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JUSTIN ALLEN HOLDINGS LIMITED

捷隆控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 01425)

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

The board (the “**Board**”) of directors (the “**Directors**”) of Justin Allen Holdings Limited (the “**Company**”) is pleased to announce the unaudited consolidated annual results for the year ended 31 December 2019 of the Company and its subsidiaries (collectively the “**Group**”), together with comparative figures for the year ended 31 December 2018 as follows:

UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019

	Notes	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Audited)
Revenue	4	701,285	608,386
Cost of sales		(499,082)	(439,652)
Gross profit		202,203	168,734
Other income		1,036	2,088
Other gains and losses, net		(2,467)	(1,020)
Selling and distribution expenses		(40,655)	(43,662)
Administrative expenses		(52,525)	(48,104)
Finance costs	5	(7,805)	(5,802)
Listing expenses		(27,085)	(16,878)
Profit before tax		72,702	55,356
Income tax expense	6	(17,859)	(13,131)
Profit for the year	7	54,843	42,225

	<i>Notes</i>	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Audited)
Other comprehensive loss			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange difference on translating foreign operations		<u>(4,871)</u>	<u>(11,186)</u>
Other comprehensive loss for the year		<u>(4,871)</u>	<u>(11,186)</u>
Total comprehensive income for the year		<u>49,972</u>	<u>31,039</u>
Profit for the year attributable to:			
Owners of the Company		52,403	37,165
Non-controlling interests		<u>2,440</u>	<u>5,060</u>
		<u>54,843</u>	<u>42,225</u>
Total comprehensive income for the year attributable to:			
Owners of the Company		47,723	27,725
Non-controlling interests		<u>2,249</u>	<u>3,314</u>
		<u>49,972</u>	<u>31,039</u>
Earnings per share, basic (HK cents)	9	<u>5.50</u>	<u>4.43</u>
Earnings per share, diluted (HK cents)	9	<u>5.50</u>	<u>4.43</u>

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	Notes	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Audited)
Non-current assets			
Property, plant and equipment		148,671	152,041
Right-of-use assets		52,370	-
Prepaid lease payments		-	46,847
Deposits paid for acquisition of property, plant and equipment		1,380	803
Rental deposits		1,475	1,606
Deferred tax assets		2,080	2,321
		205,976	203,618
Current assets			
Inventories		114,568	109,094
Trade and other receivables	10	82,105	108,090
Trade receivables at fair value through other comprehensive income		27,907	19,749
Prepaid lease payments		-	1,059
Amounts due from shareholders		-	1,948
Financial assets at fair value through profit or loss		-	6,195
Tax recoverable		-	1,362
Bank balances and cash		131,750	27,120
		356,330	274,617
Current liabilities			
Trade and other payables	11	98,336	122,766
Lease liabilities		2,264	-
Amounts due to shareholders		-	110,761
Amounts due to ultimate holding company		-	13,170
Amounts due to a non-controlling shareholder of a subsidiary		-	879
Bank borrowings		111,220	24,667
Tax payable		6,680	3,712
		218,500	275,955
Net current assets / (liabilities)		137,830	(1,338)
Total assets less current liabilities		343,806	202,280
Non-current liabilities			
Bank borrowings		549	2,762
Lease liabilities		3,341	-
		3,890	2,762
Net assets		339,916	199,518

	<i>Notes</i>	2019 <i>HK\$'000</i> (Unaudited)	2018 <i>HK\$'000</i> (Audited)
Capital and reserves			
Share capital	<i>12</i>	12,500	83
Reserves		302,602	156,335
		<hr/>	<hr/>
Equity attributable to owners of the Company		315,102	156,418
Non-controlling interests		24,814	43,100
		<hr/>	<hr/>
Total equity		339,916	199,518
		<hr/>	<hr/>

Notes:

1. GENERAL INFORMATION

Justin Allen Holdings Limited (the “**Company**”) is an investment holding company. The Group, comprising the Company and its subsidiaries, is principally engaged in the manufacturing and sales of sleepwear products, loungewear product and greige fabric, and processing services.

The Company was incorporated in the Cayman Islands on 31 May 2013 as an exempted company with limited liability under the Companies Law of the Cayman Islands. The shares of the Company have been listed on the Main Board of Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) since 28 November 2019.

The address of the Company’s registered office is Ogier Global (Cayman) Limited, 89 Nexus Way, Camana Bay, Grand Cayman KY1-9009, Cayman Islands and address of the Company’s principal place of business is 31/F, Excel Centre, 483A Castle Peak Road, Cheung Sha Wan, Hong Kong.

In the opinion of the directors, the Company’s parent and ultimate holding company is Strategic King Holdings Limited (“**Strategic King**”), a company incorporated in the British Virgin Islands (“**BVI**”) and wholly-owned by Mr. Tam Kwok Pui, Edmond (“**Mr. Edmond Tam**”) and Ms. Yeung Suk Foon, Paulina (“**Ms. Paulina Yeung**”), the spouse of Mr. Edmond Tam, (the “**Controlling Shareholders**”).

Prior to the corporate reorganisation undertaken in preparation for the listing of the Company’s shares on the Stock Exchange (the “**Reorganisation**”), the group entities were under the control of Mr. Edmond Tam and Ms. Paulina Yeung. Through the Reorganisation, the Company became the holding company of the companies now comprising the Group on 27 February 2019. Accordingly, for the purpose of the preparation of the unaudited consolidated financial statements of the Group, the Company has been considered as the holding company of the companies now comprising the Group throughout the years presented. The Group comprising the Company and its subsidiaries resulting from Reorganisation is regarded as a continuing entity. The Group was under the control of Mr. Edmond Tam and Ms. Paulina Yeung prior to and after the Reorganisation. Details of the Reorganisation were set out in the paragraph headed “The Reorganisation” in the section headed “History and development” in the prospectus of the Company dated 19 November 2019 (the “**Prospectus**”).

The unaudited consolidated financial statements have been prepared as if the Company had been the holding company of the Group throughout the years presented in accordance with Accounting Guideline 5 “Merger Accounting for Common Control Combinations” issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”). The unaudited consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the years presented, which include the results, changes in equity and cash flows of companies now comprising the Group, have been prepared as if the current group structure had been in existence throughout the years presented, or since their respective dates of incorporation where this is a shorter period.

The unaudited consolidated financial statements are presented in Hong Kong dollars (“**HK\$**”). The functional currency of the Company is United States dollars. All values are rounded to the nearest thousand dollars (HK\$’000) except otherwise indicated.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“**HKFRSs**”)

The Group has adopted the following new and amendments to HKFRSs (the “**New and Amendments to HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) for the first time in the current year:

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

Except as described below, the application of the New and Amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these unaudited consolidated financial statements.

HKFRS 16 Leases

The Group has applied HKFRS 16 for the first time in the current year. HKFRS 16 superseded HKAS 17 Leases ("**HKAS 17**"), and the related interpretations.

Definition of a lease

Impact on the unaudited consolidated financial statements

The Group has elected to use the transition practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

As a lessor

In accordance with the transitional provisions in HKFRS 16, the Group is not required to make any adjustment on transition for leases in which the Group is a lessor but account for these leases in accordance with HKFRS 16 from the date of initial application and comparative information has not been restated. During the year ended 31 December 2019, application of HKFRS 16 by the Group as a lessor has no material impact on the Group's unaudited consolidated financial statements.

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019.

As at 1 January 2019, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities adjusted by any prepaid or accrued lease payments by applying HKFRS 16.C8(b)(ii) transition. Any difference at the date of initial application is recognised in the opening retained profits and the comparative information presented in 2018 has not been restated and continues to be reported under HKAS 17 and related interpretations as allowed by the transition provision in HKFRS 16.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

- (i) elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;
- (ii) excluded initial direct costs from measuring the right-of-use assets at the date of initial application;
- (iii) applied a single discount rate to a portfolio of leases with a similar remaining terms for similar class of underlying assets in similar economic environment, specifically, discount rate for certain leases of land and buildings in PRC and buildings in Cambodia was determined on a portfolio basis;
- (iv) used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's leases with extension and termination options; and

- (v) relied on the assessment of whether leases are onerous by applying HKAS 37 Provisions, Contingent Liabilities and Contingent Assets as an alternative of impairment review.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average lessee's incremental borrowing rate applied ranged from 6.18% to 10.0%.

	As at 1 January 2019 <i>HK\$'000</i> (Unaudited)
Operating lease commitments disclosed as at 31 December 2018	6,891
Less: total future interest expenses	<u>(699)</u>
Lease liabilities discounted at relevant incremental borrowing rates	6,192
Less: Recognition exemption – short-term leases	<u>(393)</u>
Lease liability relating to operating leases recognised upon application of HKFRS 16 as at 1 January 2019	<u><u>5,799</u></u>
Analysed as:	
Current	1,759
Non-current	<u>4,040</u>
	<u><u>5,799</u></u>

The carrying amount of right-of-use assets for own use as at 1 January 2019 comprises the following:

	Notes	Right-of-use assets <i>HK\$'000</i> (Unaudited)
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16		5,799
Add: Reclassification from prepaid lease payments	(a)	47,906
Add: Adjustments on rental deposit at 1 January 2019	(b)	<u>332</u>
		<u><u>54,037</u></u>
		<i>HK\$'000</i> (Unaudited)
By class:		
Leasehold land		47,906
Land and buildings		<u>6,131</u>
		<u><u>54,037</u></u>

Notes:

- (a) Upfront payments for leasehold lands in the PRC were classified as prepaid lease payments as at 31 December 2018. Upon application of HKFRS 16, the current and non-current portion of prepaid lease payments amounting to HK\$1,059,000 and HK\$46,847,000 respectively were reclassified to right-of-use assets.
- (b) Before the application of HKFRS 16, the Group considered refundable rental deposits paid as

rights and obligations under leases to which HKAS 17 applied. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use of the underlying assets and were adjusted to reflect the discounting effect at transition. Accordingly, HK\$332,000 was adjusted to refundable rental deposits paid and right-of-use assets.

The following table summarises the impacts of the adoption of HKFRS 16 on the Group's unaudited consolidated statement of financial position at 1 January 2019. Line items that were not affected by the changes have not been included.

	Carrying amount previously reported at 31 December 2018 HK\$'000	Reclassification HK\$'000	Recognition of lease HK\$'000	Carrying amount under HKFRS 16 at 1 January 2019 HK\$'000
	(Audited)	(Unaudited)	(Unaudited)	(Unaudited)
Non-current assets				
Right-of-use assets	-	47,906	6,131	54,037
Prepaid lease payments (note 2)	46,847	(46,847)	-	-
Rental deposits (note 1)	1,606	-	(332)	1,274
Current assets				
Prepaid lease payments (note 2)	1,059	(1,059)	-	-
Current liabilities				
Lease liabilities (note 1)	-	-	1,759	1,759
Non-current liabilities				
Lease liabilities (note 1)	-	-	4,040	4,040

Note:

- (1) The application of HKFRS 16 to leases previously classified as operating leases under HKAS 17 resulted in the recognition of right-of-use assets of approximately HK\$6,131,000 and lease liabilities of HK\$5,799,000 at the initial adoption of HKFRS 16. Discounting effect on rental deposits of approximately HK\$332,000 was adjusted to right-of-use assets.
- (2) Upfront payments for leasehold lands in the PRC own used properties were classified as prepaid land lease payments as at 31 December 2018. Upon application of HKFRS 16, prepaid land lease payments amounting to HK\$47,906,000 was classified to right-of-use assets.

New and amendments to HKFRSs that have been issued but are 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:

HKAS 1 and HKAS 8 (Amendments)	Definition of Material ¹
HKFRS 9, HKAS 39 and HKFRS 7 (Amendments)	Interest Rate Benchmark Reform ¹
HKFRS 3 (Amendments)	Definition of a Business ²
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴
HKFRS 17	Insurance Contracts ³

- 1 Effective for annual periods beginning on or after 1 January 2020.
- 2 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.
- 3 Effective for annual periods beginning on or after 1 January 2021.
- 4 Effective for annual periods beginning on or after a date to be determined.

In addition to the above new and amendments to HKFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, the “Amendments to References to the Conceptual Framework in HKFRS Standards” will be effective for annual periods beginning on or after 1 January 2020. The directors of the Company anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

3. SIGNIFICANT ACCOUNTING POLICIES

The unaudited consolidated financial statements have been prepared in accordance with all applicable HKFRSs, which is a collective term that includes all applicable individual HKFRSs, Hong Kong Accounting Standards (“**HKASs**”), and Interpretations issued by the HKICPA and accounting principles generally accepted in Hong Kong. In addition, the unaudited consolidated financial statements include applicable disclosures required by the Rules Governing the Stock Exchange (the “**Listing Rules**”) and by the Hong Kong Companies Ordinance.

The unaudited consolidated financial statements have been prepared on the historical cost basis, except for certain properties and financial instruments, which are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

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. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in the unaudited consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 “Share-based Payment”, leasing transactions that are within the scope of HKAS 17 “Leases”, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 “Inventories” or value in use in HKAS 36 “Impairment of Assets”.

A fair value measurement of a non-financial asset takes into account a market participant’s ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

4. REVENUE AND SEGMENT INFORMATION

Revenue represents revenue arising from the manufacturing and sales of products, which included sleepwear and loungewear products and greige fabric, and processing services for the years ended 31 December 2019 and 2018.

The Group has one operating segment based on information reported to the chief operating decision maker of the Group (the executive directors of the Company who are also directors of the operating subsidiaries) (the “**CODM**”) for the purpose of resource allocation and performance assessment, which is the consolidated results of the Group. As a result, there is only one reporting segment of the Group. No analysis of segment assets or segment liabilities is presented as such information is not regularly provided to the CODM.

Revenue from major products and services

	2019 <i>HK\$'000</i> (Unaudited)	2018 <i>HK\$'000</i> (Audited)
Sales of products (sleepwear, loungewear and greige fabric)	697,386	599,832
Processing services	3,899	8,554
	<u>701,285</u>	<u>608,386</u>
Timing of revenue recognition		
At a point in time	697,386	599,832
Over time	3,899	8,554
	<u>701,285</u>	<u>608,386</u>

During the year ended 31 December 2019 and 2018, all performance obligations for manufacturing and sales of sleepwear products, loungewear products, greige fabric and processing services are for periods of one year or less. As permitted under HKFRS 15, the transaction price allocated to unsatisfied performance obligations as at the end of each reporting period is not disclosed.

Geographical information

The following is an analysis of the Group's revenue from external customers is presented based on the location of customers:

	2019 <i>HK\$'000</i> (Unaudited)	2018 <i>HK\$'000</i> (Audited)
Revenue		
United States of America	470,607	417,353
United Kingdom	111,823	83,467
Ireland	66,511	62,360
Spain	23,845	27,033
The PRC	8,522	16,882
Canada	16,142	-
Cambodia	3,835	1,291
	<u>701,285</u>	<u>608,386</u>

The analysis of Group's non-current assets by location of assets is as follows:

	2019 <i>HK\$'000</i> (Unaudited)	2018 <i>HK\$'000</i> (Audited)
Non-current assets		
The PRC	160,417	162,852
Hong Kong	33,729	35,014
Cambodia	9,750	3,431
	<u>203,896</u>	<u>201,297</u>

Note: Non-current assets excluded deferred tax assets.

Information about major customers

Revenue from customers for the years ended 31 December 2019 and 2018 contributing over 10% of the Group's revenue are as follows:

	2019 <i>HK\$'000</i> (Unaudited)	2018 <i>HK\$'000</i> (Audited)
Customer A	466,529	412,656
Customer B	<u>180,849</u>	<u>159,501</u>

5. FINANCE COSTS

	2019 <i>HK\$'000</i> (Unaudited)	2018 <i>HK\$'000</i> (Audited)
Interest on bank borrowings	7,291	5,802
Interest on lease liabilities	<u>514</u>	<u>-</u>
	<u>7,805</u>	<u>5,802</u>

6. INCOME TAX EXPENSE

	2019 <i>HK\$'000</i> (Unaudited)	2018 <i>HK\$'000</i> (Audited)
The income tax expense comprises:		
Current tax:		
Hong Kong Profits Tax	14,954	11,251
PRC Enterprise Income Tax	3,462	3,213
Cambodia Income Tax	<u>2</u>	<u>260</u>
	18,418	14,724
Deferred tax credit	<u>(559)</u>	<u>(1,593)</u>
	<u>17,859</u>	<u>13,131</u>

(a) Cayman Islands

The Company was incorporated in the Cayman Islands as exempted companies with limited liability and, accordingly, is exempted from payment of Cayman Islands income tax.

(b) British Virgin Islands Income Tax

Entities incorporated in the British Virgin Islands as an exempted company with limited liability under the Company Law of British Virgin Islands and, accordingly, are exempted from payment of British Virgin Islands income tax.

(c) Hong Kong Profits Tax

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the “**Bill**”) which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

The directors of the Company considered the amount involved upon implementation of the two-tiered profits tax rates regime as insignificant to the unaudited consolidated financial statements. Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for the years ended 31 December 2019 and 2018.

(d) PRC Enterprise Income Tax

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% during the years ended 31 December 2019 and 2018.

Pursuant to the EIT Law of PRC and the Detailed Implementation Rules, distribution of the profits earned by the PRC subsidiaries since 1 January 2008 to holding companies incorporated in Hong Kong is subject to the PRC withholding tax at tax rate of 5%.

(e) Cambodia Income Tax

Pursuant to the relevant laws and regulations in Cambodia, the tax rate of the Cambodian subsidiary is 20% during the years ended 31 December 2019 and 2018.

7. PROFIT FOR THE YEAR

	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Audited)
Profit for the year is stated after charging/(crediting):		
Depreciation of property, plant and equipment	11,115	10,214
Depreciation of right-of-use assets	3,386	-
Depreciation of investment property	-	706
Release of prepaid lease payments	-	1,078
Operating lease rental in respect of minimum lease payments of rental premises previously classified as operating lease under HKAS17	-	2,790
Expenses related to short-term leases	393	-
Allowance for credit loss recognised (reversed) on trade receivables and other receivables	1,558	(121)
	<u>1,558</u>	<u>(121)</u>

8. DIVIDEND

The Company has paid dividend of approximately HK\$15,000,000 to its shareholders during the year ended 31 December 2019.

The Board recommends the payment of final dividend of approximately HK\$0.0228 per share at HK\$28,500,000 (2018: Nil) for the year ended 31 December 2019.

9. EARNINGS PER SHARE

The calculation of the basic earnings per share attributable to the owners of the Company is based on the following data:

	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Audited)
Earnings		
Earnings for the purpose of calculating basic earnings per share (Profit for the year attributable to the owners of the Company)	52,403	37,165
	<u>52,403</u>	<u>37,165</u>

	'000 (Unaudited)	'000 (Audited)
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	951,939	838,077

The number of ordinary shares for the purpose of calculating basic earnings per share has been adjusted for 838,076,505 ordinary shares issued pursuant to the capitalisation issue which took place upon the completion of the share offer to the Company's shares, comprising 10,680 ordinary shares in issue and 838,065,825 ordinary shares to be issued pursuant to the capitalization shares as detailed in the sub-section "The Reorganisation" under the section headed "History and Development" and the section headed "Share Capital" in the Prospectus has been effected throughout the period.

No diluted earnings per share for the years ended 31 December 2019 and 2018 was presented as there was no potential ordinary shares in issue during the years ended 31 December 2019 and 2018.

10. TRADE AND OTHER RECEIVABLES

	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Audited)
Trade receivables, net	32,594	32,024
Other receivables, net	49,511	76,066
	82,105	108,090

The Group allows a credit period of 0 to 120 days to its trade receivables.

The following is an aged analysis of trade receivables net of allowance for credit losses, presented based on the delivery dates at the end of each reporting period:

	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Audited)
0-30 days	28,724	25,051
31-60 days	3,045	6,030
61-90 days	407	764
Over 90 days	418	179
	32,594	32,024

11. TRADE AND OTHER PAYABLES

	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Audited)
Trade payables	39,928	35,284
Other payables, net	58,408	87,482
	98,336	122,766

The following is an aged analysis of trade payables presented based on the invoice dates of goods at the end of each reporting period:

	2019 HK\$'000 (Unaudited)	2018 <i>HK\$'000</i> (Audited)
0-30 days	34,722	32,094
31-60 days	4,846	2,368
61-90 days	-	49
Over 90 days	360	773
	39,928	35,284

The credit period on purchases of goods is 0 to 90 days upon the issue of invoices.

12. SHARE CAPITAL

	Number of shares	Amount HK\$
Authorised:		
Balance as at 1 January 2018, 31 December 2018 and 1 January 2019, Ordinary shares of HK\$0.01 each	38,000,000	380,000
Issue of ordinary shares (Note a)	49,962,000,000	499,620,000
Balance as at 31 December 2019	50,000,000,000	500,000,000
Issue and fully paid:		
Balance as at 1 January 2018, 31 December 2018 and 1 January 2019	1	-
Issue of shares (Note b)	11,946	119
Issue of shares under capitalization issue (Note c)	937,488,053	9,374,881
Issue of shares under the global offering (Note c)	312,500,000	3,125,000
Balance as at 31 December 2019	1,250,000,000	12,500,000

Notes:

- (a) Pursuant to a resolution in writing passed by all shareholders on 17 October 2019, the authorised share capital of the Company was increased from HK\$380,000 to HK\$500,000,000 by the creation of an additional 49,962,000,000 shares.
- (b) On 27 February 2019, 10,679 shares and 1,267 shares were issued and allotted to Strategic King and the non-controlling shareholders of JA Overseas, respectively, as consideration of transferring the entire shareholdings in the JA Overseas to the Company.
- (c) Immediately following the Global Offering becoming unconditional and the issue of the offer shares, the issued share capital of the Company was increased to HK\$12,500,000 divided into 1,250,000,000 shares, all of which are fully paid up or credited as fully paid.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The Group primarily engages in the business of OEM garment manufacturing specialising in the production of sleepwear and loungewear products. We have a vertically integrated business operation which comprises raw materials sourcing and greige fabric production, raw material and fabric development, garment design, advising customers on the product designs and the use of fabrics, conducting key garment production processes with our own production facilities and carrying out quality control at various key production stages and on finished garment products. As such, the Group is capable of offering one-stop apparel solutions comprising, fabric development and manufacturing, garment design, samples production, raw materials sourcing, garment manufacturing, quality control and logistics management to our customers. The Group has production facilities in each of Henan province, the PRC and Phnom Penh, Cambodia.

On 28 November 2019, the Company was successfully listed on the Stock Exchange by way of the global offering of its shares, issuing 312,500,000 shares at HK\$0.40 per share and raised HK\$125 million in total. The listing had substantially strengthened the Group's financial capability in fulfilling its plans for expansion of business vertically and horizontally, thus laying an important foundation for future development.

For the year ended 31 December 2019, the sales volume of sleepwear and loungewear products of the Group was approximately 18.71 million pieces, which recorded an increment as compared to the sales volume for the year ended 31 December 2018. Among which the sales of loungewear, which the Group has focused on developing as loungewear products generally have higher average selling price, recorded continuous growth and the sales product volume increased by approximately 30.7% as compared with the same period of last year.

As stated in the Prospectus, part of the use of proceeds raised by the Group would be used to horizontally expand our garment production capability by setting up a new garment product factory in Vietnam. The Group is in the course of acquiring the land use rights and preparing the development plan, and once the Group has obtained the relevant approvals, the Group will proceed with the subsequent development as soon as possible.

The development strategy of the Group includes maintenance of good relationship with existing customers, development of new customers and expansion of product portfolio. For the year 2019, the Group has gained a new apparel retail brand customer which the Group mainly supplies sleepwear products to it. Furthermore, the Group is developing and designing new products for the preparation of building up new customer base in the future.

Finance Review

For the year ended 31 December 2019, the sales volume of sleepwear and loungewear products of the Group was approximately 18.71 million pieces, which recorded an increment as compared to the sales volume for the year ended 31 December 2018. Among which the sales of loungewear products, which the Group has focused on developing as loungewear products generally have higher average selling price, recorded continuous growth and the sales product volume increased by approximately 30.7% as compared with the same period of last year. As a result of the average selling price of sleepwear and loungewear products of the Group recorded an increment of approximately 12.1% to approximately HK\$36.8, it contributed to the increase of revenue of the Group to approximately HK\$701.29 million to the Group during the year, which increased by approximately 15.3% as compared with the same period of last year.

The gross profit of the Group was increased by approximately HK\$33.47 million from approximately HK\$168.73 million during the year ended 31 December 2018, to approximately HK\$202.20 million during the year ended 31 December 2019. The increment rate was approximately 19.8%. The average gross profit margin was also increased from approximately 27.7% in 2018 to approximately 28.8% in 2019. This is mainly due to the increase in the proportion of loungewear products increased, which generally have higher average gross profit margin than sleepwear products.

Other gains and losses increased from approximately HK\$1.02 million during the year ended 31 December 2018 to approximately HK\$2.47 million during the year ended 31 December 2019. The reason for such increase was mainly due to approximately HK\$1.56 million of credit loss impairment

for trade receivables and other receivables which was recorded during this year. This is a general impairment in accordance with the relevant accounting standards, and it was assessed based on the debtors' nature, ageing, credit rating granted towards companies with similar natures by the market, and also reference to the credit risk.

For the year ended 31 December 2019, the selling and distribution expenses were approximately HK\$40.66 million, which was reduced by approximately 6.9% as compared with the same period of last year. The decrease was mainly due to the change in the suppliers of certain raw materials and accessories of the Group by sourcing directly from suppliers in China, and hence the import and export procedures have been simplified, and the export procedures of certain products can be handled by the Group internally. As a result the commission paid to import-export corporations decreased by approximately HK\$3.53 million to approximately HK\$1.79 million.

The administrative expenses of the Group increased by approximately HK\$4.42 million from approximately HK\$48.10 million for the year ended 31 December 2018 to approximately HK\$52.53 million for the year ended 31 December 2019. This is primarily due to the increase in staff costs from approximately HK\$26.71 million for the year ended 31 December 2018 to approximately HK\$34.30 million for the year ended 31 December 2019, which was mainly attributable to the salaries increment and accrued bonus to be distributed to our employees.

The finance costs of the Group was increased by approximately HK\$2.01 million from approximately HK\$5.80 million for the year ended 31 December 2018 to approximately HK\$7.81 million for the year ended 31 December 2019. This is primarily due to the addition of short-term bank loan mainly used for general working capital.

The profit attributable to the owners of the Company increased by approximately 41.0% from approximately HK\$37.17 million for the year ended 31 December 2018 to approximately HK\$52.40 million for the year ended 31 December 2019. The increment of net profit was mainly due to the abovementioned increment of revenue and gross profit margin, which offset the listing expenses recorded during this year.

The Board proposed to declare and pay final dividend of HK\$0.0228 per share and in total HK\$28.5 million. This counts for approximately 54% of the profit attributable to the owners of the Company. If it is calculated based on the operating profit (i.e. the profit attributable to the owners of the Company and exclusion of listing expenses), it may count for approximately 36% out of the operating profit, while for the dividend declared based on the 2018 results and 2017 results it was approximately HK\$15.0 million or 28% and HK\$14.7 million or 31% respectively.

Outlook and Future Prospects

Since January 2020, the PRC and the United States have reported certain confirmed cases of Covid-19 and the situation of pandemic is changing and became multi-national. This may affect the usual business of all industries. Even the Group is actively managing its operations, it may unavoidably bring uncertainties to the Group since it is not stable. The Group will continue to closely monitor the situation and take all possible effective measures to respond appropriately in a proactive manner. Pending development of such subsequent non-adjusting event, the Group's financial results may be affected, the extent of which could not be estimated as at the date of this announcement.

2020 is a challenging year. In view of the outbreak of Covid-19, governments of different countries applied different restrictions and precautions which caused our customers and suppliers facing different difficulties. In view of this situation, the Group will be more cautious in the application of currently available resources, performing adequate internal reallocation and strengthen cost control policy, so that the Group can cope with different situation and reduce the operation and financial impact. Even though it may delay certain orders in the second quarter and prolong the settlement period of certain trade receivables, but in accordance with the current information the Group has, there are no evidence indicating any events which will have material impact toward the results of current year.

The Group has over 30 years of history which has experienced different external challenges such as SARS and financial tsunami, and we were able to capture the opportunities raised and bring the Group to another level. In view of the outbreak of Covid-19, the Group has closely communicated with the customers, cope with their requirements and provide different solutions to overcome this challenge and get prepared for the recovery after the pandemic passed.

The Group is also working hard to explore new customers and develop new product pipeline at the same time and will gradually implement the horizontal and vertical development plans as stated in the Prospectus, to be prepared for the opportunities available once the epidemic passed and the following period of economic recovery.

Under the rapid changing business environment, the Group will continue to manage various operational and financial risks and take appropriate measures to minimise and combat these risks. Leveraging its solid foundation and committed management team, the Group has full confidence in overcoming all the difficulties ahead of us, get well prepared for capturing the future opportunities and providing fruitful return to the Group and all shareholders.

Financial Resources and Liquidity

As at 31 December 2019, the Group had current assets of approximately HK\$356.33 million (31 December 2018: HK\$274.62 million) and current liabilities of approximately HK\$218.50 million (31 December 2018: HK\$275.96 million). The current ratio was 1.63 as at 31 December 2019 as compared with 1.00 as at 31 December 2018.

The Group's cash and bank balances as at 31 December 2019 amounted to approximately HK\$131.75 million (31 December 2018: HK\$27.12 million), of which approximately 12.3% were denominated in United States dollars, Renminbi, Canadian dollars and Cambodian riel, and 87.7% in Hong Kong dollars.

As at 31 December 2019, the Group had outstanding bank loans of approximately HK\$111.77 million (31 December 2018: HK\$27.43 million) which were granted by banks in Hong Kong and PRC, and were denominated in United States Dollars and Renminbi. The interest rates charged by banks ranged from 3.40% to 6.18% (31 December 2018: 3.14% to 6.18%) per annum, in which approximately HK\$2.74 million bank loans were charged at fixed interest rates. Certain bank loans were pledged by assets of the Group with a net book value of HK\$177.75 million (31 December 2018: HK\$167.11 million).

The gearing ratio of the Group, measured by bank borrowings as a percentage of shareholders' equity, was reduced to approximately 35.4% as at 31 December 2019 as compared with approximately 17.5% as at 31 December 2018.

Since the Group's principal activities are in Hong Kong and PRC and the financial resources available, including cash on hand and bank borrowings, are mainly in Hong Kong Dollars, Renminbi and United States Dollars, the exposure to foreign exchange fluctuation is relatively low.

The Group intends to principally finance its operations and investing activities with its operating revenue, internal resources and bank facilities. The Directors believe that the Group has a healthy financial position and has sufficient resources to satisfy its capital expenditure and working capital requirement. The Group adopted a conservative treasury policy with most of the bank deposits being kept in Hong Kong dollars, or in the local currencies of the operating subsidiaries to minimize exposure to foreign exchange risks. As at 31 December 2019, the Group did not have foreign exchange contracts, interest or currency swaps or other financial derivatives for hedging purposes.

Material Acquisitions and Disposals

Save as disclosed in the Prospectus, the Group did not have material acquisitions and disposals for the year ended 31 December 2019.

Significant Investment

Save as disclosed in the Prospectus, the Group did not have other significant investment for the year ended 31 December 2019.

Contingent Liabilities

As at 31 December 2019, the Directors were not aware of any material contingent liabilities.

Events after the Reporting Period

Save as disclosed above, other events after the reporting period are as below:

Mr. Lai Yat Kwong Fred and Mr. Mak Ka Chun Billy resigned as an independent non-executive director and company secretary of the Company on 20 March 2020 and 18 February 2020, respectively. Mr. Law Tze Lun and Mr. Foo Tin Chung Victor was appointed as an independent non-executive director and company secretary of the Company on 20 March 2020 and 18 February 2020, respectively.

Deloitte Touche Tohmatsu resigned as the auditors of the Group on 18 February 2020 and HLB Hodgson Impey Cheng Limited was appointed as the auditors of the Group on 18 February 2020.

Save as disclosed above, no other subsequent events occurred after 31 December 2019 which may have a significant effect on the assets and liabilities or future operations of the Group.

Capital Structure

The shares of the Company have been listed on the Stock Exchange since 28 November 2019 (the “**Listing Date**”). There has been no change in the capital structure of the Company since the Listing Date. The capital of the Company comprises ordinary shares and other reserves.

Use of Net Proceeds from Global Offering

After deduction of all related listing expenses and commissions, the net proceeds from the global offering amounted to approximately HK\$60.8 million. Up to 31 December 2019, the Group did not utilise the net proceeds from the global offering.

Purchase, Sale or Redemption of Shares

Save as disclosed above, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities from the Listing Date up to 31 December 2019.

Employees and Remuneration Policy

As at 31 December 2019, the Group employed about 2,107 staff and workers in Hong Kong, PRC and Cambodia (as at 31 December 2018: 1,925). The Group remunerates its employees based on their performance and experience and their remuneration package will be reviewed periodically by the management. Other employee benefits include medical insurance, retirement scheme, appropriate training program and share option scheme.

Competing Interest

None of the Directors or the controlling shareholders (as defined in the Listing Rules) of the Company had an interest in a business which competes or may compete with the business of the Group.

Directors’ Interests in Transaction, Arrangements or Contracts

Save for the service contracts and letters of appointment entered with the respective Directors, no contract of significance to which the Company or any of its subsidiaries was a party and in which a director had a material interest, whether directly or indirectly, subsisted at the end of the year under review or any time during the year.

Model Code for Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 of the Listing Rules as its own code of conduct for securities transactions by directors. Having made specific enquiry of the Company’s directors, all directors have confirmed their compliance with all the relevant requirements as set out in the Model Code during the year ended 31 December 2019.

Independence of Independent Non-executive Directors

The Company has received from each independent non-executive director an annual confirmation for independence pursuant to Rule 3.13 of the Listing Rules. The independent non-executive directors have confirmed that they are independent.

Code of Corporate Governance Practices

The Company has complied with all of the code provisions of the Corporate Governance Code and Corporate Governance Report (the “**Code**”) as set out in Appendix 14 of the Listing Rules during the year ended 31 December 2019, except for the following deviations:

Pursuant to Code Provision A.2.1 of the Code, the role of chairman and the chief executive should be segregated and should not be performed by the same individual. However, the Company does not have a separate chairman and chief executive and Mr. Tam Kwok Pui currently performs these two roles. The Directors believe that vesting the roles of both chairman and chief executive in the same position has the benefit of ensuring consistent leadership within the Group and enables more effective and efficient overall strategic planning for the Group. The Board considers that the balance of power and authority for the present arrangement will not be impaired and this structure will enable the Company to make and implement decisions promptly and effectively. The Board will continue to review and consider splitting the roles of chairman of the Board and chief executive of the Company at a time when it is appropriate and suitable by taking into account the circumstances of the Group as a whole.

Audit Committee

The Company has established the audit committee for the purpose of monitoring the integrity of the financial statements and overseeing the financial reporting process and the internal control system of the Group. Currently, the audit committee is chaired by independent non-executive director Mr. Law Tze Lun and other members include the two independent non-executive directors Mr. Lui Ho Ming Paul, and Mr. Woo Chun Fai.

Review of Unaudited Annual Results

Due to the recent travel and other restrictions imposed by the Chinese government and the Hong Kong government to contain the Covid-19 outbreak, the reporting and audit processes of the Group’s financial statements for the year ended 31 December 2019 has been disrupted, and the Company is unable to publish an audited annual results announcement for the year ended 31 December 2019 by 31 March 2020 in accordance with the Listing Rules. The unaudited results contained herein have not been agreed by the Company’s auditors.

The Group’s unaudited annual financial results for the year ended 31 December 2019 has been reviewed by the audit committee but has not been reviewed or audited by the independent auditors of the Company.

Further Announcement(s)

Following the completion of the auditing process, the Company will issue further announcement(s) in relation to the audited results for the year ended 31 December 2019 as agreed by the Company’s auditors and the material differences (if any) as compared with the unaudited annual results contained herein. In addition, the Company will issue further announcements as and when necessary if there are other material development in the completion of the auditing process.

It is expected that the auditors will perform site visit to conduct field works in the PRC and the audit process as soon as practicable once the travel restrictions to the PRC and the quarantine arrangements are relieved. The Company expects to publish its annual report on or before 15 May 2020 if the aforesaid travel restrictions and quarantine measures are uplifted which allows sufficient time for the Company's auditors to complete the auditing process.

Remuneration Committee

The Company has established the remuneration committee to consider the remuneration of all directors and senior management of the Company. Currently, the remuneration committee is chaired by independent non-executive director Mr. Lui Ho Ming Paul and other members include the executive director Mr. Tam Kwok Pui and the independent non-executive director Mr. Law Tze Lun.

Nomination Committee

The Company has established the nomination committee to assist the Board in the overall management of the director nomination practices of the Company. Currently, the nomination committee is chaired by executive director Mr. Tam Kwok Pui and other members include the independent non-executive director Mr. Woo Chun Fai and Mr. Law Tze Lun.

Dividend

The Board recommended the declaration and payment of a final dividend of HK\$0.0228 per share (the “**Final Dividend**”), which is subject to, among other things, shareholders’ approval at the annual general meeting of the Company, and will be paid to the shareholders of the Company within three months from the approval of the said proposal by the annual general meeting of the Company. A notice convening the annual general meeting will be published and dispatched in the manner as required by the Listing Rules and information regarding the record date and book close date to determine the entitlement to the final dividend will be announced in due course.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

The annual results announcement will be published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.justinallengroup.com) and the Company's 2019 Annual Report will be dispatched to Shareholders and published on the Company's and the Stock Exchange's websites in due course.

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

By order of the Board
Justin Allen Holdings Limited
Tam Kwok Pui
Chairman

Hong Kong, 31 March 2020

As at the date of this announcement, the Board comprises three executive directors of the Company, namely, Mr. Tam Kwok Pui, Ms. Yeung Suk Foon Paulina and Mr. So Lie Mo Raymond, and three independent non-executive directors of the Company, namely, Mr. Lui Ho Ming Paul, Mr. Woo Chun Fai and Mr. Law Tze Lun.