPORT

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

OPINION

We have audited the consolidated financial statements of Jimu Group Limited (the "Company") and its subsidiaries (hereafter collectively referred to as the "Group") set out on pages 45 to 123, which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Prism Hong Kong and Shanghai Limited
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www.prism.com.hk

KEY AUDIT MATTER

Key audit matter is that matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements of the current period. This matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

Valuation of inventories

Refer to notes 4 and 16 to the consolidated financial statements and the accounting policies on page 64.

Key audit matter	How our audit addressed the key audit matter
We identified the valuation of inventories as a key audit matter due to the use of judgements in identifying obsolete and slow moving inventories and determining the net realisable value ("NRV") which are based on conditions and the marketability of the inventories. NRV represents the estimated selling prices in the ordinary course of business, less estimated selling expenses. The Group carried out the inventory review at the end of the reporting period and made the necessary allowance on obsolete and slow moving items so as to write off or write down inventories to their NRVs. As at 31 December 2022, the carrying amount of inventories is approximately HK$17,184,000, no impairment provisions have been made.	Our procedures in relation to management's NRV assessment of NRV of inventories included: – evaluated the management's assessment of the conditions and the marketability of the obsolete and slow moving inventories and identify any valuation risk of inventories. – assessed the reasonableness of the basis of determining the NRV and evaluate the condition and marketability of the inventories adopted by the management. We have tested the subsequent sales on a sample basis, to source documents. We have also assessed the sufficiency of allowance on obsolete and slow moving inventories made by management where the estimated NRV is lower than the cost with reference to the latest selling price, on a sampling basis.

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INDEPENDENT AUDITOR'S REPORT

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS OF THE COMPANY AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors of the Company determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors of the Company.

- Conclude on the appropriateness of the Company's directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matter. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Dai Tin Yau.

Prism Hong Kong and Shanghai Limited
Certified Public Accountants
Dai Tin Yau
Practising Certificate Number: P06318
Hong Kong
23 March 2023

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CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2022

	NOTES	**2022** **HK$'000**	2021 HK$'000
Revenue from goods and services	5	**31,400**	9,331
Cost of inventories sold		**(27,470)**	(5,189)
Other income	7A	**381**	1,254
Other gains and losses	7B	**(320)**	376
Impairment losses under expected credit loss model, net of reversal		**(1,293)**	(1,002)
Employee benefits expenses		**(3,072)**	(13,336)
Other operating expenses		**(4,437)**	(9,273)
Finance costs	8	**(900)**	(424)
Loss before tax		**(5,711)**	(18,263)
Income tax credit	9	**423**	3,380
Loss for the year	10	**(5,288)**	(14,883)
Other comprehensive income			
Item that will not be reclassified to profit or loss:			
Exchange differences on translation from functional currency to presentation currency		**135**	70
Total comprehensive expense for the year		**(5,153)**	(14,813)
			(Restated)
Loss per share			
Basic and diluted (HK$)	13	**(0.18)**	(0.59)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2022

	NOTES	2022 HK$'000	2021 HK$'000
Non-current assets			
Plant and equipment	14	**14**	140
Right-of-use assets	15	**2,549**	283
Rental deposits	18	**270**	144
Contract assets	19	**–**	32
Deferred tax assets	28	**231**	296
		3,064	895
Current assets			
Inventories	16	**17,184**	12,156
Trade receivables	17	**6,455**	2,986
Other receivables, prepayments and deposits	18	**860**	866
Contract assets	19	**–**	1,519
Bank balances and cash	20	**2,011**	3,485
		26,510	21,012
Current liabilities			
Trade payables	21	**4,405**	9,792
Other payables and accruals	22	**9,457**	7,813
Interest-bearing borrowings	23	**–**	8,026
Lease liabilities	24	**1,659**	789
Contract liabilities	25	**20**	746
Refund liabilities	26	**–**	6
		15,541	27,172
Net current assets (liabilities)		**10,969**	(6,160)
Total assets less current liabilities		**14,033**	(5,265)
Non-current liabilities			
Lease liabilities	24	**1,238**	486
Contract liabilities	25	**–**	3
Interest-bearing borrowings	23	**11,560**	–
Deferred tax liabilities	28	**–**	490
		12,798	979
Net assets (liabilities)		**1,235**	(6,244)
Capital and reserves			
Share capital	29	**7,223**	5,016
Reserves and accumulated losses		**(5,988)**	(11,260)
Total equity (capital deficiency)		**1,235**	(6,244)

The consolidated financial statements on pages 45 to 123 were approved and authorised for issue by the board of directors on 23 March 2023 and are signed on its behalf by:

TSANG HING BUN
DIRECTOR

HUNG WAI CHE
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2022

	Share capital HK$'000	Share premium HK$'000	Translation reserve HK$'000	Capital reserve HK$'000 (Note a)	Statutory reserve HK$'000 (Note b)	Accumulated losses HK$'000	Total HK$'000
At 1 January 2021	5,016	55,784	148	4,950	1,630	(58,959)	8,569
Loss for the year	–	–	–	–	–	(14,883)	(14,883)
Exchange differences on translation from functional currency to presentation currency	–	–	70	–	–	–	70
Total comprehensive income (expense) for the year	–	–	70	–	–	(14,883)	(14,813)
At 31 December 2021 and 1 January 2022	5,016	55,784	218	4,950	1,630	(73,842)	(6,244)
Loss for the year	–	–	–	–	–	(5,288)	(5,288)
Exchange differences on translation from functional currency to presentation currency	–	–	135	–	–	–	135
Total comprehensive income (expense) for the year	–	–	135	–	–	(5,288)	(5,153)
Placing of new shares (Note c)	2,207	10,935	–	–	–	–	13,142
Transaction costs attributable to placing of new shares (Note c)	–	(510)	–	–	–	–	(510)
Release of translation reserve	–	–	(175)	–	–	175	–
At 31 December 2022	7,223	66,209	178	4,950	1,630	(78,955)	1,235

Notes:

(a) 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; (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$5,017,000 representing the waiver of amount due to a former director, pursuant to the deed of waiver agreement entered into between the former director and Ever Smart International Enterprise Limited, a wholly-owned subsidiary of the Group, during the year ended 31 December 2020.

(b) According to the relevant rules and regulations in the People's Republic of China (the "PRC"), each of the Company's subsidiaries in the PRC shall transfer 10% of their net income after taxation, based on the PRC statutory accounts of the respective subsidiary, as statutory reserves, until the balance reaches 50% of the respective subsidiary's registered capital. Further appropriations can be made at the directors' discretion. The statutory reserves can be used to offset any accumulated losses or convert into paid-up capital of the respective subsidiary.

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

Moreover, on 24 November 2022, the Company and a placing agent entered into a placing agreement pursuant to which the Company has conditionally agreed to place a maximum of 120,384,000 placing shares to independent investors at a price of HK$0.02 per share. The placing was completed on 14 December 2022 pursuant to which the Company has allotted and issued 120,384,000 placing shares. The net proceeds derived from the placing amounted to approximately HK$2,368,000 and resulted in the increase in share capital of HK$1,204,000 and share premium of approximately HK$1,204,000, net of transaction costs of approximately HK$40,000.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2022

	2022 HK$'000	2021 HK$'000
OPERATING ACTIVITIES		
Loss before tax	**(5,711)**	(18,263)
Adjustments for:		
Depreciation of plant and equipment	**121**	160
Depreciation of right-of-use assets	**259**	36
Finance costs	**900**	424
Gain on disposal of plant and equipment, net	**–**	(52)
Gain on termination of lease liabilities, net	**–**	(422)
Impairment losses recognised on		
– financial assets and other items under expected credit loss model	**1,293**	1,002
Interest income	**(1)**	(72)
Operating cash flows before movements in working capital	**(3,139)**	(17,187)
Increase in inventories	**(5,326)**	(12,156)
Increase in trade receivables	**(3,751)**	(2,150)
(Increase) decrease in other receivables, prepayments and deposits	**(171)**	2,206
Decrease (increase) in contract assets	**187**	(52)
(Decrease) increase in trade payables	**(5,329)**	8,839
Increase (decrease) in other payables and accruals	**2,417**	(775)
Decrease in contract liabilities	**(715)**	(1,070)
Decrease in refund liabilities	**(6)**	(1,552)
Cash used in operations	**(15,833)**	(23,897)
Income tax refund	**–**	220
NET CASH USED IN OPERATING ACTIVITIES	**(15,833)**	(23,677)
INVESTING ACTIVITIES		
Interest received	**1**	72
Proceeds from disposal of plant and equipment	**–**	60
NET CASH FROM INVESTING ACTIVITIES	**1**	132

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2022

	2022 HK$'000	2021 HK$'000
FINANCING ACTIVITIES		
Proceeds from borrowings raised	**11,500**	8,000
Repayment to a fellow subsidiary	**–**	(6,998)
Repayment of interest-bearing borrowings	**(8,000)**	–
Repayment of amount due to a former director	**–**	(440)
Interest paid	**(640)**	(424)
Repayment of lease liabilities	**(1,074)**	(261)
Proceeds from placing of new shares	**13,142**	–
Transaction costs attributable to placing of new shares	**(510)**	–
NET CASH FROM (USED IN) FINANCING ACTIVITIES	**14,418**	(123)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(1,414)**	(23,668)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**3,485**	26,831
Effect of foreign exchange rate changes	**(60)**	322
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, REPRESENTED BY BANK BALANCES AND CASH	**2,011**	3,485

1. GENERAL INFORMATION

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 GEM of The Stock Exchange of Hong Kong Limited. The registered office of the Company is Windward 3, Regatta Office Park, PO Box 1350, Grand Cayman KY1-1108, Cayman Islands. The principal place of business of the Company is Unit 06, 12th Floor, The Broadway, No. 54–62 Lockhart Road, Wan Chai, Hong Kong.

The Company is an investment holding company. The Company and its subsidiaries (hereafter collectively referred to as the "Group") is principally engaged in the footwear and apparel business and the provision of loan facilitation services. The principal activities and other particulars of its principal subsidiaries as at 31 December 2022 are set out in Note 37 to the consolidated financial statements.

In 2022, in view of the Group's expansion of footwear and apparel business and continuous operations of loan facilitation services in the People's Republic of China (the "PRC"), the directors (the "Directors") of the Company reassessed the functional currency of the Company and determined that Hong Kong dollars ("HK$") better reflects the economic substance of the Company and its business activities as an investment holding company with subsidiaries mainly operating in Hong Kong. Accordingly, the functional currency of the Company was prospectively changed from Renminbi ("RMB") to HK$ with effective from 1 January 2022. For the convenience of the consolidated financial statements users, the consolidated financial statements are presented in HK$.

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

Amendments to HKFRSs that are mandatory effective for the year

In the current year, the Group has applied, for the first time, the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), which are effective for the Group's financial year beginning 1 January 2022:

Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021
Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKAS 16	Property, plant and Equipment: Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020 cycle

The application of the amendments to HKFRSs in the current year has had no material effect on the Group's financial performance and positions for the current and prior periods and/or on the disclosures set out in these consolidated financial statements.

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

New and amendments to HKFRSs issued but not yet effective

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

HKFRS 17 (including the October 2020 and February 2022 amendments to HKFRS 17)	Insurance Contracts and related Amendments[1]
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and the related amendments to Hong Kong Interpretation 5 (2020) Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause[2]
Amendments to HKAS 1	Non-current Liabilities with Covenants[2]
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies[1]
Amendments to HKAS 8	Definition of Accounting Estimate[1]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[1]

[1] Effective for annual periods beginning on or after 1 January 2023.
[2] Effective for annual periods beginning on or after 1 January 2024.
[3] Effective for annual period beginning on or after a date to be determined.

The Directors anticipate that the application of the new and amendments to HKFRSs will have no material impact on the results and the financial position of the Group.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation of consolidated financial statements

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis at the end of each reporting period. These financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand except when otherwise indicated.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. Details of fair value measurement are explained in the accounting policies set out below.

The significant accounting policies are set out below.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES – continued

3.2 Significant accounting policies

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries.

Control is achieved where the Group has: (i) the power over the investee; (ii) exposure, or rights, to variable returns from its involvement with the investee; and (iii) the ability to use its power over the investee to affect the amount of the Group's returns.

When the Company has less than a majority of the voting rights of an investee, it considers that it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- The size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;

- Potential voting rights held by the Company, other vote holders or other parties;

- Rights arising from other contractual arrangements; and

- Any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

The Group reassess whether it controls an investee if facts and circumstances indicate that there are changes to one or more of these elements of control stated above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and cease when the Group loses control of the subsidiary.

Income and expenses of subsidiaries are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income of subsidiaries are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between entities of the Group are eliminated in full on consolidation.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES – continued

3.2 Significant accounting policies – continued

Revenue from contracts with customers

Revenue is recognised to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Group uses a five-step approach to recognise revenue:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Revenue recognition when (or as) the Group satisfies a performance obligation.

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

Revenue is measured based on the consideration specified in a contract with a customer, excludes amounts collected on behalf of third parties and sales related taxes.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES – continued

3.2 Significant accounting policies – continued

Revenue from contracts with customers – continued

Contract assets and contract liabilities

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9 Financial Instruments ("HKFRS 9"). In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

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

The Group recognised revenue from the following major sources:

i. Service income from loan facilitation and credit assessment services

ii. Sales of footwear and apparel

Sales of goods

Revenue from sales of footwear and apparel is recognised at the point when the control of the goods is transferred to the customers (generally on delivery of product).

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES – continued

3.2 Significant accounting policies – continued

Revenue from contracts with customers – continued

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

The Group provides loan facilitation services which include pre-loan and post-loan facilitation services, where the pre-loan and post-loan facilitation services are bundled together.

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

The stand-alone selling price of the distinct service underlying each performance obligation is determined at contract inception. It represents the price at which the Group would sell a promised service separately to a customer. If a stand-alone selling price is not directly observable, the Group estimates it using appropriate techniques such that the transaction price ultimately allocated to any performance obligation reflects the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised service to the customer.

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation

Input method

The progress towards complete satisfaction of a performance obligation is measured based on input method, which is to recognise revenue on the basis of the Group's efforts or inputs to the satisfaction of a performance obligation relative to the total expected inputs to the satisfaction of that performance obligation, that best depict the Group's performance in transferring control of goods or services.

Variable consideration

For contracts that contain variable consideration, the Group estimates the amount of consideration to which it will be entitled using either (a) the expected value method or (b) the most likely amount, depending on which method better predicts the amount of consideration to which the Group will be entitled.

The estimated amount of variable consideration is included in the transaction price only to the extent that it is highly probable that such an inclusion will not result in a significant revenue reversal in the future when the uncertainty associated with the variable consideration is subsequently resolved.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES – continued

3.2 Significant accounting policies – continued

Revenue from contracts with customers – continued

Variable consideration – continued

At the end of each reporting period, the Group updates the estimated transaction price (including updating its assessment of whether an estimate of variable consideration is constrained) to represent faithfully the circumstances present at the end of the reporting period and the changes in circumstances during the reporting period.

Refund liabilities

When a contract provides a customer with a right to return the goods within a specified period, the consideration received from the customer is variable because the contract allows the customer to return the products. The Group used the expected value method to estimate the goods that will not be returned. For goods expected to be returned, the Group presented a refund liability as "refund liabilities" as a separate line item.

Principal versus agent

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

The Group is a principal if it controls the specified good or service before that good or service is transferred to a customer. The Group is an agent if its performance obligation is to arrange for the provision of the specified good or service by another party.

Commission income/consultancy income

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES – continued

3.2 Significant accounting policies – continued

Leasing

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group as a lessee

The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less from the commencement date and do not contain a purchase option) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

Lease liabilities

At the commencement date of a lease, the Group measures lease liability at the present value of lease payments that are not paid at that date. The lease payment are discounted by using the interest rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable.

The Group presents lease liabilities as a separate line item in the consolidated statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

Lease liability is remeasured (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

- the lease payments change due to changes in market rental rates following a market rent review, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES – continued

3.2 Significant accounting policies – continued

Leasing – continued

The Group as a lessee – continued

Right-of-use assets

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement date and any initial direct costs, less lease incentives received. Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, provision is recognised and measured under HKAS 37 Provision, Contingent Liabilities and Contingent Assets. The costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any measurement of lease liabilities. They are depreciated over the shorter period of lease term and useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The Group presents right-of-use assets as a separate line item in the financial position.

The Group applies HKAS 36 Impairment of Assets to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss.

Lease modification

Except for Covid-19-related rent concessions in which the Group applied the practical expedient, the Group accounts for a lease modification as a separate lease if:

- The modification increases the scope of the lease by adding the right to use one or more underlying assets; and

- The consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES – continued

3.2 Significant accounting policies – continued

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. HK$) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve.

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss.

Exchange differences relating to the retranslation of the Group's net assets in RMB to the Group's presentation currency (i.e. HK$) are recognised directly in other comprehensive income and accumulated in translation reserve. Such exchange differences accumulated in the translation reserve are not reclassified to profit or loss subsequently.

The change in functional currency of the Company was applied prospectively from the date of change. All items were translated into HK$ 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 will not reclassified from equity to profit or loss until the disposal of the relevant operations.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES – continued

3.2 Significant accounting policies – continued

Borrowing costs

All borrowing costs not directly attributable to the acquisition, construction, or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are recognised in profit or loss in the period in which they are incurred.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from loss before tax because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES – continued

3.2 Significant accounting policies – continued

Taxation – continued

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 Income Taxes requirements to right-of-use assets and lease liabilities separately. Temporary differences on initial recognition of the relevant right-of-use assets and lease liabilities are not recognised due to application of the initial recognition exemption. Temporary differences arising from subsequent revision to the carrying amounts of right-of-use assets and lease liabilities, resulting from remeasurement of lease liabilities and lease modifications, that are not subject to initial recognition exemption are recognised on the date of remeasurement or modification.

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

Current and deferred tax are recognised in profit or loss.

Short-term employee benefits

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

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

Retirement benefit costs

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES – continued

3.2 Significant accounting policies – continued

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group; or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES – continued

3.2 Significant accounting policies – continued

Plant and equipment

Plant and equipment are tangible assets that are held for administrative purpose are stated in the consolidated statement of financial position at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of assets less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Impairment on plant and equipment and right-of-use assets

At the end of the reporting period, the Group reviews the carrying amounts of its plant and equipment and right-of-use assets to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss, if any.

The recoverable amount of plant and equipment and right-of-use assets are estimated individually. When it is not possible to estimate the recoverable amount of an asset individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, corporate assets are allocated to the relevant cash-generating unit when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of cash-generating units.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES – continued

3.2 Significant accounting policies – continued

Impairment on plant and equipment and right-of-use assets – continued

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit or a group of cash-generated units) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit or a group of cash-generated units) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost of inventories sold are calculated using the weighted average method. Net realisable value of inventories represents the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

Cash and cash equivalents

Bank balances and cash in the consolidated statement of financial position comprise cash on hand and cash at banks with a maturity of three months or less.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash at banks, as defined above.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES – continued

3.2 Significant accounting policies – continued

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets. Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income ("FVTOCI") and fair value through profit or loss ("FVTPL").

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them.

Classification and subsequent measurement of financial assets

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES – continued

3.2 Significant accounting policies – continued

Financial instruments – continued

Financial assets – continued

Amortised cost and interest income

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

For financial assets, the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses ("ECL"), through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

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

Interest income is recognised in profit or loss and is included in the "Other income" line item.

Impairment of financial assets and other item subject to impairment assessment under HKFRS 9

The Group performs impairment assessment under ECL model on financial assets (including trade receivables, other receivables and deposits and bank balances), and contract assets which are subject to impairment assessment under HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial assets.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES – continued

3.2 Significant accounting policies – continued

Financial instruments – continued

Financial assets – continued

Impairment of financial assets and other item subject to impairment assessment under HKFRS 9 – continued

The Group always recognises lifetime ECL for trade receivables and contract assets. The ECL on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless there has been a significant increase in credit risk since initial recognition, in which case, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects obtained from financial analysts as well as consideration of various external sources of actual and forecast economic information that relate to the Group's operations.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES – continued

3.2 Significant accounting policies – continued

Financial instruments – continued

Financial assets – continued

Impairment of financial assets and other item subject to impairment assessment under HKFRS 9 – continued

(i) Significant increase in credit risk – continued

- an actual or expected significant deterioration in the operating results of the debtor;

- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if i) the financial instrument has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term, and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument have low credit risk when the asset has external credit rating of 'investment grade' in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of 'performing'. Performing means that the counterparty has a strong financial position and there is no past due amounts.

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES – continued

3.2 Significant accounting policies – continued

Financial instruments – continued

Financial assets – continued

Impairment of financial assets and other item subject to impairment assessment under HKFRS 9 – continued

(ii) Definition of default

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

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

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

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

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

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

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

(e) the disappearance of an active market for that financial asset because of financial difficulties.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES – continued

3.2 Significant accounting policies – continued

Financial instruments – continued

Financial assets – continued

Impairment of financial assets and other item subject to impairment assessment under HKFRS 9 – continued

(iv) Write-off policy

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

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

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

Lifetime ECL for contract assets are considered on a collective basis taking into consideration past due information and relevant credit information such as forward looking macroeconomic information.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES – continued

3.2 Significant accounting policies – continued

Financial instruments – continued

Financial assets – continued

Impairment of financial assets and other item subject to impairment assessment under HKFRS 9 – continued

(v) Measurement and recognition of ECL – continued

For collective assessment, the Company takes into consideration the following characteristics when formulating the grouping:

- Past-due status;
- Respective financial performance and position of debtors;
- Nature, size and industry of debtors;
- Amount of collateral;
- Geographical locations; and
- External credit ratings where available.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date.

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

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on amortised cost of the financial asset.

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES – continued

3.2 Significant accounting policies – continued

Financial instruments – continued

Financial assets – continued

Derecognition of financial assets

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

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

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments are classified either as financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Financial liabilities at amortised cost

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

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Investment in subsidiaries

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

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3.2, the Directors are required to make judgements, estimates and assumptions about the amounts of assets, liabilities, revenue and expenses reported and disclosures made in the consolidated financial statements. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations, that the Directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised and disclosures made in the consolidated financial statements.

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

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

During the year, the Group recognised revenue in respect of pre-loan facilitation and post-loan facilitation services amounted to HK$745,000 and HK$310,000 (2021: HK$1,484,000 and HK$1,550,000), respectively.

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

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

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

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY – continued

Critical judgements in applying accounting policies – continued

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

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

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

Details of the Group's refund liabilities are set out in Note 26.

Principal versus agent consideration

The Group engages in trading of footwear and apparel. The Group concluded that the Group acts as the principal for such transactions as it controls the specified good before it is transferred to the customer after taking into consideration indicators such as the Group has inventory risk and is primarily responsible for fulfilling the promise to provide the goods. When the Group satisfies the performance obligation, the Group recognises trading revenue in the gross amount of consideration to which the Group expects to be entitled as specified in the contracts.

During the year ended 31 December 2022, the Group recognised revenue relating to trading of footwear and apparel of approximately HK$30,343,000 (2021: HK$5,577,000).

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY – continued

Key sources of estimation uncertainty – continued

Allowances recognised in respect of trade and other receivables and contract assets

The impairment provisions for trade and other receivables are based on assumptions about ECL. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the number of days that an individual receivable is outstanding as well as the Group's historical experience and forward-looking information at the end of the reporting period. Changes in these assumptions and estimates could materially affect the result of the assessment and it may be necessary to make additional impairment charge to the consolidated statement of profit or loss and other comprehensive income.

For contract assets which are individually insignificant or when the Group does not have reasonable and supportable information that is available without undue cost or effort to measure ECL on individual basis, collective assessment is performed by grouping debtors based on the Group's internal credit ratings.

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's trade and other receivables and contract assets are disclosed in Note 33(b).

Estimated impairment of plant and equipment and right-of-use assets

Plant and equipment and right-of-use assets are stated at costs less accumulated depreciation and impairment, if any. In determining whether an asset is impaired, the Group has to exercise judgement and make estimation, particularly in assessing: (1) whether an event has occurred or any indicators that may affect the asset value; (2) whether the carrying value of an asset can be supported by the recoverable amount, in the case of value in use, the net present value of future cash flows which are estimated based upon the continued use of the asset; and (3) the appropriate key assumptions to be applied in estimating the recoverable amounts including cash flow projections and an appropriate discount rate. When it is not possible to estimate the recoverable amount of an individual asset (including right-of-use assets), the Group estimates the recoverable amount of the cash generating unit to which the assets belongs, including allocation of corporate assets when a reasonable and consistent basis of allocation can be established, otherwise recoverable amount is determined at the smallest group of cash generating units, for which the relevant corporate assets have been allocated. Changing the assumptions and estimates, including the discount rates or the growth rate in the cash flow projections, could materially affect the recoverable amounts.

As at 31 December 2022, plant and equipment and right-of-use assets with carrying values of HK$14,000 and HK$2,549,000 (2021: HK$140,000 and HK$283,000) respectively. No impairment losses have been recognised for the years ended 31 December 2022 and 2021. Details of the impairment of plant and equipment and right-of-use assets are disclosed in Notes 14 and 15.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY – continued

Key sources of estimation uncertainty – continued

Estimated useful life of plant and equipment

At the end of each reporting period, the Directors review the estimated useful life of plant and equipment with finite useful life. The estimated useful life reflects the Directors' estimates of the periods that the Group intends to derive future economic benefits from the use of the Group's plant and equipment. The residual values reflect the Directors' estimated amount that the Group would currently obtain from disposal of the assets, after deducting the estimated costs of disposal, if the assets were already of the age and in the condition expected at the end of its useful life. The carrying amounts of plant and equipment with finite useful life as at 31 December 2022 are HK$14,000 (2021: HK$140,000).

Net realisable value of inventories

Management reviews the condition of the inventories of the Group and makes provision for obsolete and slow-moving inventory items identified that are no longer suitable for sale. Management estimates the net realisable value for such inventories based primarily on the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. The group carries out an inventory review at the end of each reporting period and makes provision for obsolete and slow-moving items. As at 31 December 2022, the carrying amounts of inventories were approximately HK$17,184,000 (2021: HK$12,156,000). No impairment losses was recognised for the year (2021: Nil).

Income tax

As at 31 December 2022, no deferred tax asset has been recognised on the tax losses of approximately HK$37,816,000 (2021: HK$36,452,000) and deductible temporary difference of approximately HK$Nil (2021: HK$152,000) respectively due to the unpredictability of future profit streams. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are less than expected, a material reversal of deferred tax assets may arise, which would be recognised in profit or loss for the period in which such a reversal takes place.

5. REVENUE FROM GOODS AND SERVICES

(i) Disaggregation of revenue from contracts with customers

	For the year ended 31 December 2022		
	Footwear and apparel businesses HK$'000	Loan facilitation and credit assessment services HK$'000	Total HK$'000
Trading of footwear and apparel			
Footwear	27,382	–	27,382
Apparel	2,961	–	2,961
	30,343	–	30,343
Provision of loan facilitation services			
Pre-loan facilitation services	–	745	745
Post-loan facilitation services	–	310	310
	–	1,055	1,055
Provision of credit assessment services	–	2	2
Total	30,343	1,057	31,400
Geographical market			
The PRC	–	1,057	1,057
Hong Kong	15,715	–	15,715
Canada	14,628	–	14,628
Total	30,343	1,057	31,400
Timing of revenue recognition			
At a point in time	30,343	745	31,088
Over time	–	312	312
Total	30,343	1,057	31,400

5. REVENUE FROM GOODS AND SERVICES – continued

(i) Disaggregation of revenue from contracts with customers – continued

	For the year ended 31 December 2021		
	Footwear and apparel businesses HK$'000	Loan facilitation and credit assessment services HK$'000	Total HK$'000
Trading of footwear and apparel			
Footwear	2,693	–	2,693
Apparel	2,884	–	2,884
	5,577	–	5,577
Provision of loan facilitation services			
Pre-loan facilitation services	–	1,484	1,484
Post-loan facilitation services	–	1,550	1,550
	–	3,034	3,034
Provision of credit assessment services	–	720	720
Total	5,577	3,754	9,331
Geographical market			
The PRC	–	3,754	3,754
Hong Kong	2,693	–	2,693
Mexico	2,884	–	2,884
Total	5,577	3,754	9,331
Timing of revenue recognition			
At a point in time	5,577	1,484	7,061
Over time	–	2,270	2,270
Total	5,577	3,754	9,331

5. REVENUE FROM GOODS AND SERVICES – continued

(ii) Performance obligations for contracts with customers

Revenue from trading of footwear and apparel

The Group trades of footwear and apparel directly to international wholesalers and retailers which are brand owners and/or licensees of formal and casual footwear and apparel. Revenue is recognised at a point in time when control of the products has transferred according to respective agreed terms of delivery. Following delivery, the customer has full discretion over the manner of distribution and price to sell the products, has the control when selling the products and bears the risks of obsolescence and loss in relation to the products. The normal credit term is 30 days upon delivery.

Revenue is recognised for sales which are considered highly probable that a significant reversal in the cumulative revenue recognised will not occur. The Group requires certain customers to provide upfront deposits range from 50% to 100% of total contract sum. When the Group receives a deposit before production commences, this will give rise to contract liabilities which represent the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

Revenue within the Group's retail business is recognised when the customer takes physical possession of the products, which occurs at the point of sale for merchandise purchased at the Group's retail stores. Customers are allowed to return the goods for exchange within 7 days after the respective sales take place. Revenue is recognised at an expected value of the transaction price adjusted for estimated returns based on historical trends. Payment is due at the point of sale. The payments settled by credit cards or mobile payment by customers are normally received within one to two days from the transaction date.

Revenue from provision of pre-loan facilitation and post-loan facilitation services

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

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

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

5. REVENUE FROM GOODS AND SERVICES – continued

(ii) Performance obligations for contracts with customers – continued

Revenue from provision of pre-loan facilitation and post-loan facilitation services – continued

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

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

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

5. REVENUE FROM GOODS AND SERVICES – continued

(ii) Performance obligations for contracts with customers – continued

Revenue from provision of credit assessment services

The Group earns service income by granting of a licence to an automobile sales service shop to provide a right to access the Group's software system for credit assessment service for its automobile sales service customers. An up-front fee received in advance for the licence period granted (i.e. 3 years) is recognised over time throughout the service period. Monthly service fee charge based on the actual data usage from each instance is recognised at a point in time when the relevant service has been provided. The normal credit term is 10 days.

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

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December 2022 and the expected timing of recognising revenue are as follows:

	Footwear and apparel businesses HK$'000	**Loan facilitation and credit assessment services HK$'000**	**Total HK$'000**
Within one year	–	–	–

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December 2021 and the expected timing of recognising revenue are as follows:

	Footwear and apparel businesses HK$'000	Loan facilitation and credit assessment services HK$'000	Total HK$'000
Within one year	–	44	44

6. SEGMENT INFORMATION

Information reported to the management of the Company, being the Chief Operating Decision Maker (the "CODM"), for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided. No operating segments identified by the CODM have been aggregated in arriving at the reportable segments of the Group.

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

- Footwear and apparel businesses – trading of footwear and apparel; and

- Loan facilitation and credit assessment services – provision of pre-loan facilitation services, post-loan facilitation services and credit assessment services.

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

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 2022

	Footwear and apparel businesses HK$'000	**Loan facilitation and credit assessment services HK$'000**	**Total HK$'000**
Segment revenue	**30,343**	**1,057**	**31,400**
Segment results	**(1,282)**	**(528)**	**(1,810)**
Unallocated expenses			**(3,901)**
Loss before tax			**(5,711)**

6. SEGMENT INFORMATION – continued

Segment revenue and results – continued

For the year ended 31 December 2021

	Footwear and apparel businesses HK$'000	Loan facilitation and credit assessment services HK$'000	Total HK$'000
Segment revenue	5,577	3,754	9,331
Segment results	(4,881)	(7,707)	(12,588)
Unallocated income			30
Unallocated expenses			(5,705)
Loss before tax			(18,263)

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

The accounting policies of the operating segments are the same as the Group's accounting policies described in Note 3. Segment results represent the loss before tax of each segment without allocation of certain other income, central administration costs, directors' emoluments and loss on disposal of a subsidiary. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

6. 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

	2022 **HK$'000**	2021 HK$'000
Footwear and apparel businesses	**28,390**	18,720
Loan facilitation and credit assessment services	**847**	2,992
Total segment assets	**29,237**	21,712
Unallocated assets		
– Bank balances and cash	**264**	173
– Other receivables	**73**	22
Total assets	**29,574**	21,907

Segment liabilities

	2022 **HK$'000**	2021 HK$'000
Footwear and apparel businesses	**14,281**	12,324
Loan facilitation and credit assessment services	**4,775**	5,847
Total segment liabilities	**19,056**	18,171
Unallocated liabilities		
– Other payables and accruals	**2,255**	1,954
– Interest-bearing borrowings	**7,028**	8,026
Total liabilities	**28,339**	28,151

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.

- all liabilities are allocated to operating segments other than unallocated corporate liabilities, including certain other payables and accruals and interest-bearing borrowings.

6. SEGMENT INFORMATION – continued

Other segment information

For the year ended 31 December 2022

	Footwear and apparel businesses HK$'000	Loan facilitation and credit assessment services HK$'000	Total HK$'000
Amounts included in the measure of segment profit or loss of segment assets:			
Addition to non-current assets (Note)	2,526	–	2,526
Depreciation of plant and equipment	94	27	121
Depreciation of right-of-use assets	259	–	259
Impairment of trade and other receivables and contract assets, net	–	1,293	1,293
Amounts regularly provided to the CODM but not included in the measure of segment profit or loss of segment assets:			
Interest expenses	900	–	900
Income tax credit	–	(423)	(423)

6. SEGMENT INFORMATION – continued

Other segment information

For the year ended 31 December 2021

	Footwear and apparel businesses HK$'000	Loan facilitation and credit assessment services HK$'000	Total HK$'000
Amounts included in the measure of segment profit or loss of segment assets:			
Addition to non-current assets (Note)	319	–	319
Depreciation of plant and equipment	142	18	160
Depreciation of right-of-use assets	36	–	36
Impairment of trade and other receivables and contract assets, net	34	968	1,002
Gain on disposal of plant and equipment, net	–	(52)	(52)
Amounts regularly provided to the CODM but not included in the measure of segment profit or loss of segment assets:			
Interest expenses	33	391	424
Income tax credit	(2,112)	(1,268)	(3,380)

Note: Non-current assets included plant and equipment and right-of-use assets.

6. SEGMENT INFORMATION – continued

Geographical information

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

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

	2022 **HK$'000**	2021 HK$'000
The PRC	**1,057**	3,754
Hong Kong	**15,715**	2,693
Canada	**14,628**	–
Mexico	**–**	2,884
	31,400	9,331

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

	2022 **HK$'000**	2021 HK$'000
Hong Kong	**2,550**	377
The PRC	**244**	374
	2,794	751

Non-current assets excluded rental deposits.

Information about major customers

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

	2022 **HK$'000**	2021 HK$'000
Customer A[1]	**3,508**	N/A[2]
Customer B[1]	**8,083**	N/A[2]
Customer C[1]	**N/A[2]**	2,693
Customer D[1]	**N/A[2]**	2,884

1 Revenue from trading of footwear and apparel.

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

7A. OTHER INCOME

	2022 HK$'000	2021 HK$'000
Gain on written-off of trade payables	297	–
Consultancy income (Note a)	–	901
Interest income	1	72
Miscellaneous income	83	281
	381	1,254

Notes:

(a) The Group provides insurance brokerage referral service or consultancy services to financial institutions in the capacity of an agent. Consultancy income and 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 30 days.

7B. OTHER GAINS AND LOSSES

	2022 HK$'000	2021 HK$'000
Gain on termination of lease liabilities, net	–	422
Net foreign exchange losses	(320)	(57)
Gain on disposal of plant and equipment, net	–	52
Loss on disposal of a subsidiary (Note 27)	–	(41)
	(320)	376

8. FINANCE COSTS

	2022 HK$'000	2021 HK$'000
Interests on interest-bearing borrowings	674	40
Interests on lease liabilities	226	384
	900	424

9. INCOME TAX CREDIT

	2022 HK$'000	2021 HK$'000
Over-provision in prior years	–	2,112
Deferred tax (Note 28)	423	1,268
	423	3,380

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%. 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.

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%. No provision for PRC EIT has been made in the consolidated financial statements for both years as the subsidiaries in the PRC have no taxable profit.

The Canada subsidiary is incorporated in British Columbia, Canada. Overseas tax is calculated at rates of tax applicable in countries in which the Group is assessable for tax. No provision for Canada has been made in the consolidated financial statements for the year ended 31 December 2022 as the subsidiary in the Canada has no taxable profit.

9. INCOME TAX CREDIT – continued

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

	2022 HK$'000	2021 HK$'000
Loss before tax	**(5,711)**	(18,263)
Tax at the applicable domestic income tax rate (Note)	**(1,043)**	(3,958)
Tax effect of expenses not deductible for tax purposes	**435**	2,233
Tax effect of income not taxable for tax purposes	**(70)**	(132)
Tax effect of tax losses not recognised	**255**	589
Over-provision in prior years	**–**	(2,112)
Income tax credit for the year	**(423)**	(3,380)

Note: The amounts represented the combined effect of the group entities basing on actual tax rates applicable for each jurisdiction where the relevant group entities operate.

10. LOSS FOR THE YEAR

	2022 HK$'000	2021 HK$'000
Loss for the year has been arrived at after charging:		
Directors' remuneration (Note 11)	**764**	1,564
Other staff costs (excluding directors' remuneration):		
– Salaries, allowances and benefits in kind	**1,922**	10,725
– Retirement benefit scheme contributions	**386**	1,047
Total staff costs	**3,072**	13,336
Auditor's remuneration	**800**	800
Depreciation of plant and equipment	**121**	160
Depreciation of right-of-use assets	**259**	36
Expenses relating to short term leases	**180**	483

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

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

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

Year ended 31 December 2022

Name of director	Fee HK$'000	Salaries allowances and other benefits HK$'000	Employer's contributions to retirement benefits scheme HK$'000	Total HK$'000
Executive directors				
Ms. Wei Ju	–	–	–	–
Mr. Tsang Hing Bun (appointed on 1 April 2022)	–	180	–	180
Mr. Chen Zuze (resigned on 4 May 2022)	–	–	–	–
Mr. Dong Jun (resigned on 4 May 2022)	–	–	–	–
Mr. Huang Zexiong (resigned on 4 May 2022)	–	–	–	–
Sub-total	–	180	–	180
Non-executive director				
Mr. Shum Tsz Yeung	240	–	–	240
Sub-total	240	–	–	240
Independent non-executive directors				
Mr. Eric Todd (resigned on 12 February 2022)	21	–	–	21
Mr. Lam Wai Hung (resigned on 14 January 2022)	7	–	–	7
Mr. Hung Wai Che	120	–	–	120
Mr. Choi Ho Yan (appointed on 12 February 2022)	106	–	–	106
Mr. Yiu Yu Hong John (appointed on 1 April 2022)	90	–	–	90
Sub-total	344	–	–	344
Total	584	180	–	764

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

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

Year ended 31 December 2021

Name of director	Fee HK$'000	Salaries allowances and other benefits HK$'000	Employer's contributions to retirement benefits scheme HK$'000	Total HK$'000
Executive directors				
Mr. Dong Jun *(Chairman)*	–	–	–	–
Mr. Huang Zexiong *(Chief executive)*	–	435	–	435
Mr. Chen Chao (resigned on 3 May 2021)	–	145	–	145
Mr. Chen Zuze	–	–	–	–
Mr. Sheung Kwong Cho (resigned on 14 November 2021)	–	171	–	171
Ms. Wei Ju (appointed on 14 November 2021)	–	78	–	78
Sub-total	–	829	–	829
Non-executive directors				
Mr. Lau Kai Pong (resigned on 25 May 2021)	–			
Mr. Chan Kwun Wah Derek (resigned on 30 June 2021)	114	–	–	114
Mr. Wen Cyrus Jun-ming (resigned on 26 November 2021)	–	–	–	–
Mr. Shum Tsz Yeung (appointed on 14 November 2021)	78	–	–	78
Sub-total	192	–	–	192
Independent non-executive directors				
Ms. Chen Xin (resigned on 3 May 2021)	82	–	–	82
Mr. Guo Zhongyong (resigned on 25 May 2021)	96	–	–	96
Mr. Hon Ping Cho Terence (resigned on 25 May 2021)	96	–	–	96
Mr. Ni Zhixing (resigned on 14 November 2021)	52	–	–	52
Mr. Eric Todd (resigned on 12 February 2022)	108	–	–	108
Mr. Lam Wai Hung (resigned on 14 January 2022)	108	–	–	108
Mr. Hung Wai Che (appointed on 30 December 2021)	1	–	–	1
Sub-total	543	–	–	543
Total	735	829	–	1,564

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

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

The executive directors' emoluments shown above were for their service in connection with the management of the affairs of the Company and the Group.

The non-executive directors' emoluments shown above were for their services as directors of the Company and the Group.

No emoluments were paid by the Group to the directors of the Company as an inducement for joining the Group or as compensation for loss of office during the years ended 31 December 2022 and 2021.

No director nor the chief executive waived any emoluments in respect of the years ended 31 December 2022 and 2021.

(b) Employees' emoluments – five highest paid employees

The five highest paid employees of the Group during the year ended 31 December 2022 include two directors (2021: one), details of whose emoluments are set out above. Details of the emoluments of the remaining three (2021: four) highest paid employees who are neither a director nor chief executive of the Company were as follows:

	2022 **HK$'000**	2021 HK$'000
Salaries, allowances and other benefits	**624**	1,375
Retirement benefit scheme contributions	**29**	22
	653	1,397

The emoluments of the remaining three (2021: four) highest paid individuals who are neither a director nor chief executive of the Company were within the following bands:

	Number of employees	
	2022	2021
Nil to HK$1,000,000	**3**	4

12. DIVIDENDS

No dividend was paid or proposed for the years ended 31 December 2022 and 2021, nor has any dividend been proposed since the end of the reporting period.

13. LOSS PER SHARE

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

	2022 **HK$'000**	2021 HK$'000
Loss:		
Loss for the year for the purpose of basic loss per share	**(5,288)**	(14,883)

	2022 **'000**	2021 '000 (Restated)
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic loss per share	**30,173**	25,080

For the year ended 31 December 2022, the weighted average number of ordinary shares for the purpose of basic loss per share has been adjusted for the share placing in January 2022 and December 2022 and share consolidation on 17 March 2023 (details are disclosed in Notes 29 and 38 respectively).

Comparative figures of the weighted average number of shares for calculating basic earnings per share has been adjusted on the assumption that the share consolidation had been effective in prior year.

No diluted loss per share for the years ended 31 December 2022 and 2021 is presented as there were no potential ordinary shares in issue for both years.

14. PLANT AND EQUIPMENT

	Leasehold improvement HK$'000	Motor vehicles HK$'000	Furniture and office equipment HK$'000	Total HK$'000
COST				
At 1 January 2021	1,417	1,677	616	3,710
Disposals	–	–	(13)	(13)
Exchange realignment	42	–	17	59
At 31 December 2021 and 1 January 2022	1,459	1,677	620	3,756
Exchange realignment	(110)	–	(45)	(155)
At 31 December 2022	1,349	1,677	575	3,601
ACCUMULATED DEPRECIATION AND IMPAIRMENT				
At 1 January 2021	1,417	1,444	543	3,404
Provided for the year	–	140	20	160
Eliminated on disposals	–	–	(5)	(5)
Exchange realignment	42	–	15	57
At 31 December 2021 and 1 January 2022	1,459	1,584	573	3,616
Provided for the year	–	93	28	121
Exchange realignment	(110)	–	(40)	(150)
At 31 December 2022	1,349	1,677	561	3,587
CARRYING VALUES				
At 31 December 2022	–	–	14	14
At 31 December 2021	–	93	47	140

The above items of plant and equipment are depreciated, after taking into account of their estimated residual values, on a straight-line basis as follows:

Leasehold improvement	Over the shorter of the relevant lease or 5 years
Motor vehicles	20% per annum
Furniture and office equipment	10–50% per annum

15. RIGHT-OF-USE ASSETS

	Office premises and retail stores HK$'000
As at 31 December 2022	
Carrying amounts	2,549
As at 31 December 2021	
Carrying amounts	283
For the year ended 31 December 2022	
Depreciation charge	259
For the year ended 31 December 2021	
Depreciation charge	36

	2022 HK$'000	2021 HK$'000
Gain on termination of lease liabilities, net	–	422
Expense relating to short-term leases	**180**	483
Total cash outflow for leases	**1,254**	1,128
Additions to right-of-use assets	**2,526**	319

For both years, the Group leases office premises and retail stores for its operations. Lease contracts are entered into for fixed term of 2 years (2021: 6 months to 2 years). Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable. Right-of-use assets are depreciated on a straight-line basis over the lease term.

The Group regularly entered into short-term leases for office premises and retail stores. As at 31 December 2022 and 2021, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short term lease expense disclosed above.

16. INVENTORIES

	2022 HK$'000	2021 HK$'000
Merchandise of footwear and apparel for sale	**17,184**	12,156

17. TRADE RECEIVABLES

	2022 HK$'000	2021 HK$'000
Trade receivables from contracts with customers	**8,699**	3,028
Less: allowance for credit losses	**(2,244)**	(42)
	6,455	2,986

As at 31 December 2021, the gross amount of trade receivables from contracts with customers amounted to HK$8,699,000 (2021: HK$3,028,000).

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

	2022 HK$'000	2021 HK$'000
0 to 30 days	**2,624**	–
31 to 60 days	**389**	–
61 to 90 days	**447**	–
Over 90 days	**2,995**	2,986
	6,455	2,986

Details of impairment assessment of trade receivables are set out in Note 33(b).

18. OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

	2022 HK$'000	2021 HK$'000
Other receivables, net of allowances	**43**	379
Prepayments	**477**	304
Rental deposits	**520**	266
Other deposits	**90**	61
	1,130	1,010
Less: Rental deposits shown under non-current assets	**(270)**	(144)
	860	866

Details of impairment assessment of other receivables are set out in Note 33(b).

19. CONTRACT ASSETS

	2022 HK$'000	2021 HK$'000
Loan facilitation services, net of allowances	–	1,551
Current	–	1,519
Non-current	–	32
	–	1,551

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

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

Details of impairment assessment of contract assets are set out in Note 33(b).

20. BANK BALANCES AND CASH

Bank balances carry interest at prevailing market rates ranging from 0.63% to 0.80% (2021: 0.01% to 0.35%) per annum.

Details of bank balances denominated in currencies other than the functional currency of the relevant group entities and impairment assessment of bank balances are set out in Note 33(b).

21. 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:

	2022 **HK$'000**	2021 HK$'000
0 to 30 days	**1,330**	6,101
31 to 60 days	**–**	2,738
Over 90 days	**3,075**	953
	4,405	9,792

22. OTHER PAYABLES AND ACCRUALS

	2022 **HK$'000**	2021 HK$'000
Accrued staff salaries	**2,674**	2,653
Accrued expenses	**3,164**	2,116
Other tax payables	**1,806**	1,380
Other payables	**1,813**	1,664
	9,457	7,813

23. INTEREST-BEARING BORROWINGS

	2022 HK$'000	2021 HK$'000
Other borrowings	11,560	8,026

Carrying amount repayable (based on scheduled repayment dates set out in the loan agreements):

	2022 HK$'000	2021 HK$'000
Within one year	–	8,026
Over one year within two years	11,560	–
Total	11,560	8,026

The ranges of effective interest rates (which are also equal to contracted interest rates) on the Group's borrowings are as follows:

	2022	2021
Effective interest rate:		
Fixed-rate borrowings	8%–9%	8%

During the year ended 31 December 2021, a new loan amount of HK$8,000,000 was obtained from an independent third party ("2021 Other Loan A"). 2021 Other Loan A is unsecured, bearing interest at 8% per annum and repayable after six months from the date of drawdown or on demand. The loan was repaid during the year.

During the year ended 31 December 2022, a new loan amount of HK$1,500,000 was obtained from an independent third party ("2022 Other loan B"). 2022 Other loan B is unsecured, bearing interest at 8% per annum and repayable after two years from the date of drawdown.

During the year ended 31 December 2022, two new loans total amount of HK$10,000,000 were obtained from an independent third party ("2022 Other loan C"). 2022 Other loan C are unsecured, bearing interest at 8–9% per annum and repayable after two years from the date of drawdown.

24. LEASE LIABILITIES

	2022 HK$'000	2021 HK$'000
Lease liabilities payable:		
Within one year	**1,659**	789
Within a period of more than one year but not more than two years	**1,238**	486
	2,897	1,275
Less: Amount due for settlement with 12 months shown under current liabilities	**(1,659)**	(789)
Amount due for settlement after 12 months shown under non-current liabilities	**1,238**	486

25. CONTRACT LIABILITIES

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

	2022 HK$'000	2021 HK$'000
Footwear and apparel businesses	**20**	441
Loan facilitation	**–**	308
	20	749
Current	**20**	746
Non-current	**–**	3
	20	749

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. The significant decrease (2021: decrease) in the current year is the result of the decrease in loan facilitation transactions entered during the year.

25. CONTRACT LIABILITIES – continued

The following table shows how much of the revenue recognised relates to carried-forward contract liabilities and how much relates to performance obligations that were satisfied in prior periods.

For the year ended 31 December 2022

	Footwear and apparel businesses HK$'000	Loan facilitation and credit assessment services HK$'000
Revenue recognised that was included in the contract liability balance at the beginning of the year	–	308

For the year ended 31 December 2021

	Footwear and apparel businesses HK$'000	Loan facilitation and credit assessment services HK$'000
Revenue recognised that was included in the contract liability balance at the beginning of the year	–	1,058

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

26. REFUND LIABILITIES

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

	2022 **HK$'000**	2021 HK$'000
Refund liabilities arising from refund of loan facilitation service fees due to early repayment	–	6

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

27. LOSS ON DISPOSAL OF A SUBSIDIARY

On 11 October 2021, the Group disposed 100% of the entire share capital of Trade Expert Holdings Limited ("TEHL") which was an indirect wholly-owned subsidiary of the Company, at consideration of HK$1, to an independent third party. The net assets of TEHL at the date of disposal were as follows:

	HK$'000
Consideration:	
Other receivables	–*

	HK$'000
Analysis of assets and liabilities over which control was lost:	
Trade receivables	59
Other payables and accruals	(4)
Amount due to directors	(14)
Net assets disposed of a subsidiary	41

27. LOSS ON DISPOSAL OF A SUBSIDIARY – continued

	HK$'000
Loss on disposal of a subsidiary:	
Consideration receivable	–*
Net assets disposed of a subsidiary	(41)
	(41)

The disposal did not constitute a discontinued operation as it did not represent a major line of business or geographical area of operation.

* Less than HK$500

28. DEFERRED TAX

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

	Tax losses recognition HK$'000	Timing differences on revenue HK$'000 (Note)	Refund liabilities HK$'000	Total HK$'000
At 1 January 2021	(328)	2,153	(387)	1,438
Charge (credit) to profit or loss	44	(1,703)	391	(1,268)
Exchange realignment	(10)	40	(6)	24
At 31 December 2021 and 1 January 2022	(294)	490	(2)	194
Charge (credit) to profit or loss	43	(467)	1	(423)
Exchange realignment	20	(23)	1	(2)
At 31 December 2022	(231)	–	–	(231)

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

Under the EIT Law of the PRC, withholding tax is imposed on dividends declared in respect of profits earned by the Group's subsidiaries in the PRC from 1 January 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary difference attributable to the retained profits earned by the subsidiaries in the PRC amounting to approximately HK$11,080,000 as at 31 December 2022 (2021: HK$11,852,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

28. DEFERRED TAX – continued

At the end of the reporting period, the Group has unused tax losses of approximately HK$38,739,000 (2021: HK$37,628,000) available for offset against future profits. A deferred tax asset has been recognised in respect of HK$923,000 (2021: HK$1,176,000) of such losses. No deferred tax asset has been recognised in respect of the remaining HK$37,816,000 (2021: HK$36,452,000) due to the unpredictability of future profit streams.

Included in unrecognised tax losses are losses of HK$15,185,000 (2021: HK$14,297,000) that will expire as follows. Other losses may be carried forward indefinitely.

	2022 HK$'000	2021 HK$'000
2023	**585**	585
2024	**6,601**	6,601
2025	**6,087**	6,087
2026	**1,024**	1,024
2027	**888**	–
	15,185	14,297

At the end of the reporting period, the Group has deductible temporary differences of approximately HK$Nil (2021: HK$158,000). A deferred tax asset has been recognised in respect of HK$Nil (2021: HK$6,000) of such deductible temporary differences. No deferred tax asset has been recognised in respect of remaining HK$Nil (2021: HK$152,000) as it is not probable that taxable profit will be available against which the deductible timing differences can be utilised.

29. SHARE CAPITAL

	Number of shares	**Share capital** HK$'000
Authorised ordinary shares at HK$0.01 per share:		
At 1 January 2021, 31 December 2021, 1 January 2022 and 31 December 2022	1,000,000,000	10,000
Issued and fully paid shares at HK$0.01 per share:		
At 1 January 2021, 31 December 2021 and 1 January 2022	501,600,000	5,016
Placement of new shares on 17 January 2022 (Note a)	100,320,000	1,003
Placement of new shares on 14 December 2022 (Note b)	120,384,000	1,204
At 31 December 2022	722,304,000	7,223

29. SHARE CAPITAL – continued

Notes:

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

(b) On 24 November 2022, the Company and a placing agent entered into a placing agreement pursuant to which the Company has conditionally agreed to place a maximum of 120,384,000 placing shares to independent investors at a price of HK$0.02 per share. The placing was completed on 14 December 2022 pursuant to which the Company has allotted and issued 120,384,000 placing shares. The net proceeds derived from the placing amounted to approximately HK$2,368,000 and resulted in the increase in share capital of HK$1,204,000 and share premium of approximately HK$1,204,000, net of transaction costs of approximately HK$40,000.

30. RETIREMENT BENEFIT SCHEMES

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

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

During the year ended 31 December 2022, the total contribution charged to profit or loss amounted to HK$386,000 (2021: HK$1,047,000).

31. RELATED PARTY DISCLOSURES

Most of the Group's loan facilitation business is relating to provision of pre-loan facilitation services and post- loan facilitation services to external individual customers ("Ultimate Customers") to obtain financing from various financial institutions or investors through the Online Platform and Online Channel. Substantially all of the abovementioned business is deriving from Ultimate Customers obtaining the financing from the financial institutions or investors who have registered on the Online Platform operated by a related party of the Company.

31. RELATED PARTY DISCLOSURES – continued

Other than as disclosed elsewhere in these consolidated financial statements, the Group had entered into the following significant transactions with related parties during the reporting periods:

During the current year, the Group also provides loan facilitation services to Ultimate Customers to obtain financing from a related party of the Company:

	Year ended 31 December	
	2022	2021
	HK$'000	HK$'000
Provision of loan facilitation services	–	1,361

Compensation of the directors and other key management personnel

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

32. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The overall strategy remains unchanged from prior year.

The capital structure of the Group consists of cash and cash equivalents, interest-bearing borrowings, and equity attributable to owners of the Company, comprising issued share capital, and reserves.

The Directors review the capital structure regularly. As part of this review, the Directors consider the cost and the risks associates with each class of the capital. Based on the recommendations of the Directors, the Group will balance its overall capital structure through the payments of dividends and new share issues as well as issue of new debt or redemption of existing debts.

33. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2022 HK$'000	2021 HK$'000
Financial assets		
Amortised cost	**9,119**	7,177
Financial liabilities		
Amortised cost	**20,675**	20,757

(b) Financial risk management objectives and policies

The Group's major financial instruments include trade receivables, other receivables and deposits, bank balances and cash, trade payables, other payables, lease liabilities and interest-bearing borrowings. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments include market risks (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

(i) Currency risk

Certain other payables are denominated in foreign currency of the respective group entities which are exposed to foreign currency risk. The Group currently does not have a foreign currency hedging policy. However, management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

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

	2022 HK$'000	2021 HK$'000
Liability		
RMB	–	47
Canadian dollar	**453**	–

33. FINANCIAL INSTRUMENTS – continued

(b) Financial risk management objectives and policies – continued

Market risk – continued

(i) Currency risk – continued

The Group is mainly exposed to the fluctuation of HK$ against RMB or CAD.

As at 31 December 2022 and 2021, the exposure of foreign currency risk on the RMB or CAD denominated monetary liabilities is insignificant on the ground that the carrying amounts are insignificant. Hence, no sensitivity analysis is presented.

The sensitivity analysis includes only outstanding HK$ denominated monetary assets as at 31 December 2022 and 2021 and adjusts their translation at the end of the reporting period for a 5% change in foreign currency rates. The sensitivity analysis below details the Group's sensitivity to a 5% increase and decrease in RMB against HK$. 5% represents management's assessment of the reasonably possible change in foreign exchange rates. A positive number below indicates an increase in post-tax loss and other equity where RMB or CAD strengthen 5% against HK$. For a 5% weakening of RMB or CAD against HK$, there would be an equal and opposite impact on the profit and other comprehensive income and the amounts below would be negative.

As at 31 December 2022, if RMB or CAD had been strengthen/weaken 5% against HK$ and all other variables were held constant, the Group's post-tax loss for the year ended 31 December 2022 would increase/decrease by approximately HK$23,000 (2021: HK$10,000).

(ii) Interest rate risk

The Group's fair value interest rate risk relates primarily to its fixed-rate other borrowings. The Group currently does not have an interest rate hedging policy in relation to fair value interest rate risk and cash flow interest rate risk.

However, management of the Group monitors interest rate exposure on an ongoing basis and will consider hedging significant interest rate exposure should the need arise. The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk section of this note.

The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank balances (see Note 20). The Group currently does not have an interest rate hedging policy. However, the management will consider hedging significant interest rate exposure should the need arises.

33. FINANCIAL INSTRUMENTS – continued

(b) Financial risk management objectives and policies – continued

Market risk – continued

(ii) Interest rate risk – continued

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

	2022	2021
	HK$'000	HK$'000
Financial assets at amortised cost	**1**	72

The Group's exposure to interest rates on financial liabilities are detailed in the liquidity risk section of this note.

Credit risk and impairment assessment

Credit risk refers to the risk that the Group's counterparties default on their contractual obligations resulting in financial losses to the Group. The Group's credit risk exposures are primarily attributable to trade receivables, other receivables, contract assets and bank balances. The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets.

Trade receivables and contract assets arising from contracts with customers

The Group has concentration of credit risk as 100% (2021: 100%) of the total trade receivables was due from the Group's largest customer. The Group's concentration of credit risk on the top five largest customers accounted for 100% (2021: 100%) of the total trade receivables. In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits and credit approvals. Impairment of HK$2,274,000 (2021: HK$34,000) is recognised during the year.

In addition, the Group performs impairment assessment under ECL model on trade balances individually. The contract assets are assessed on a collective basis, based on shared credit risk characteristics. Reversal of Impairment of HK$981,000 (2021: Impairment of HK$878,000) is recognised during the year. Details of the quantitative disclosures are set out below in this note.

Bank balances

Credit risk on bank balances is limited because the counterparties are reputable banks with high credit ratings assigned by international credit agencies. The Group assessed 12m ECL for bank balances by reference to information relating to probability of default and loss given default of the respective credit rating grades published by external credit rating agencies.

33. FINANCIAL INSTRUMENTS – continued

(b) Financial risk management objectives and policies – continued

Credit risk and impairment assessment – continued

Other receivables

For other receivables, the Directors make periodic individual assessment on the recoverability of other receivables based on historical settlement records, past experience, and also quantitative and qualitative information that is reasonable and supportive forward-looking information that is available without undue cost or effort. The Directors believe that there are no significant increase in credit risk of these amounts since initial recognition and the Group provided impairment based on 12m ECL. No impairment (2021: impairment of HK$90,000) is recognised during the year. Details of the quantitative disclosures are set out below in this note.

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

Internal credit rating	Description	Trade receivables/ contract assets*	Other financial assets
Low risk	The counterparty has a low risk of default and does not have any past-due amounts	Lifetime ECL – not credit-impaired	12m ECL
Moderate risk	Debtor has a moderate level of credit risk at the inception of the loan and expect to settle in full	Lifetime ECL – not credit-impaired	12m ECL
Doubtful	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL – not credit-impaired	Lifetime ECL – not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL – credit-impaired	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

* Further sub-grouping applied for contract assets as detailed in note (3) below.

33. FINANCIAL INSTRUMENTS – continued

(b) Financial risk management objectives and policies – continued

Credit risk and impairment assessment – continued

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

	Notes	External credit rating	Internal credit rating	12m or lifetime ECL	Gross carrying amounts 2022 HK$'000	Gross carrying amounts 2021 HK$'000
Financial assets at amortised cost						
Trade receivables (Note 1)	17	N/A	Low risk	Lifetime ECL	**6,455**	2,986
			Loss	Lifetime ECL – Credit-impaired	**2,244**	42
					8,699	3,028
Other receivables and deposits (Note 2)	18	N/A	Low risk	12m ECL	**742**	795
Contract assets (Note 3)	19	N/A	Tier 1: Low risk	Lifetime ECL	**–**	994
			Tier 2: Low risk	Lifetime ECL	**–**	308
			Tier 3: Moderate risk	Lifetime ECL	**–**	1,277
					–	2,579

33. FINANCIAL INSTRUMENTS – continued

(b) Financial risk management objectives and policies – continued

Credit risk and impairment assessment – continued

Notes:

(1) For trade receivables, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL.

Debtors with significant outstanding balances and credit-impaired with gross carrying amount of HK$6,455,000 (2021: HK$2,986,000) and HK$2,244,000 (2021: HK$42,000), respectively, as at 31 December 2022 were assessed individually.

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

As at 31 December 2022, The weighted average loss rates for the significant outstanding balances are approximate to zero for both years while 100% for the credit-impaired balances. No impairment allowance on trade receivables are provided based on individual assessment as the amounts involved are immaterial. Impairment allowance of HK$2,244,000 (2021: HK$42,000) were made on credit-impaired debtors.

(2) Included in other receivables and deposits are amounts mainly representing loan facilitation service fee receivables which the Group is entitled to but are held by the Online Channel on behalf of the Group. The Group assessed the loss allowance for these other receivables on 12m ECL basis.

In determining the ECL, the Group has taken into account the historical default experience and forward-looking macroeconomic information as appropriate. There had been no significant increase in credit risk since initial recognition. During the year ended 31 December 2022, impairment of HK$Nil is recognised on the receivable from a service provider (2021: Impairment of HK$90,000). For the remaining other receivable balances, the Group has considered the consistently low historical default rate in connection with payments and concluded that credit risk inherent in these balances is insignificant.

33. FINANCIAL INSTRUMENTS – continued

(b) Financial risk management objectives and policies – continued

Credit risk and impairment assessment – continued

Notes: – continued

(3) For contract assets, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. The Group determines the ECL on these items by using a collective assessment, grouped by internal credit rating for loan facilitation services.

As part of the Group's credit risk management, the Group applies internal credit rating for its customers in relation to loan facilitation service segment as at 31 December 2022 and 2021. The following table provides information about the exposure to credit risk for contract assets which are assessed based on collective assessment within lifetime ECL (not credit-impaired).

Gross carrying amount

	2022		2021	
	Weighted average loss rate	**Contract assets HK$'000**	Weighted average loss rate	Contract assets HK$'000
Internal credit rating				
Tier 1: Low risk	**N/A**	–	0.9%	994
Tier 2: Low risk	**N/A**	–	31.4%	308
Tier 3: Moderate risk	**N/A**	–	61.7%	1,277
		–		2,579

At the inception of the loan, the management determines the tier of each customers by considering respective financial performance and positions, amount of collateral and geographical locations etc.. The estimated loss rates are estimated based on weighted average historical observed default rates over the expected life of the contract assets among different products and are adjusted for forward-looking macroeconomic information that is available without undue cost or effort. The grouping is regularly reviewed by management to ensure relevant information about specific debtors is updated.

During the year ended 31 December 2022, the Group recognised a reversal impairment allowance of HK$981,000 (2021: impairment of HK$878,000) for contract assets, based on collective assessment.

No debtors with significant outstanding balances or assessed as credit-impaired as at 31 December 2022 and 2021.

33. FINANCIAL INSTRUMENTS – continued

(b) Financial risk management objectives and policies – continued

Credit risk and impairment assessment – continued

The following tables show the reconciliation of loss allowances that has been recognised for trade receivables, contract assets and other receivables.

Trade receivables

	Lifetime ECL (credit-impaired) HK$'000
As at 1 January 2021	6
Impairment losses recognised	34
Exchange realignment	2
As at 31 December 2021 and 1 January 2022	42
Impairment losses recognised	2,274
Exchange realignment	(72)
As at 31 December 2022	2,244

The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the trade receivables are over two years past due, whichever occurs earlier.

Other receivables

	12m ECL HK$'000
As at 1 January 2021	–
Impairment losses recognised	90
Exchange realignment	(1)
As at 31 December 2021, 1 January 2022 and 31 December 2022	89

33. FINANCIAL INSTRUMENTS – continued

(b) Financial risk management objectives and policies – continued

Credit risk and impairment assessment – continued

Contract assets

	Lifetime ECL (non credit-impaired) HK$'000
As at 1 January 2021	146
Impairment losses recognised	878
Exchange realignment	4
As at 31 December 2021 and 1 January 2022	1,028
Reversal of impairment losses	(981)
Exchange realignment	(47)
As at 31 December 2022	–

33. FINANCIAL INSTRUMENTS – continued

(b) Financial risk management objectives and policies – continued

Liquidity risk

In management of the liquidity risk, the Group monitors and maintains levels of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

The following table details the Group's remaining contractual maturity for its financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

The table includes both interest and principal cash flows.

Liquidity tables

As at 31 December 2022

	Weighted average effective interest rate %	Within 1 year or on demand HK$'000	Between 1 and 2 years HK$'000	Between 2 and 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31 December 2022 HK$'000
Trade payables	N/A	4,405	–	–	4,405	4,405
Other payables	N/A	1,813	–	–	1,813	1,813
Interest-bearing borrowings	8.61%	–	12,832	–	12,832	11,560
		6,218	12,832	–	19,050	17,778
Lease liabilities	9.59%	1,862	1,265	–	3,127	2,897

As at 31 December 2021

	Weighted average effective interest rate %	Within 1 year or on demand HK$'000	Between 1 and 2 years HK$'000	Between 2 and 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31 December 2021 HK$'000
Trade payables	N/A	9,792	–	–	9,792	9,792
Other payables	N/A	1,664	–	–	1,664	1,664
Interest-bearing borrowings	8.00%	8,026	–	–	8,026	8,026
		19,482	–	–	19,482	19,482
Lease liabilities	8.17%	786	602	–	1,388	1,275

33. FINANCIAL INSTRUMENTS – continued

(c) Fair value measurements of financial instruments

The fair value of financial assets and financial liabilities are determined in accordance with general accepted pricing models based on discounted cash flow analysis.

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

34. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Interest-bearing borrowings	**Loan from a fellow subsidiary**	**Amount due to a former director**	**Lease liabilities**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2021	–	6,998	440	1,600	9,038
Financing cash flows	8,000	(7,012)	(440)	(645)	(97)
New leases entered	–	–	–	319	319
Termination of lease liabilities	–	–	–	(422)	(422)
Exchange realignment	–	–	–	39	39
Interest expenses	26	14	–	384	424
At 31 December 2021 and 1 January 2022	8,026	–	–	1,275	9,301
Financing cash flows	2,860	–	–	(1,074)	1,786
New leases entered	–	–	–	2,526	2,526
Exchange realignment	–	–	–	(56)	(56)
Interest expenses	674	–	–	226	900
At 31 December 2022	11,560	–	–	2,897	14,457

35. MAJOR NON-CASH TRANSACTIONS

During the year, the Group entered into a new lease agreement for the use of office premises and retail stores for two years (2021: two years). On the lease commencement, the Group recognised HK$2,526,000 (2021: HK$319,000) of right-of-use asset and HK$2,526,000 (2021: HK$79,000) lease liability.

36. SHARE OPTION SCHEME

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

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

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

No share option was granted or exercised for both years.

37. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Details of the principal subsidiaries as at 31 December 2022 and 2021 are as follows:

Name of subsidiary	Place of incorporation/ establishment	Place of operation	Issued and fully paid share capital/registered capital		Equity interest attributable to the Group As of 31 December		Principal activities
			2022	2021	**2022** %	2021 %	
Indirectly held subsidiaries							
Ever Smart International Enterprise Limited 永駿國際企業有限公司	Hong Kong	Hong Kong	**HK$1**	HK$1	**100**	100	Marketing and sale of footwear
Jimu Group Enterprises Limited	Hong Kong	Hong Kong	**HK$1**	HK$1	**100**	100	Marketing and sale of footwear and apparel
Allied Charm Creation Limited 滙耀創建有限公司	Hong Kong	Hong Kong	**HK$1**	HK$1	**100**	100	Marketing and sale of footwear and apparel
Jimu Sports Inc.*	Canada	Canada	**CAD100**	–	**100**	–	Marketing and Sale of footwear and apparel
Art Kingdom Limited	Hong Kong	Hong Kong	**HK$1**	–	**100**	–	Marketing and sale of footwear and apparel
立鼎萊博（北京）科技有限公司#	The PRC	The PRC	**USD10,000,000**	USD10,000,000	**100**	100	Loan facilitation business
積木時代（天津）商務信息諮詢有限公司#	The PRC	The PRC	**RMB5,000,000**	RMB5,000,000	**100**	100	Loan facilitation business
四川積木美行商務信息諮詢有限公司#	The PRC	The PRC	**RMB10,000,000**	RMB10,000,000	**100**	100	Loan facilitation business
斯德伯(寧夏)科技有限公司#	The PRC	The PRC	**USD1,000,000**	USD1,000,000	**100**	100	Design, development, sourcing, marketing and sale of footwear
格鋭德(銀川)企業管理咨詢有限公司#	The PRC	The PRC	**RMB10,000,000**	RMB10,000,000	**100**	100	Provision of consultancy service

\# Limited liability company established in the PRC

* Limited liability company established in Canada

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

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

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

38. EVENT AFTER THE REPORTING PERIOD

1. Implementing share consolidation

On 17 March 2023, the shareholders at the EGM approved share consolidation ("Share Consolidation") on the basis that every twenty (20) issued and unissued existing shares of HK$0.01 each will be consolidated into one (1) consolidated share of HK$0.20 each.

The consolidation was implemented on 21 March 2023. 722,304,000 Existing Shares of par value HK$0.01 each successfully converted into 36,115,200 consolidated shares par value of HK$0.20 each which are fully paid or credited as fully paid. The board lot size for trading in the consolidated shares remained unchanged at 5,000 consolidated shares per board lot.

2. Entering into tenancy agreement

On 12 January 2023, the Group entered into new tenancy agreement for the use of retail shop for selling sportswear, footwear and related sports equipment for two years and six months with monthly rent amounted of HK$38,000.

39. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	2022 HK$'000	2021 HK$'000
Non-current asset		
Investment in subsidiaries	–	–
Current assets		
Amount due from subsidiaries	8,659	–
Bank balances	198	173
	8,857	173
Current liabilities		
Other payables	1,942	1,955
Interest-bearing borrowings	–	8,026
	1,942	9,981
Net current assets (liabilities)	6,915	(9,808)
Non-current liability		
Interest-bearing borrowings	7,028	–
	7,028	–
Net liabilities	(113)	(9,808)
Capital and reserves		
Share capital	7,223	5,016
Reserves and accumulated losses (Note)	(7,336)	(14,824)
Capital deficiency	(113)	(9,808)

Approved by the Board of Directors on 23 March 2022 and are signed on its behalf by:

TSANG HING BUN
DIRECTOR

HUNG WAI CHE
DIRECTOR

39. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY – continued

Note: The movements in the reserves of the Company are as follows:

	Share premium HK$'000	Special reserve HK$'000 (Note)	Translation reserve HK$'000	Accumulated losses HK$'000	Total equity HK$'000
At 1 January 2021	55,784	11,540	105	(66,878)	551
Loss and total comprehensive expense for the year	–	–	–	(15,445)	(15,445)
Exchange differences on translation from functional currency to presentation currency	–	–	70	–	70
At 31 December 2021 and 1 January 2022	55,784	11,540	175	(82,323)	(14,824)
Loss and total comprehensive expense for the year	–	–	–	(2,937)	(2,937)
Total comprehensive expense for the year	–	–	–	(2,937)	(2,937)
Placing of new shares	10,935	–	–	–	10,935
Transaction costs attributable to placing of new shares	(510)	–	–	–	(510)
Release of exchange realignment	–	–	(175)	175	–
At 31 December 2022	66,209	11,540	–	(85,085)	(7,336)

Note: The special reserve of the Company comprises deemed contributions from the sole shareholder and premium arisen from the Group's reorganisation in 2015.

FIVE YEARS' FINANCIAL SUMMARY

The summary of the consolidated results of Jimu Group Limited (the "Company") and its subsidiaries (collectively referred to the "Group") for the years ended 31 December 2018, 2019, 2020, 2021 and 2022 and the consolidated assets and liabilities of the Group as at 31 December 2018, 2019, 2020, 2021 and 2022 are set out in the audited consolidated financial statements.

RESULTS

	Year ended 31 December				
	2022	2021	2020	2019	2018
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
REVENUE	**31,400**	9,331	83,293	110,173	219,353
(LOSS) PROFIT BEFORE TAXATION	**(5,711)**	(18,263)	(10,495)	(33,495)	1,874
Income tax credit (expenses)	**423**	3,380	1,790	150	(5,865)
LOSS FOR THE YEAR	**(5,288)**	(14,883)	(8,705)	(33,345)	(3,991)
Loss attributable to:					
Owners of the Company	**(5,288)**	(14,883)	(8,705)	(33,345)	(3,991)
Non-controlling interests	**–**	–	–	–	–
	(5,288)	(14,883)	(8,705)	(33,345)	(3,991)

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	As at 31 December				
	2022	2021	2020	2019	2018
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
TOTAL ASSETS	**29,574**	21,907	33,759	58,466	113,673
TOTAL LIABILITIES	**(28,339)**	(28,151)	(25,190)	(55,617)	(73,129)
	1,235	(6,244)	8,569	2,849	40,544
EQUITY:					
Equity attributable to owners of the Company	**1,235**	(6,244)	8,569	2,849	40,544
Non-controlling interests	**–**	–	–	–	–
	1,235	(6,244)	8,569	2,849	40,544