JUSTIN ALLEN HOLDINGS LIMITED

捷 隆 控 股 有 限 公 司

Incorporated in the Cayman Islands with limited liability

Stock Code : 1425

ANNUAL REPORT

2019

Contents

Corporate Information

EXECUTIVE DIRECTORS

Mr. Tam Kwok Pui *(Chairman and Chief Executive Officer)*
Ms. Yeung Suk Foon Paulina
Mr. So Lei Mo Raymond

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Law Tze Lun
Mr. Lui Ho Ming Paul
Mr. Woo Chun Fai

COMPANY SECRETARY

Mr. Foo Tin Chung, Victor

AUTHORISED REPRESENTATIVES

Mr. Tam Kwok Pui
Mr. Foo Tin Chung, Victor

AUDIT COMMITTEE

Mr. Law Tze Lun *(Chairman)*
Mr. Lui Ho Ming Paul
Mr. Woo Chun Fai

REMUNERATION COMMITTEE

Mr. Lui Ho Ming Paul *(Chairman)*
Mr. Tam Kwok Pui
Mr. Law Tze Lun

NOMINATION COMMITTEE

Mr. Tam Kwok Pui *(Chairman)*
Mr. Law Tze Lun
Mr. Woo Chun Fai

WEBSITE

www.justinallengroup.com

STOCK CODE

1425

DATE OF LISTING

28 November 2019

AUDITORS

HLB Hodgson Impey Cheng Limited
Certified Public Accountants
31/F, Gloucester Tower
The Landmark, 11 Pedder Street
Central, Hong Kong

HONG KONG LEGAL ADVISERS

Tiang & Partners
Room 2010, 20/F, Edinburgh Tower
The Landmark, 15 Queen's Road Central
Hong Kong

COMPLIANCE ADVISER

Guotai Junan Capital Limited
27th Floor, Low Block, Grand Millennium Plaza
181 Queen's Road Central, Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Ogier Global (Cayman) Limited
89 Nexus Way
Camana Bay
Grand Cayman KY1-9009
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712–1716, Hopewell Centre
183 Queen's Road East, Hong Kong

PRINCIPAL BANKERS

HSBC
1 Queen's Road Central
Hong Kong

REGISTERED OFFICE IN CAYMAN ISLANDS

Ogier Global (Cayman) Limited
89 Nexus Way
Camana Bay
Grand Cayman KY1-9009
Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

31/F, Excel Centre
483A Castle Peak Road
Cheung Sha Wan
Hong Kong

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 People's Republic of China ("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 volume increased by approximately 30.7% as compared with the same period of last year.

As stated in the prospectus of the Company dated 19 November 2019 (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 maintaining good relationship with existing customers, development of new customers and expansion of product portfolio. For the year 2019, the Group had gained a new apparel retail brand customer which the Group mainly supplied 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.

Annual Performance

Revenue

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, generally has a 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, the average selling price of sleepwear and loungewear products recorded an increment of approximately 12.1% to approximately HK$36.8. Due to the increase of sales volume and average selling price, the revenue increased to approximately HK$701.29 million during the year, which represents an increment of approximately 15.3% as compared with the same period of last year.

Gross profit

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 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 sales of loungewear products, which generally has a higher average gross profit margin than sleepwear products.

Other gains and losses

Other 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 accessed based on the debtors' nature, ageing, credit rating granted towards companies with similar natures by the market, and also reference to the credit risk.

Selling and distribution expenses

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. As a result the commissions paid to import-export corporations decreased by approximately HK$3.53 million to approximately HK$1.79 million.

Administrative expenses

The administrative expenses of the Group increased by approximately HK$5.01 million from approximately HK$48.10 million for the year ended 31 December 2018 to approximately HK$53.11 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.

Finance costs

The finance costs of the Group 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.

Profit attributable to the owners of the Company

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.

Dividend

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, countries where we operate have reported confirmed cases of COVID-19 and the COVID-19 pandemic has spread globally. This may affect the usual business of all industries. Even though the Group has been actively managing its operations to avoid interruptions caused by COVID-19, it may unavoidably bring uncertainties to the Group's business. The Group will continue to closely monitor the situation and take all possible effective measures to respond appropriately in a proactive manner.

Management Discussion and Analysis

2020 has been a challenging year. In view of the outbreak of COVID-19, governments of different countries applied different restrictions and precautionary measures which caused our customers and suppliers to face different difficulties. In response of this situation, the Group will be more cautious in the application of currently available resources, performing adequate internal reallocation and strengthening cost control policy, so that the Group can cope with different situations and reduce the operation and financial impact of the pandemic. Even though certain orders in the second quarter may be delayed and the settlement period of certain trade receivables may be prolonged, but based on currently available information and according to recent discussions with customers, it is expected that the total orders in 2020 from customers will not be substantially different as compared to 2019, and the financial results of the Group is not expected to have material adverse impact. The management is also continuing to develop and procure more orders to maintain a continuous business growth for the Group.

In over 30 years of history, the Group has experienced different external challenges such as SARS and financial crises, and we were able to capture the opportunities from such challenges and bring the Group to another level. In view of the outbreak of COVID-19 pandemic, the Group has closely communicated with its customers to understand and accommodate to their situation and providing different solutions to overcome this challenge and get prepared for the recovery after the pandemic. Meanwhile, the Group is internally preparing for the recovery of post pandemic period.

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

In the current rapidly 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, being well prepared to capture the future opportunities and provide fruitful return to the Group and its shareholders.

Financial Resources and Liquidity

As at 31 December 2019, the Group had current assets of approximately HK$361.90 million (31 December 2018: HK$274.62 million) and current liabilities of approximately HK$224.87 million (31 December 2018: HK$275.96 million). The current ratio was 1.61 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 Kampuchean 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 secured by personal guarantee from Mr. Tam Kwok Pui (a director of the Company) (which were subsequently released) and were pledged by assets of the Group with a net book value of approximately 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 approximately 35.4% as at 31 December 2019 as compared with approximately 17.5% as at 31 December 2018.

During the year ended 31 December 2019, the capital expenditure incurred by the Group amounted to approximately HK$8.70 million (31 December 2018: HK$4.46 million), mainly for addition of machineries in our factories.

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.

PRINCIPAL RISKS AND UNCERTAINTIES

The Group's financial condition, results of operations, and business prospects may be affected by a number of risks and uncertainties directly or indirectly pertaining to the Group's businesses. To the best of knowledge and belief, the Directors consider that the following are the key risks and uncertainties identified by the Group as at the date of this report.

Market Risks

Market risk is the risk that deteriorates profitability or affects ability to meet business objectives arising from the movement in market prices, like foreign exchange rates and interest rates. The management of the Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Foreign Exchange Rates Risk

The Group mainly operates in the PRC, Hong Kong and Cambodia with most of the transactions settled in USD and Renminbi and the foreign exchange rates risk arises from sales or purchases by using foreign currencies other than the functional currencies. During the year ended 31 December 2019, the Group did not carry out any hedging activity against foreign currency risk. The Group also manages its foreign exchange rates risk by closely monitoring the movement of the currency rates.

Interest Rate Risk

The Group is exposed to cash flow interest rate risk in relation to variable-rate borrowings and bank balances due to changes of interest rates. The Directors consider the Group's exposures of the bank balances are not significant as interest bearing bank balances are within short maturity period and thus they are not included in sensitivity analysis. The Group currently does not have any interest rate hedging policy. However, management closely monitors its exposure to future cash flow interest rate risk as a result of changes in market interest rates will consider hedging changes in market interest rates should the need arise.

Liquidity Risk

Liquidity risk is the potential that the Group will be unable to meet its obligations when they fall due because of an inability to obtain adequate funding or liquidate assets. In managing the Group's liquidity risk, the Group monitors cash flows and maintains an adequate level of cash and cash equivalent to ensure its ability to finance the Group's operations and reduce the effects of fluctuation in cash flows.

Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Responsibility for managing operational risks basically rests with every business functions at divisional and departmental levels. Key functions in the Group are guided by their standard operating procedures, limits of authority and reporting framework. The management will identify and assess key operational exposures regularly so that appropriate response can be taken.

Investment Risk

Investment risk can be defined as the likelihood of occurrence of losses relative to the expected return on any particular investment. Key concern of investment framework will be balancing risk and return across different investments, and thus risk assessment is a core aspect of the investment decision process. Proper authorisation system has been set up and detailed analysis will be made before approving investments. Regular updates on the progress of the investments of the Group will be submitted to the Board for consideration.

Economic Environment

Most of the Group's facilities, operations and its revenue are located in and derived from the PRC and Hong Kong. The Group's results of operations and financial condition therefore depend on the economies of the PRC and Hong Kong. The economy of Hong Kong is significantly affected by the developments in the Mainland China and the Asia-Pacific region. Mainland China's economy may experience negative economic developments, and other regional economies may also deteriorate.

Environmental Policies

The Group is committed to contributing to the sustainability of the environment and is committed to building an environmental-friendly corporation that pays close attention to conserving natural resources. The Group strives to minimize its environmental impact by reducing water consumption and encouraging recycle of office supplies and other materials.

Tam Kwok Pui
Chairman

Hong Kong, 8 May 2020

Report of the Directors

The Board is pleased to present this annual report together with the audited consolidated financial statements of the Group for the year ended 31 December 2019.

PRINCIPAL BUSINESS ACTIVITIES

The Company is an investment holding company. Details of the principal business activities of its principal subsidiaries are set out in notes 38 to the consolidated financial statements respectively.

BUSINESS REVIEW

The business review of the Group f or the year ended 31 December 2019 is set out in the section "Management Discussion and Analysis" on page 3 of this annual report and forms part of the Report of the Directors.

Description of principal risks and uncertainties that may be faced by the Group can be found in the section "Management Discussion and Analysis — Principal Risks and Uncertainties" on pages 6 to 7 of this annual report.

An analysis of the Group's performance during the year using financial key performance indicators is set out in the section "Management Discussion and Analysis — Financial Resources and Liquidity" on pages 5 to 6 of this annual report. In addition, discussions on the Group's environmental policies and compliance with relevant laws and regulations which may have a significant impact on the Group are set out in the section "Management Discussion and Analysis — Environmental Policies" on page 7 and "Report of the Directors — Compliance with Relevant Laws and Regulations" separately on page 10 of this annual report.

DIVIDEND POLICY

The Company has adopted a dividend policy, in considering the payment of dividends, to allow shareholders of the Company to participate in the Company's profits whilst retaining adequate reserves for future growth of the Group.

The declaration and payment of dividends shall be determined at the sole discretion of the Board. The Board shall consider the following factors before recommending or declaring dividends:

i. The Company's actual and expected financial performance;

ii. Retained earnings and distributable reserves of the Company and each of the members of the Group;

iii. The Group's working capital, capital expenditure requirements and future expansion plans;

iv. The Group's liquidity position;

v. General economic conditions, business cycle of the Group and other internal or external factors that may have an impact on the business or financial performance and position of the Company; and

vi. Other factors that the Board deems relevant.

The payment of dividend is also subject to compliance with applicable laws and regulations including the laws of Cayman Islands and the memorandum and articles of association of the Company (the "**Articles**"). The Board will review the dividend policy from time to time and there can be no assurance that dividend will be paid in any particular amount for any given period.

PAYMENT OF DIVIDEND

The Company declared and paid dividend of approximately HK$15,000,000 to its shareholders during the year ended 31 December 2019. The Board resolved to declare the payment of a final dividend of approximately HK$0.0228 per share at HK$28,500,000 (2018: Nil) for the year ended 31 December 2019 which is expected to be paid on or about 10 July 2020.

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

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. The details of amount utilized as at 31 December 2019 and expected timetable for the unutilized proceeds are as below:

				Expected timeline for the unutilized net proceeds to be utilized (Note)	
	Allocation HK$'000	**Amount utilized as at 31 December 2019** HK$'000	**Amount unutilized as at 31 December 2019** HK$'000	**For the year ended 31 December 2020** HK$'000	**For the year ended 31 December 2021** HK$'000
Further development of existing factory in Henan	45.1	—	45.1	10.0	35.1
New production factory in Vietnam	13.8	—	13.8	3.8	10.0
Working capital	1.9	—	1.9	—	1.9
Total	60.8	—	60.8	13.8	47.0

Note: The expected timeline for utilizing the remaining net proceeds is based on the best estimation of the future market conditions made by the Group. It will be subject to change based on the current and future development of market conditions.

FUTURE PLANS FOR MATERIAL INVESTMENTS

Except for those set out in the "Events after the Reporting Period" in this report, the Group had authorised but not provided for capital expenditure commitments of approximately HK$1.9 million in respect of acquisition of non-current assets as at 31 December 2019.

SIGNIFICANT INVESTMENT

There was no other significant investment during the year ended 31 December 2019.

EVENTS AFTER THE REPORTING PERIOD

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 Company on 18 February 2020 and HLB Hodgson Impey Cheng Limited was appointed as the auditors of the Company on 18 February 2020.

Save as disclosed above and in this report, 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.

RESERVES

Details of the movements in reserves of the Group and of the Company during the year ended 31 December 2019 are set out in the consolidated statement of changes in equity and note 37 to the consolidated financial statements respectively.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

Save as disclosed above and in the Prospectus, during the year ended 31 December 2019, as far as the Company is aware, there was no material breach of or non-compliance with the relevant laws and regulations by the Group that have a significant impact on the business and operations of the Group.

KEY RELATIONSHIPS

(i) Employees

Human resources are one of the greatest assets of the Group and the Group regards the personal development of its employees as highly important. The Group aims to continue to be an attractive employer for committed employees. The Group strives to motivate its employees with a clear career path and opportunities for advancement and improvement of their skills.

(ii) Customers

The Group is committed to offer quality products to its customers and keep them updated of its latest business developments.

(iii) Suppliers

The Group has developed long-standing relationships with a number of suppliers and take a great care to ensure that they share its commitment to quality and ethics. The Group carefully selects its suppliers and requires them to satisfy certain assessment criteria including experience, reputation and quality control effectiveness.

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.

CONTINGENT LIABILITIES

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

SHARE CAPITAL

Details of the movements in share capital of the Company during the year are set out in note 28 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

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

SUBSIDIARIES

Particulars of the Company's subsidiaries at 31 December 2019 are set out in notes 38 to the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group during the year are set out in note 15 to the consolidated financial statements.

BANK BORROWINGS

Particulars of bank borrowings of the Group during the year are set out in note 26 to the consolidated financial statements.

Report of the Directors

DIRECTORS

The Directors who held office during the year ended 31 December 2019 and as at the date of this annual report are:

Executive Directors

Mr. Tam Kwok Pui
Ms. Yeung Suk Foon Paulina
Mr. So Lie Mo Raymond

Independent Non-executive Directors

Mr. Lai Yat Kwong Fred (resigned on 20 March 2020)
Mr. Law Tze Lun (appointed on 20 March 2020)
Mr. Lui Ho Ming Paul
Mr. Woo Chun Fai

In accordance with clauses 108 and 112 of the Articles, Tam Kwok Pui, Yeung Suk Foon Paulina, So Lie Mo Raymond, Law Tze Lun, Lui Ho Ming Paul and Woo Chun Fai will retire at the forthcoming annual general meeting and, being eligible, would offer themselves for re-election.

DIRECTORS' SERVICE CONTRACTS

There is no unexpired Directors' service contracts which is not determinable by the Company within one year without payment of compensation other than statutory compensation. Each of the independent non-executive Directors has been appointed pursuant to a letter of appointment for a term of three years, which is renewable automatically for successive terms of one year after the expiry of the term of appointment, unless terminated by not less than two months' notice in writing served by either party.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

During the reporting period, neither, none of the Company or its subsidiaries was a party to any arrangements to enable the Directors or chief executive of the Company to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

No transactions, arrangements or contracts of significance in relation to the Group's business to which the Company or 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 or at any time during the year ended 31 December 2019.

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.

RELATED PARTY TRANSACTIONS

For the year ended 31 December 2019, the related party transactions entered by the Group are all disclosed note 36 in the consolidated financial statements. Save as mentioned in such section, there were no other discloseable non-exempted connected transactions or non-exempted continuing connected transactions under the Listing Rules. To the extent of the related party transactions as disclosed in note 36 to the financial statements constituted connected transaction or continuing connected transaction, the Company had complied with the relevant requirements under Chapter 14A of the Listing Rules during the year ended 31 December 2019.

SHARE OPTION SCHEME

The Company has adopted a share option scheme (the "**Share Option Scheme**") on 17 October 2019. Summary of the principal terms of the Share Option Scheme was disclosed in the Prospectus.

The total number of securities available for issue under the Share Option Scheme as at the date of this annual report was 125,000,000 shares which represented approximately 10% of the issued share capital of the Company as at the date of this annual report. No option had been granted or agreed to be granted as at the date of this annual report.

During the reporting period, neither, none of the Company or any of its subsidiaries was a party to any arrangement to enable the directors of the Company to acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2019, the Directors and the chief executive of the Company, and their respective associates had the following interests in the shares and underlying shares of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**")) which were required to be notified to the Company and the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**"):

Long positions in the shares of the Company:

Name of Director	**Capacity**	**Number of ordinary shares Held** (Note 1)	**Approximate percentage of the Company's issued share capital**
Mr. Tam Kwok Pui ("**Mr. Tam**")	Interest in controlled corporation (Note 2)	838,076,505 (L)	67.1%
Ms. Yeung Suk Foon Paulina ("**Mrs. Tam**")	Family interest of spouse (Note 3)	838,076,505 (L)	67.1%

Notes:

(1) The letter "L" denotes the person's long position in our Shares.

(2) Strategic King Holdings Limited (the "**Strategic King**") is owned as to 90% by Mr. Tam and 10% by Mrs. Tam. Mr. Tam controls more than one-third of the voting rights of Strategic King and is deemed interested in the shares held by Strategic King by virtue of the SFO.

(3) Mrs. Tam is the spouse of Mr. Tam and is deemed interested in the Shares held by Strategic King by virtue of the SFO.

Apart from the foregoing, none of the Directors and chief executive of the Company or any of their spouses or children under eighteen years of age has interests or short positions in shares, underlying shares or debentures of the Company, any of its holding company, subsidiaries or fellow subsidiaries, as recorded in the register required to be kept under section 352 of the SFO or pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules or required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of the SFO.

PERMITTED INDEMNITY PROVISION

The Articles of the Company provides that the Directors or other officers of the Company shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities incurred or sustained by him/her as a Director or other officer of the Company in defending any proceedings, civil or criminal, in which judgment is given in his/her favour, or in which he/she is acquitted.

The Company has arranged appropriate insurance cover or other relevant arrangement in respect of potential legal actions against its Directors and senior management members as well as directors of the subsidiaries of the Group.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2019, the following persons (other than the Directors or chief executive of the Company) had an interest or short position in the shares or underlying shares of the Company which are required 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 required to be entered in the register maintained by the Company pursuant to Section 336 of the SFO.

Long and short positions in the shares of the Company:

Name of Shareholders	Nature of interests	Number of the shares interested (Note 1)	Approximate percentage or attributable percentage of shareholding (%)
Strategic King	Beneficial owner (Note 2)	838,076,505 (L)	67.1%

Notes:

1. The letter "L" denotes the person's long position in our Shares.

2. Strategic King is owned as to 90% by Mr. Tam and 10% by Mrs. Tam. Mr. Tam and his spouse, Mrs. Tam control more than one-third of the voting rights of Strategic King and are deemed interested in the shares held by Strategic King by virtue of the SFO.

Save as disclosed above, as at 31 December 2019, the Directors or chief executive of the Company were not aware of any other person (other than the Directors or chief executive of the Company) who had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who is, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group, or any other substantial shareholders whose interests or short positions were recorded in the register required to be kept by the Company under Section 336 of the SFO.

MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the year ended 31 December 2019.

MAJOR CUSTOMERS AND SUPPLIERS

The information in respect of the Group's revenue and purchases attributable to the major customers and suppliers respectively during the year ended 31 December 2019 is as follows:

	Percentage of the Group's total	
	revenue	**purchases**
The largest customer	66.5%	N/A
The five largest customers in aggregate	99.0%	N/A
The largest supplier	N/A	9.4%
The five largest suppliers in aggregate	N/A	39.4%

So far as the Board are aware, neither the Directors, their close associates nor any shareholders of the Company (which to the knowledge of the Directors own more than 5% of the Company's share capital) had any beneficial interest in these major customers and suppliers.

PURCHASE, SALE OR REDEMPTION OF SHARES

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2019.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained a sufficient public float as required under the Listing Rules since the date of listing of the Company till 31 December 2019 and as at the latest practicable date prior to the publication of this annual report.

TAX RELIEF AND EXEMPTION

The Company is not aware of any tax relief and exemption available to shareholders by reason of their holding of the Company's securities.

CORPORATE GOVERNANCE

Principal corporate governance practices adopted by the Company are set out in the Corporate Governance Report on pages 19 to 23.

Report of the Directors

AUDITORS

On 18 February 2020, HLB Hodgson Impey Cheng Limited was appointed by the Board to fill the casual vacancy created by Deloitte Touche Tohmatsu.

Apart from the foregoing, there were no other changes in auditors of the Company in any of the proceeding three years.

The consolidated financial statements for the year ended 31 December 2019 have been audited by HLB Hodgson Impey Cheng Limited which shall retire and, being eligible, offer itself for re-appointment at the forthcoming annual general meeting. A resolution to re-appoint HLB Hodgson Impey Cheng Limited and to authorize the Board of Directors to fix its remuneration will be proposed at the forthcoming annual general meeting.

APPRECIATION

On behalf of the board of Directors (the "Board"), the Chairman of the board would like to express gratitude to our management and staff for their dedication and contribution to the Group, and our shareholders and business associates for their continued support throughout the year.

On behalf of the Board

Tam Kwok Pui
Chairman

Hong Kong, 8 May 2020

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Tam Kwok Pui, aged 69, our founder, was appointed as a Director on 31 May 2013, re-designated as our executive Director and appointed as our Chairman and chief executive officer on 27 February 2019. Mr. Tam is primarily responsible for overseeing the operation and overall decision making of our Group. Mr. Tam graduated from The Chinese University of Hong Kong in October 1973 with a bachelor's degree in business administration. He has more than 30 years of experience in the garment industry. Mr. Tam is our controlling shareholder as well as the spouse of Ms. Yeung Suk Foon Paulina, an executive Director, and the brother of Mr Tam Kwok Hee ("**Mr. Raymond Tam**"), a shareholder and senior management of the Company.

Ms. Yeung Suk Foon Paulina, aged 65, was appointed as an executive Director on 19 November 2013 and re-designated as our executive Director on 27 February 2019. Mrs. Tam is currently the president of our Group and is principally responsible for the sales and marketing operation of our Group. Mrs. Tam has more than 30 years of experience in the garment industry. Mrs. Tam is our controlling shareholder as well as the spouse of Mr. Tam Kwok Pui, an executive Director, and sister in-law of Mr. Raymond Tam.

Mr. So Lie Mo Raymond, aged 70, was appointed as our executive Director on 19 November 2013 and re-designated as our executive Director on 27 February 2019. Mr. So is principally responsible for overseeing the operation of our Group. Mr. So graduated from The Chinese University of Hong Kong in October 1972 with a bachelor's degree in business administration. Mr. So has more than 26 years of management experience in the information technology industry in Hong Kong, China and Taiwan.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Law Tze Lun, aged 48, was appointed as our independent non-executive Director on 20 March 2020. Mr. Law is a Practicing Certified Public Accountant in Hong Kong and currently a director of ANSA CPA Limited. Mr. Law obtained a Bachelor of Commerce (Accounting) from Curtin University of Technology in Australia in 1999, and is a Certified Public Accountant (Practicing) of the Hong Kong Institute of Certified Public Accountants and a Certified Practicing Accountant of CPA Australia. He has over 27 years of experience in auditing, accounting and finance gained from various accounting firms in Hong Kong. He is currently an independent non-executive director of Gemini Investments (Holdings) Limited (a company listed on the main board of the Stock Exchange, stock code: 174), Come Sure Group (Holdings) Limited (a company listed on the main board of the Stock Exchange, stock code: 794) and Tak Lee Machinery Holdings Limited (a company listed on the GEM of the Stock Exchange, stock code: 8142). Mr. Law was an independent non-executive director of National Investments Fund Limited (a company listed on the main board of the Stock Exchange, stock code: 1227) from December 2013 to September 2018.

Mr. Lui Ho Ming Paul, aged 54, was appointed as our independent non-executive Director on 26 July 2019. Mr. Lui graduated from Macquarie University in April 1993 with a master of economics and Open University of Hong Kong in December 2007 by distance learning with a master's degree in electronic commerce. He has over 16 years' experience in corporate finance industry. Mr. Lui has been the managing director and responsible officer of Success New Spring Capital Limited (previously known as New Spring Capital Limited), a licensed corporation to carry on type 6 (advising on corporate finance) regulated activities under the SFO since June 2011. He is licensed to advise on corporate finance advisory matters.

Mr. Woo Chun Fai, aged 45, was appointed as our independent non-executive Director on 26 July 2019. Mr. Woo graduated from Cambridge University in July 2000 with a master of arts and from the University of Hong Kong in June 1997 with a Postgraduate Certificate in Laws. He has over 20 years' experience in the legal industry. He is a qualified solicitor in Hong Kong. Mr. Woo is currently a consultant of K Y Woo & Co, a law firm in Hong Kong.

SENIOR MANAGEMENT

Mr. Foo Tin Chung, Victor, aged 51, joined the Company in April 2018. He is currently the vice president, chief financial officer and company secretary of the Company. Mr. Foo holds a bachelor degree in Accounting and Information System in the University of New South Wales in Australia and a master degree in Business Administration in Australia Graduate School of Management. He is a member of the Australia Society of Certified Practising Accountants and an associate member of the Hong Kong Institute of Certified Public Accountants. Mr. Foo has been independent non-executive director of Shandong Luoxin Pharmaceutical Group Stock Co., Ltd., the listing of which has been withdrawn on the Stock Exchange since June 2017. Mr. Foo is also the company secretary of China Grand Pharmaceutical and Healthcare Holdings Limited (stock code: 512). Mr Foo was a company secretary of Huisheng International Holdings Limited (stock code: 1340), and resigned in September 2017.

Ms. Wu Qian, aged 37, joined our Group in July 2006 and is currently our chief operation officer. She is mainly responsible for merchandising, operations, shipping, production and factory evaluation functions of our Group. Ms. Wu graduated from Shanghai Institute of Technology majoring in international trade in January 2011.

Mr. Tam Kwok Hee Raymond, aged 71, joined our Group in July 1983 as the director of Justin Allen Limited until August 1990. He is currently a director of Jie Wei (Cambodia) Garment Factory Limited and the vice president — overseas operations of the Company, and is responsible for the management of our Cambodia Factory. Mr. Raymond Tam received a diploma in management studies from The Hong Kong Polytechnic (presently known as The Hong Kong Polytechnic University) in 1979. He has approximately 48 years of experience in the garment industry. Mr. Raymond Tam is the brother of Mr. Tam Kwok Pui and brother-in-law of Ms. Yeung Suk Foon Paulina, who are executive Directors.

Ms. Li Yan Ting, aged 33, joined our Group in March 2010 as the finance manager until June 2017. Ms. Li rejoined our Group as the financial controller since April 2018. She is mainly responsible for management and supervision of our finance team of our head office in Shanghai. Ms. Li obtained a bachelor's degree in management in July 2007 and a master's degree in national economics from University of Shanghai for Science and Technology in March 2010. She has over eight years of working experience in the finance and accounting field.

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.

This report also provides the status of the Company's compliance with the Corporate Governance Report as set out in Appendix 14 of the Listing Rules as follows:

DIRECTORS' 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 enquiries of all Directors, the Directors have complied with the required standard set out in the Model Code during the year ended 31 December 2019.

BOARD OF DIRECTORS

The Board is responsible for formulating and reviewing business strategies and directions, overseeing the management and monitoring the performance of the Group. While the management is delegated by the Board to execute these business strategies and directions and is responsible for the daily operations of the Group.

Currently, the Board comprises three executive Directors — Mr. Tam Kwok Pui, Ms. Yeung Suk Foon Paulina and Mr. So Lie Mo Raymond and three independent non-executive Directors — Mr. Law Tze Lun, Mr. Lui Ho Ming Paul and Mr. Woo Chun Fai. Mr. Tam Kwok Pui is the Chairman and the Chief Executive Officer. Other than Ms. Yeung Suk Foon Paulina is the spouse of Mr. Tam Kwok Pui, there is no other relationship among members of the Board.

The Board believes that the balance between executive and non-executive Directors is reasonable and adequate to provide check and balance that safeguard the interests of shareholders and the Group.

The Company has received annual confirmation of independence from all independent non-executive Directors in accordance with Rule 3.13 of the Listing Rules. The Company considers that all independent non-executive Directors are independent and meet the independent guidelines set out in the Listing Rules.

All Directors are appointed for a term of three year and are subject to retirement by rotation and re-election at the general meetings in accordance with the Articles of the Company.

TRAINING, INDUCTION AND CONTINUING DEVELOPMENT OF DIRECTORS

Each Director receives comprehensive, formal and tailored induction on the first occasion of his/her appointment so as to ensure the he/she has appropriate understanding of the business and operations of the Company and that he/she is fully aware of his/her responsibilities and obligations under the Listing Rules and relevant regulatory requirements.

The Company is committed to arranging and funding suitable training to all Directors for their continuous professional development. Each Director is briefed and updated from time to time to ensure that he/she is fully aware of his/her responsibilities under the Listing Rules and applicable legal and regulatory requirements and the governance policies of the Group. All Directors also understand the importance of continuous professional development and are committed to participating any suitable training to develop and refresh their knowledge and skills.

AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference 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. The audit committee is also responsible for the appointment of external auditors and assessment of their qualifications, independence and performance.

Currently, the audit committee consists of three independent non-executive Directors namely, Mr. Law Tze Lun (as chairman), Mr. Lui Ho Ming Paul, and Mr. Woo Chun Fai. Mr. Law Tze Lun has appropriate professional qualifications as required by 3.10(2) of the Listing Rules.

The audit committee held two meetings during the year ended 31 December 2019 and reviewed the accounting principles and practices adopted by the Group and discussed the matters in related to the change of reporting accountants of the Company. The audit committee also met with the external auditors to discuss auditing, internal control, statutory compliance and financial reporting matters before recommending the financial statements to the Board for approval. There was no disagreement between management and the external auditors with regard to the annual financial statements.

REMUNERATION COMMITTEE

The Company has established a remuneration committee with written terms of reference. Currently, the remuneration committee is chaired by Mr. Lui Ho Ming Paul with an executive Director Mr. Tam Kwok Pui and an independent non-executive Director Mr. Law Tze Lun as members.

The remuneration committee is responsible for making recommendations to the Board on the Company's policy and structure for the remuneration of all Directors and senior management and reviewing specific remuneration package of all Directors and senior management including any compensation payable for loss or termination of their office and appointment. The remuneration should reflect the performance, complexity of duties and responsibility of the individual. The remuneration committee held a meeting during the year ended 31 December 2019 to review the remuneration policy for all Directors and senior management.

The remuneration of Directors and senior management comprises salary, pensions and discretionary bonus. Details of the Directors' emoluments for the year ended 31 December 2019 are set out in note 12 to the consolidated financial statements.

NOMINATION COMMITTEE

The Company has established a nomination committee with written terms of reference. Currently, the nomination committee is chaired by Mr. Tam Kwok Pui with independent non-executive directors Mr. Woo Chun Fai and Mr. Law Tze Lun as members.

The nomination committee is responsible for assisting the Board in the overall management of the nomination practices of the Company to ensure that effective policies, processes and practices are implemented in respect of the appointment and removal of Directors. The nomination committee considers the past performance, qualification, general market conditions and the Articles of the Company in seeking and recommending candidates for directorship.

The nomination committee held a meeting in 2019 to review the structure, size and composition of the Board, assess the independence of the independent non-executive Directors and other related matters of the Company.

ATTENDANCE RECORD AT MEETINGS

The attendance records of each Director at the various meetings of the Company during the year ended 31 December 2019 are set out as below:

	Meetings Attended/Held				
Directors	**Annual General Meeting**	**Board**	**Audit Committee**	**Remuneration Committee**	**Nomination Committee**
Mr. Tam Kwok Pui	N/A	3/3	N/A	1/1	1/1
Ms. Yeung Suk Foon Paulina	N/A	3/3	N/A	N/A	N/A
Mr. So Lie Mo Raymond	N/A	3/3	N/A	N/A	N/A
Mr. Lai Yat Kwong Fred (resigned on 20 March 2020)	N/A	3/3	2/2	1/1	1/1
Mr. Lui Ho Ming Paul	N/A	3/3	2/2	1/1	N/A
Mr. Woo Chun Fai	N/A	3/3	2/2	N/A	1/1
Mr. Law Tze Lun (appointed on 20 March 2020)	N/A	N/A	N/A	N/A	N/A

AUDITORS' REMUNERATION

During the year ended 31 December 2019, the auditors performed the work of statutory audit for the year of 2019. The audit fees for the year under review payable to the auditors of the Company, HLB Hodgson Impey Cheng Limited, amounted to HK$1,400,000.

FINANCIAL REPORTING

The Board has overall responsibility for preparing the accounts of the Group. In preparing the accounts, the generally accepted accounting policies in Hong Kong have been adopted and the Group has complied with accounting standards issued by the Hong Kong Institute of Certified Public Accountants. Appropriate accounting policies have also been applied consistently. The Directors are not aware of any other material uncertainties relating to events or conditions that may cast doubt upon the Group's ability to continue as a going concern.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledges that it has overall responsibility for the Group's risk management and internal control systems and for reviewing their effectiveness. The Group assigned different staffs to carry out the analysis and independent appraisal of the adequacy and effectiveness of the Company's risk management and internal control systems and reports to the Board. The Board also ensures that the review of the effectiveness of these systems has been conducted annually. Several areas have been considered during the Board's review, which include but not limited to (i) the changes in the nature and extent of significant risks since the last annual review, and the Group's ability to respond to changes in its business and the external environment (ii) the scope and quality of management's ongoing monitoring of risks and of the internal control systems.

During the year ended 31 December 2019, the Board has conducted its regular and annual review of the effectiveness of our risk management and internal control systems, in particular, the operational and financial reports, compliance control and risk management reports, budgets and business plans provided by the management. The audit committee of the Company also performs regular review of the Group's performance, risk management and internal control systems and discusses with the Board, in order to ensure effective measures are in place to protect material assets and identify business risks of the Group. Such review in the year ended 31 December 2019 did not reveal any major issues and the Board considers our risk management and internal control systems effective and adequate. The Group's review procedures involved in the risk management and internal control mainly included:

(1) A list of risks was created after the scope of risks was determined and risks were identified.

(2) The impacts brought by possible financial losses due to risks on operating efficiency, continuous development, and reputation were assessed with reference to possible occurrence of various potential risks and the attention drawn from the management of the Group, based on which the priority of the risks was determined.

(3) Our risk management measures with respect to material risks were identified, internal control over the design and implementation of risk management measures were assessed, and measures to improve the weaknesses were formulated.

(4) By assessing internal controls and management's implementation of rectification measures with respect to material risks, the Group regularly reviewed and summarized the risk management and internal control systems to realize the efficient operation and constant improvement of risk management.

(5) The risk management handbook was formulated to address risk management and internal control, pursuant to which, the terms of reference of the management, the Board, and the Audit Committee with respect to their risk management work were clearly determined, and risk management and internal control systems were monitored on an ongoing basis.

(6) The management submitted reports to the Audit Committee on regular reviews and assessment results with respect to risk management and internal control systems, material risk factors, and the relevant countermeasures.

In order to enhance the Group's system of handling inside information, and to ensure the truthfulness, accuracy, completeness and timeliness of its public disclosures, the Group also adopts and implements an inside information policy and procedures. Certain reasonable measures have been taken from time to time to ensure that proper safeguards exist to prevent a breach of a disclosure requirement in relation to the Group, which include:

(1) The access of information is restricted to a limited number of employees on a need-to-know basis. Employees who are in possession of inside information are fully conversant with their obligations to preserve confidentiality.

(2) Confidentiality agreements or confidentiality clauses are in place when the Group enters into significant negotiations.

(3) The executive Directors are designated persons who speak on behalf of the Company when communicating with external parties such as the media, analysts or investors.

CORPORATE GOVERNANCE FUNCTIONS

The Board has adopted the terms of reference on corporate governance functions. The terms of reference of the Board in respect of corporate governance function are summarised as follows:

- to develop and review the Company's policies and practices on corporate governance;
- to review and monitor the training and continuous professional development of Directors and senior management;
- to review and monitor the Company's policies and practices to ensure compliance with legal and regulatory requirements;
- to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and
- to review the Company's compliance with the Code Provisions and its disclosure requirements in the Corporate Governance Report.

The work performed by the Board on corporate governance functions during the year ended 31 December 2019 included developing and reviewing the Company's policies on corporate governance and review the Company's compliance with the Code Provisions.

INVESTORS RELATIONS

Communication with Shareholders and Investors

The Company establishes different communication channels with shareholders and investors. Printed copies of the annual and interim reports and circulars will be sent to shareholders. Shareholders are encouraged to attend general meetings of the Company which allows the Directors to meet and communicate with them.

General Meetings and Shareholders' Rights

Shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the secretary of the company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition.

Any number of shareholders representing not less than one-twentieth of the total voting rights of all the shareholders of the Company or not less than 100 shareholders can put forward any proposed resolution or the business to be dealt with at general meetings of the Company by depositing a requisition in writing at the principal office of the Company. The requisition must be signed by the relevant shareholder(s).

Shareholders may at any time send their enquiries and concerns to the Board in writing through the company secretary of the Company whose contact details are as follows:

31/F, Excel Centre, 483A Castle Peak Road,
Cheung Sha Wan, Hong Kong
Email: victor.foo@justinallenhk.com

Shareholders may also make enquiries with the Board at the general meetings of the Company.

CONSTITUTIONAL DOCUMENTS

With effect on 17 October 2019, the Company adopted the amended and restated memorandum and articles of association, which were conditional upon the listing of the Company. These are available on the websites of the Company and the Stock Exchange.

Environment, Social and Governance Report

This report is prepared by the Company in accordance with the Environment, Social and Governance Reporting Guidelines as set out in Appendix 27 of the Listing Rules. This report covers entities with substantial effect to the financial and actual operational process, mainly being the companies and production plants located in the PRC, Hong Kong and Cambodia. Save as otherwise indicated, the data and contents in this report are all in relation to the period from 1 January 2019 to 31 December 2019.

ENVIRONMENTAL POLICY AND PERFORMANCE

Abiding by the rules and regulations as stipulated in Environmental Protection Law of the PRC, The Law on Prevention and Control of Water Pollution of the PRC, the Law of the PRC on Prevention and Control of Pollution by Environmental Noise, the Law on Prevention and Control of Atmospheric Pollution of the PRC, Law on Environmental Protection and Management of Natural Resources in Cambodia, the Group upheld the concept of ensuring effective governance of pollutants and compliance with the standards of pollutant emission and preventing the occurrence of environmental pollution accidents, and adhered to the corporate environmental protection principles of placing environmental friendliness as the first priority, taking precaution as the main measure, adopting comprehensive rectification and management, and implementing energy-saving and emission reduction in the production process, in order to ensure the Group's production complying with laws and regulations and practically assume our corporate social responsibility. During the year ended 31 December 2019, the Group continued to conduct risk management on the environment, health and safety ("**EHS**") of its subsidiaries, implement self-inspection and rectification on the operation status of environmental protection facilities, with a view to ensuring compliance with laws and regulations and promoting sustainable development of the Group.

(1) Energy Use and Emissions

With a focus on production management, the Group always paid close attention to the implications and importance of environmental protection in its operations. Thus, the Group strived to bring in sustainable values into its daily business activities through a series of environmental control measures. The Group placed an emphasis on reducing its environmental footprint. In this regard, the Group implemented measures to periodically monitor and progressively reduce both energy consumption and progressively reduce both energy consumption and emissions.

The Group consumed electricity and water at offices, factory buildings, canteen and other common areas under its operational control; petrol fuel for vehicular transportation; and wood fuel for generating steam to be used in ironing. To conserve energy, the Group required employees to turn off all lighting, electrical appliances and equipment in the premises when not in use. In addition, environmentally friendly operating guidelines are posted in the offices and factory buildings for staff to follow. Our Henan factory also engaged qualified company to perform water balance assessment and provided suggestions to us for using water in a higher effective way. It also engaged independent company to regularly testing the pollutants in sewage and air emissions as required by the government authorities and to ensure not over the required standards.

(2) Waste Management

As the Group recognised waste as the direct reflection of its environmental footprints, it has taken various measures to reduce and manage the production and manage the handling of waste. To decrease the production of waste, the Group constantly encouraged employees to optimise resources usage where possible.

The Group did not generate a significant amount of waste due to the nature of its operations. Thus, the relevant waste figures and intensity were not disclosed. Regardless of the insignificant generation of waste, the Group was dedicated to handling and disposing such waste in accordance with applicable laws and regulations. In addition, the Group appointed qualified contractors to collect different types of waste.

In the course of production, the Group used software for the design of paper patterns, with an aim to utilize every single inch of fabric and minimize the unused waste fabric. We also work hard with customers to avoid over-packaging, which can minimize the use of packaging materials and also lower the fuel consumption during delivery.

The summary below are the key performance indicators of 2019:

	Item	Unit	Approximate Quantity
		Energy Consumption	
Resource usage	Electricity	(kWh per annum)	5,729,000
	Wood	(cubic meters per annum)	1,000
	Natural Gas	(cubic meters per annum)	1,000
	Water	(cubic meters per annum)	89,000
	Diesel	(litres per annum)	48,000
	Packing Materials — Carton box	(pieces per annum)	926,000
	Packing Materials — plastic bags	(pieces per annum)	2,347,000
		Wastes	
Emissions	Hazardous Wastes	(kg per annum)	1.8
	Non-hazardous Wastes	(tons per annum)	10

Note: Only listed the statistics of emissions which are applicable to the Group. Gas and sewage emissions were insignificant and not material to the Group's operation; therefore, the relevant data are not disclosed.

EMPLOYMENT AND LABOUR PRACTICES

Sustainable development of talents serves as an important guarantee for the Group's to accomplish its strategic objectives. The Group works hard to create a fair and harmonious working environment to build up an enterprise with competitiveness and growing power. As such, the foundation of talents has been laid for the corporate sustainable development.

(1) Employee Rights

The Group has stringently implemented relevant laws and regulations such as the Labour Law of the People's Republic of China, the Labour Contract Law of the People's Republic of China, and the Labour Law of Cambodia and formulated the human resources management system to proactively safeguard the legal rights of employees.

The Group promotes a cultural atmosphere of synergistic cooperation, advocates equality between people, and adheres to the principle of fairness and justice. We are against any form of discrimination. We have adopted the same starting salary for employees of different gender, complied with the same minimum wage standard, forbid any sexual discrimination during the employment and promotion processes, and applied equal pay for equal work. The wages of the Group's almost all existing employees are in compliance with the local labour rules and policies. The Group will, in accordance with requirements of the national law at the time of recruiting employees, stringently examine the identities and ages of applicants, and will never employ child labours and forced labour. The Group is not aware of any differentiation in salary packages in relation to gender, age and nationality during recruitment and examination, selection, employment and deployment of applicants.

To attract and retain talent, the Group offered competitive remuneration packages, additional paid leave, reasonable working hours and rest periods. On top of that, the Group also provided rewards and bonus to outstanding employees as an incentive to praise and encourage their continuous hard work.

To enhance employees' relationships and sense of belonging, the Group also organised staff activities and festive celebrations. The Group invited workers to join its Khmer New Year Celebration in the Cambodia premises. In Shanghai, we also arranged annual gathering for PRC staff prior to Chinese New Year.

(2) Employee Safety

The Group endeavoured to provide a safe and healthy workplace for employees through risk identification and prevention. Therefore, the Group conducted risk assessment to identify the underlying industrial risks as a way to initiate safety preventive measures. Moreover, the Group carried out safety audits on site to further analyse the relevant measures, review the efficiency of the implemented safety measures and develop improvement plans. The Group also provided the employees with necessary safety equipment in the workshops to reduce the risk and impact of industrial accidents.

Our factories implemented a number of measures to oversee and maintain on-site safety. In addition to posting safety warnings and operational guidelines, fire safety training and urgent evacuation were conducted regularly to enhance staff's capacity to react and escape in case of emergency. The Group also recruited on-site doctor and nurses to provide medical support for staff at all time.

As a result of the comprehensive safety measures, the Group complied with all applicable laws and regulations in regard to occupational health and safety with no report of work-related fatality in the reporting period.

(3) Employee Training

The Group recognised a strong workforce as the key to maintain efficiency of its business operation, and strived to support employees' capacity building. Induction trainings were provided to factory staff as a way to convey the Group's expectations and enhance their capability to conduct duty. During the reporting period, the Group has provided employees with different training covering topics such as production techniques and safety standards. We also assign mentor to newly employed staffs to offer guidance and help for familiar with our operation.

COMMUNITY

The Group, whilst creating value for shareholders and wealth for customers, has proactively engaged in public service sector. We are concerned about minority groups and difficult public livelihood, and have fully assumed our social responsibility by giving full impetus to the progress and harmonious development of the community, enterprises and regional economies. During the year, the Group has made donations of about HK$60,000 to charity organization for helping children and their families. Looking forward, we will continue to undertake corporate social responsibility, so as to give back and contribute to society.

OPERATION PRACTICE

(1) Supply Chain Management

The Group recognised the suppliers and sub-contractors as a crucial part of ensuring product quality and delivery. To diversify the supply chain, the Group anticipated to expand the geographic spread of suppliers and sub-contractors through engaging companies in different locations including China, Vietnam and Cambodia. We have assigned staffs in different locations to frequently communicate with our key suppliers and sub-contractors to ensure the prompt response to our requirements and monitor the products quality. For selecting suppliers, a due diligence check will be performed and may visit the production plants if necessary.

(2) Product Responsibility

To further enhance competitiveness, the Group has placed a high emphasis on the policies of quality assurance and product responsibility. We have quality assurance departments to check on the raw materials and finished goods to ensure meeting the standard of the Group and customers. The team will also performed quality checks at different production stages to ensure the production procedures are in line with the operation guidelines.

Our factories, and also the production premises, are operating in line with the strict requirements imposed by our international customers. Their requirements covering various aspect, including the production flow, storage, fire safety, etc. Our customers will also regularly perform site inspection to ensure everything meets their standards. During the past years, we passed every inspections and thus showing that our operation can match with the international standard.

(3) Anti-corruption

The Group, committed to pursuing operation in good faith, constantly enhances internal control and monitoring mechanism within the enterprise, and stringently observes the rule on fair competition. Employees are required to strictly comply with provisions in relation to prohibition of commercial bribery acts under the Law Against Unfair Competition of the People's Republic of China, Criminal Law and Companies Ordinances, and all of the relevant management rules on integrity and self-discipline as stipulated by the Company. The Group is firmly against accepting commercial bribery, committing bribery and receiving gifts arising from other improper commercial acts, and establishes a management system and measures on capital management to prevent money laundering. The Company will promptly denounce and report to the relevant department for suspected personnel.

Independent Auditors' Report

HLB 國衛會計師事務所有限公司
HODGSON IMPEY CHENG LIMITED

31/F, Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

TO THE SHAREHOLDERS OF
JUSTIN ALLEN HOLDINGS LIMITED
(Incorporated in Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Justin Allen Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 32 to 105, which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the 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 2019, 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 "Auditors' 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.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were 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 these matters.

Key audit matters	How our audit addressed the key audit matter
Revenue recognition *Refer to Note 6 to the consolidated financial statements and the accounting policies in Note 4 to the consolidated financial statements*	
The Group's revenue arising from manufacturing and sales of sleepwear products, loungewear products, greige fabric and processing services. Revenue from sales of products (sleepwear product, loungewear product and greige fabric) for the year ended 31 December 2019 amounted to HK$697,386,000. The Group has operations in several geographical locations. Revenue arising from sales of products is recognised when the control of the products has transferred, being when the products are delivered to the customers, the customers have full discretion over the price to sell the products and there is no unfulfilled obligation that could affect the customers' acceptance of the products. Delivery occurs when the products have been shipped to the specified location and the risks of obsolescence and loss have been transferred to the customers. We focused on this area due to the large volume of revenue transactions derived from sales in different geographical locations such that we have incurred significant time and resources in carrying out our work in these location.	Our audit procedures in related to revenue recognition included: • We understood, evaluated and tested management's key internal controls that are present in the Group's sales process from end-to-end. • We tested samples of sales transactions against sales orders, shipping documents, invoices and other supporting documents. To the extent that those sales have been settled, we also reviewed bank remittance advices and/or bank statements in support of the payments made by the customers. • Furthermore, we tested sales transactions that took place shortly before and after the balance sheet date to assess whether sales transactions were recognised in the correct reporting periods. • Our work also included testing of a sample of revenue-related journal entries by inquiring management of their nature and inspecting the relevant supporting documents. We found that the Groups' sales transactions being tested were recognised in a manner consistent with the Group's accounting policy for revenue recognition.

OTHER MATTER

The consolidated financial statements of the Group for the year ended 31 December 2018 included in the prospectus dated 19 November 2019 were audited by another auditors who expressed an unmodified opinion on these statements.

OTHER INFORMATION

The Directors are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditors' report thereon (the "Other Information").

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 THE DIRECTORS AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors 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 disclose requirements of the Hong Kong Companies Ordinance and for such internal control as the Directors 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 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 either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

AUDITORS' 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 auditors' report that includes our opinion. We report our opinion solely to you, as a body, 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.

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.

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

- 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.

- Conclude on the appropriateness of the 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 auditors' 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 auditors' 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 the Audit Committee 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.

We also provide the Audit Committee 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, related safeguards.

From the matters communicated with the Audit Committee, 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 matters. We describe these matters in our auditors' 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 director on the audit resulting in this independent auditors' report is Shek Lui.

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

Shek Lui
Practising Certificate Number: P05895

Hong Kong, 8 May 2020

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2019

	Notes	**2019** **HK$'000**	2018 HK$'000
Revenue	6	**701,285**	608,386
Cost of sales		**(499,082)**	(439,652)
Gross profit		**202,203**	168,734
Other income	7	**1,617**	2,088
Other gains and losses, net	8	**(2,467)**	(1,020)
Selling and distribution expenses		**(40,655)**	(43,662)
Administrative expenses		**(53,106)**	(48,104)
Finance costs	9	**(7,805)**	(5,802)
Listing expenses		**(27,085)**	(16,878)
Profit before tax		**72,702**	55,356
Income tax expense	10	**(17,859)**	(13,131)
Profit for the year	11	**54,843**	42,225
Other comprehensive expense			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**(4,871)**	(11,186)
Other comprehensive expense for the year		**(4,871)**	(11,186)
Total comprehensive income for the year		**49,972**	31,039
Profit for the year attributable to:			
Owners of the Company		**52,403**	37,165
Non-controlling interests		**2,440**	5,060
		54,843	42,225
Total comprehensive income for the year attributable to:			
Owners of the Company		**47,723**	27,725
Non-controlling interests		**2,249**	3,314
		49,972	31,039
Earnings per share, basic (HK cents)	13	**5.50**	4.43
Earnings per share, diluted (HK cents)	13	**5.50**	4.43

The accompanying notes from an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

As at 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
Non-current assets			
Property, plant and equipment	15	**148,671**	152,041
Right-of-use assets	25	**52,370**	—
Prepaid lease payments	17	**—**	46,847
Deposits paid for acquisition of property, plant and equipment		**1,380**	803
Rental deposits	19	**1,475**	1,606
Deferred tax assets	27	**2,880**	2,321
		206,776	203,618
Current assets			
Inventories	18	**114,568**	109,094
Trade and other receivables	19	**87,675**	108,090
Trade receivables at fair value through other comprehensive income	20	**27,907**	19,749
Prepaid lease payments	17	**—**	1,059
Amounts due from shareholders	21	**—**	1,948
Financial assets at fair value through profit or loss	22	**—**	6,195
Tax recoverable		**—**	1,362
Bank balances and cash	23	**131,750**	27,120
		361,900	274,617
Current liabilities			
Trade and other payables	24	**104,706**	122,766
Lease liabilities	25	**2,264**	—
Amounts due to a shareholder	21	**—**	110,761
Amount due to ultimate holding company	21	**—**	13,170
Amount due to a non-controlling shareholder of a subsidiary	21	**—**	879
Bank borrowings	26	**111,220**	24,667
Tax payable		**6,680**	3,712
		224,870	275,955
Net current assets/(liabilities)		**137,030**	(1,338)
Total assets less current liabilities		**343,806**	202,280

Consolidated Statement of Financial Position

As at 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
Non-current liabilities			
Bank borrowings	26	**549**	2,762
Lease liabilities	25	**3,341**	—
		3,890	2,762
Net assets		**339,916**	199,518
Capital and reserves			
Share capital	28	**12,500**	83
Reserves		**302,602**	156,335
Equity attributable to owners of the Company		**315,102**	156,418
Non-controlling interests	38	**24,814**	43,100
Total equity		**339,916**	199,518

The consolidated financial statements on pages 32 to 105 were approved and authorised for issue by the Board of Directors on 8 May 2020 and signed on its behalf by:

Mr. Tam Kwok Pui
Executive Director

Ms. Yeung Suk Foon Paulina
Executive Director

The accompanying notes from an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2019

	Attributable to the owners of the Company								
	Share capital HK$'000	Share premium (Note i) HK$'000	Statutory reserve (Note ii) HK$'000	Other reserve (Note iii) HK$'000	Exchange reserve (Note iv) HK$'000	Retained profits HK$'000	Sub-total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 January 2018	7,883	30,405	767	110,705	(2,666)	101,133	248,227	46,051	294,278
Profit for the year	—	—	—	—	—	37,165	37,165	5,060	42,225
Exchange differences arising on translation of foreign operations	—	—	—	—	(9,440)	—	(9,440)	(1,746)	(11,186)
Total comprehensive (loss)/income for the year	—	—	—	—	(9,440)	37,165	27,725	3,314	31,039
Dividend (Note 14)	—	—	—	—	—	(13,179)	(13,179)	(1,563)	(14,742)
Reorganisation	(7,800)	—	—	(103,257)	701	4,001	(106,355)	(4,702)	(111,057)
At 31 December 2018 and 1 January 2019	83	30,405	767	7,448	(11,405)	129,120	156,418	43,100	199,518
Profit for the year	—	—	—	—	—	52,403	52,403	2,440	54,843
Exchange differences arising on translation of foreign operations	—	—	—	—	(4,680)	—	(4,680)	(191)	(4,871)
Total comprehensive (loss)/income for the year	—	—	—	—	(4,680)	52,403	47,723	2,249	49,972
Reorganisation	**(83)**	**(9,796)**	**—**	**13,494**	**(766)**	**17,686**	**20,535**	**(20,535)**	**—**
Shares issuance costs	**—**	**(19,741)**	**—**	**—**	**—**	**—**	**(19,741)**	**—**	**(19,741)**
Shares issued under global offer (Note 28(c))	**3,125**	**122,042**	**—**	**—**	**—**	**—**	**125,167**	**—**	**125,167**
Capitalisation issue (Note 28(c))	**9,375**	**(9,375)**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Dividend (Note 14)	**—**	**—**	**—**	**—**	**—**	**(15,000)**	**(15,000)**	**—**	**(15,000)**
Transfer to statutory reserve	**—**	**—**	**175**	**—**	**—**	**(175)**	**—**	**—**	**—**
At 31 December 2019	**12,500**	**113,535**	**942**	**20,942**	**(16,851)**	**184,034**	**315,102**	**24,814**	**339,916**

The accompanying notes from an integral part of these consolidated financial statements.

Notes:

(i) Share premium

As at 31 December 2018, the share premium represents the difference between the par value of shares of Justin Allen Overseas Limited ("JA Overseas"), a subsidiary of the Group, issued to the shareholders and the considerations received from the shareholders. On 27 February 2019, pursuant to the sale and purchase agreements entered into between Strategic King, the Company, and the non-controlling shareholders of JA Overseas, the Company allotted 10,679 shares and 1,267 shares to Strategic King and the non-controlling shareholders of JA Overseas, respectively, to acquire the entire shareholdings of JA Overseas. Accordingly, share premium of HK$30,405,000 is reclassified as other reserve. JA Overseas becomes a wholly-owned subsidiary of the Company upon the completion of the transaction.

Upon the completion of global offering, the Company had issued and fully paid 1,250,000,000 ordinary shares. As at 31 December 2019, the share premium represents the difference between the par value of shares of Justin Allen Holdings Limited issued and the considerations received from the shareholders.

(ii) Statutory reserve

Pursuant to the relevant laws in the People's Republic of China (the "PRC"), each of the subsidiaries established in the PRC is required to transfer 10% of its profit after tax per statutory financial statements (as determined by the management of the subsidiary) to the statutory reserve. The statutory reserve is discretionary when the reserve balance reaches 50% of the registered capital of the respective company and can be used to make up for previous years' losses or, expend the existing operations or can be converted into additional capital of the subsidiary.

(iii) Other reserve

As at 1 January 2018, other reserve represents deemed contributions of HK$110,705,000 from Mr. Edmond Tam for capital injections in Henan Kaiyu Spinning, Weaving & Apparel Limited ("Henan Kaiyu"), a subsidiary of the Group. On 11 December 2018, pursuant to a sale and purchase agreement entered into between JA Overseas and Mr. Edmond Tam, JA Overseas agrees to purchase and Mr. Edmond Tam agrees to sell the entire issued shares of Power Summit Investments Limited ("Power Summit"), the then holding company of Henan Kaiyu, at cash consideration of RMB90,000,000 (equivalent to HK$103,257,000).

(iv) Exchange reserve

Exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations.

Consolidated Statement of Cash Flows

For the year ended 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
Cash flows from operating activities			
Profit before tax		**72,702**	55,356
Adjustments for:			
Finance costs	9	**7,805**	5,802
Interest income	7	**(288)**	(87)
Depreciation of property, plant and equipment	15	**11,241**	10,214
Depreciation of investment property	16	**—**	706
Depreciation of right-of-use assets	25	**3,385**	—
Amortisation of prepaid lease payments	17	**—**	1,078
Allowance for expected credit loss recognised/(reversed) on trade and other receivables, net	8	**1,558**	(121)
Loss/(gain) on disposal/write off of property, plant and equipment	8	**19**	(60)
Exchange realignment		**(736)**	986
Operating cash flows before movements in working capital		**95,686**	73,874
Increase in inventories		**(5,855)**	(20,116)
Decrease/(increase) in trade and other receivables		**14,814**	(77,971)
Increase in trade receivables at fair value through other comprehensive income		**(8,158)**	(8,554)
Increase in trade and other payables		**7,354**	57,800
Cash generated from operations		**103,841**	25,033
Hong Kong Profit Tax paid		**(9,829)**	(16,107)
PRC Enterprise Income Tax paid		**(3,526)**	(329)
Tax paid for other jurisdictions		**(754)**	(1,607)
NET CASH GENERATED FROM OPERATING ACTIVITIES		**89,732**	6,990
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		**(9,223)**	(4,444)
Placement of financial assets at fair value through profit or loss		**—**	(26,961)
Withdrawal of financial assets at fair value through profit or loss		**6,152**	20,766
Repayment from shareholders		**2,352**	1,755
Advance to shareholders		**(404)**	(1,903)
Advance to ultimate holding company		**—**	(9)
Interest received		**157**	87
Proceeds from disposal of property, plant and equipment		**42**	159
Release/(placement) of fixed deposits		**3,916**	(3,916)
NET CASH GENERATED FROM/(USED IN) INVESTING ACTIVITIES		**2,992**	(14,466)

Consolidated Statement of Cash Flows

For the year ended 31 December 2019

	2019 HK$'000	2018 HK$'000
FINANCING ACTIVITIES		
Repayment of bank borrowings	**(121,604)**	(77,444)
Interest paid	**(7,291)**	(5,802)
Dividends paid	**(15,000)**	(1,563)
Share issue under global offering	**125,167**	—
New bank borrowings raised	**206,055**	80,417
Payment of issue costs	**(43,705)**	(3,339)
Payment of lease liabilities	**(2,437)**	—
Interest elements of lease rental paid	**(514)**	—
Advance from shareholders	**—**	32
Repayment to shareholders	**(110,761)**	(2,915)
Repayment of ultimate holding company	**(13,170)**	(4)
Repayment to non-controlling interests	**(879)**	—
NET CASH GENERATED FROM/(USED IN) FINANCING ACTIVITIES	**15,861**	(10,618)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**108,585**	(18,094)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	**23,204**	41,595
EFFECT OF FOREIGN EXCHANGE RATE	**(39)**	(297)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR REPRESENTING CASH AND BANK BALANCES	**131,750**	23,204

The accompanying notes from an integral part of these consolidated financial statements.

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, 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") on 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 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 "Ultimate 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 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 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 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 consolidated financial statements are presented in Hong Kong dollars ("HK$"). The functional currency of the Company is United States dollars ("USD"). All values are rounded to the nearest thousand dollars (HK$'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 issued by the Hong Kong Institute of Certified Public Accountants ("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 Treatment
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 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 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 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.

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

HKFRS 16 Leases *(Continued)*

As a lessee *(Continued)*

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

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

HKFRS 16 Leases *(Continued)*

As a lessee *(Continued)*

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

	Notes	Right-of-use assets HK$'000
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16		5,799
Add: Reclassified from prepaid lease payments	(a)	47,906
Add: Adjustments on rental deposit at 1 January 2019	(b)	332
		54,037

	HK$'000
By class:	
Leasehold land	47,906
Land and buildings	6,131
	54,037

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.

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

HKFRS 16 Leases *(Continued)*

As a lessee (Continued)

The following table summarises the impacts of the adoption of HKFRS 16 on the Group's 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	Reclassification	Recognition of leases	Carrying amount under HKFRS 16 at 1 January 2019
	HK$'000	HK$'000	HK$'000	HK$'000
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	—	—	1,759	1,759
Non-current liabilities				
Lease liabilities	—	—	4,040	4,040

Notes:

(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$5,799,000 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.

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

New and amendments to HKFRSs that have been 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:

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. BASIS OF PREPARATION

(a) Statement of compliance

The 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 ("Ints") issued by the HKICPA and accounting principles generally accepted in Hong Kong. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Stock Exchange (the "Listing Rules") and by the Hong Kong Companies Ordinance.

(b) Basis of preparation

The 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.

3. BASIS OF PREPARATION *(continued)*

(b) Basis of preparation *(continued)*

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 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.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

(c) Group reorganisation

In preparation for the listing of the Company's shares on the Stock Exchange, the entities of the Group underwent a group reorganisation (the "Reorganisation") which involves the steps as follows:

(i) On 7 November 2018, pursuant to the agreement on the termination of nominee arrangement and transfer of shares entered into between Mr. Edmond Tam, Mr. Tam Kwok Hee, a brother of Mr. Edmond Tam, ("Mr. Raymond Tam") and Ms. Tam Sau Ching, a sister of Mr. Edmond Tam, ("Ms. Helen Tam"), Mr. Raymond Tam and Ms. Helen Tam agreed to terminate the nominee agreement in relation to the shares of Jie Wei (Cambodia) Garment Factory Limited (the "Jie Wei (Cambodia)") and transfer the entire issued shares of Jie Wei (Cambodia) to Castle Eagle Investments Limited (the "Castle Eagle"), a company wholly-owned by Mr. Edmond Tam.

(ii) Pursuant to a sale and purchase agreement on 11 December 2018 entered into between JA Overseas and Mr. Edmond Tam, JA Overseas agrees to purchase and Mr. Edmond Tam agrees to sell the entire issued shares of Power Summit at cash consideration of RMB90,000,000 (equivalent to HK$103,257,000). The transaction represented a deemed distribution to Mr. Edmond Tam. The transfer of shares was completed on 11 December 2018. RMB860,000 (equivalent to HK$1,000,000) and RMB43,212,000 (equivalent to HK$49,530,000) of the consideration were settled on 24 December 2018 and 28 May 2019, respectively and the remaining consideration will be settled on a date mutually agreeable to both parties based on a supplemental agreement entered into between JA Overseas and Mr. Edmond Tam on 31 May 2019.

3. BASIS OF PREPARATION *(Continued)*

(c) Group reorganisation *(Continued)*

(iii) Pursuant to a sale and purchase agreement on 11 December 2018 entered into between JA Overseas and Mr. Edmond Tam, JA Overseas agrees to purchase and Mr. Edmond Tam agrees to sell the entire issued shares of Castle Eagle at a cash consideration of USD1,000,000 (equivalent to HK$7,800,000). The transaction represented a deemed distribution to Mr. Edmond Tam. The transfer of shares was completed on 11 December 2018. USD25,640 (equivalent to HK$200,000) and USD974,360 (equivalent to HK$7,600,000) of the consideration were settled on 24 December 2018 and 29 March 2019, respectively.

(iv) On 27 February 2019, pursuant to a sale and purchase agreement entered into between Strategic King and the Company, the Company agrees to purchase from Strategic King 10,680 issued shares of JA Overseas in consideration for an allotment of 10,679 shares of the Company.

(v) JA Overseas is held as to 89.4% by Strategic King, 0.81% by True Glory Limited ("True Glory"), 2.72% by Mr. Kwok Wai Ming ("Mr. Kwok"), 2.72% by Mr. Raymond Tam, 3.54% by Asia Dragon Holdings Limited ("Asia Dragon") and 0.81% by Ms. Leung Lai Yi ("Ms. Natalie Leung"). The interest in JA Overseas held by True Glory, Mr. Kwok, Mr. Raymond Tam, Asia Dragon and Ms. Natalie Leung are considered as the non-controlling interest in JA Overseas till 26 February 2019.

On 27 February 2019, pursuant to sale and purchase agreements between True Glory, Mr. Kwok, Mr. Raymond Tam, Asia Dragon, Ms. Natalie Leung and the Company, the Company agrees to purchase from True Glory, Mr. Kwok, Mr. Raymond Tam, Asia Dragon and Ms. Natalie Leung 97, 325, 325, 423 and 97 shares of JA Overseas, respectively, in consideration for an allotment of 97, 325, 325, 423 and 97 shares of the Company, respectively.

Pursuant to the Reorganisation described above, the Company has become the holding company of the companies comprising the Group on 27 February 2019. For the preparation of the consolidated financial statements, the Company has applied the principle of merger accounting in accordance with Accounting Guideline 5 "Merger Accounting for Common Control Combinations" issued by the HKICPA on the basis as if the Company has always been the holding company of the Group. The net assets of the companies comprising the Group are combined using the then existing book values from the perspective of the Controlling Shareholders. No amount is recognised in respect of goodwill or bargain purchase gain at the time of common control combination.

The consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows which include the results, changes in equity and cash flows of the companies comprising the Group for the financial year ended 31 December 2018 and upon the completion date of the Reorganisation, have been prepared as if the Company had always been the holding company of the Group and the group structure upon the completion of the Reorganisation had been in existence throughout the aforesaid period, taking into account the interest held by non-controlling shareholders in JA Overseas and Henan Kaiyu. The consolidated statement of financial position as at 31 December 2018 has been prepared to present the assets and liabilities of the companies now comprising the Group as if the current group structure, had been in existence at that date, taking into account the interest held by non-controlling shareholders in JA Overseas and Henan Kaiyu.

4. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of are included in the consolidated statements 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 item of other comprehensive income 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.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

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

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

Changes in the Group's ownership interest in existing subsidiaries

Changes in the Group's interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of relevant reserves between the Group and the non-controlling interests according to the Group's and the non-controlling interests' proportionate interests.

Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of consolidation *(Continued)*

Merger accounting for business combination involving entities under common control

The consolidated financial statements incorporate the financial statements items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are combined using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or bargain purchase gain at the time of common control combination.

The consolidated statements of profit or loss and other comprehensive income include the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period.

Revenue Recognition

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 Group expects to be entitled in exchange for those goods or services. Specifically, the Group uses a 5-step approach to revenue recognition:

- 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; and
- Step 5: Recognise revenue 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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue Recognition *(Continued)*

Revenue from contracts with customers *(Continued)*

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.

The Group is principally engages in the manufacturing and sales of sleepwear products, loungewear products and greige fabric. The Group recognises the revenue at a point in time when the control of products is transferred to the customer, i.e., when the goods have been delivered to customers.

For processing services, such services are recognised as a performance obligation satisfied over time as the Group creates or enhances an asset that the customer controls when the Group provides processing services. Revenue is recognised for these processing services based on the stage of completion of the contract using input method.

The progress towards complete satisfaction of a performance obligation for processing services 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.

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. 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 a contract are accounted for and presented on a net basis.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Lease (Upon application of HKFRS 16 on 1 January 2019 in accordance with transition in Note 2)

Definition of a lease

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, 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.

For contracts entered into or modified on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception or modification date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

The Group as a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components, including contract for acquisition of ownership interests of a property which includes both leasehold land and non-lease building components, unless such allocation cannot be made reliably.

The Group also applies practical expedient not to separate non-lease components from lease component, and instead account for the lease component and any associated non-lease components as a single lease component.

Short-term leases

The Group applies the short-term lease recognition exemption to leases of buildings that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. Lease payments on short-term leases are recognised as expense on a straight-line basis over the lease term.

Right-of-use assets

Except for short-term leases, the Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Lease (Upon application of HKFRS 16 on 1 January 2019 in accordance with transition in Note 2) *(Continued)*

The Group as a lessee *(Continued)*

Right-of-use assets (Continued)

Except for those that are measured under fair value model, right-of- use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term is depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets that do not meet the definition of investment property or inventory as a separate line item on the consolidated statement of financial position.

Leasehold land and building

For payments of a property interest which includes both leasehold land and building elements, the entire property is presented as property, plant and equipment of the Group when the payments cannot be allocated reliably between the leasehold land and building elements.

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 Financial Instruments (“HKFRS 9”) and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments included in the measurement of the lease liability comprise:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate at the commencement date;
- amounts expected to be paid under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Lease (Upon application of HKFRS 16 on 1 January 2019 in accordance with transition in Note 2) *(Continued)*

The Group as a lessee *(Continued)*

Lease liabilities (Continued)

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (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 liabilities are presented as a separate line in the consolidated statement of financial position.

Lease modifications

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 leases 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 as 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.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use assets. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Lease (Prior to adoption of HKFRS 16 on 1 January 2019)

Definition of a lease

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset.

The Group as lessee

Operating lease payments, including the cost of acquiring land held under operating leases, are recognised as an expense on a straight-line basis over the lease term.

Leasehold land and building

When the Group makes payments for a property interest which includes both leasehold land and building elements, the Group assesses the classification of each element separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire property is accounted as an operating lease. Specifically, the entire consideration (including any lump-sum upfront payments) are allocated between the leasehold land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element at initial recognition.

To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statements of financial position and is amortised over the lease term on a straight-line basis. When the lease payments cannot be allocated reliably between the leasehold land and building elements, the entire property is generally classified as if the leasehold land is under finance lease.

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 the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing on 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 operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of exchange reserve (attributed to non-controlling interests as appropriate).

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Borrowing costs

Borrowing costs 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 added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the year in which they are incurred.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Retirement benefit costs

Payments to defined contribution retirement benefit plans and the Mandatory Provident Fund Scheme are recognised as an expense when employees have rendered service entitling them to the contributions.

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, annual leave and sick leave) after deducting any amount already paid.

Share-based payments

Equity-settled share-based payment transactions

Share options granted to employees

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in share-based payments reserve. At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share-based payments reserve. For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

When share options are exercised, the amount previously recognised in share-based payments reserve will be transferred to retained profits. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share-based payments reserve will be transferred to retained profits.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation

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

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from “profit before tax” as reported in the consolidated statements of profit or loss and other comprehensive income 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

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 and interests 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.

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.

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 by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

Deferred tax *(Continued)*

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 relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

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.

Current and deferred tax are recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Property, plant and equipment

Property, plant and equipment, including buildings and leasehold land (classified as finance leases before application of HKFRS 16 on 1 January 2019) held for use in the production or supply of goods or services, or for administrative purposes (other than construction in progress as described below) are stated in the consolidated statements of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Ownership interests in leasehold land and building

When the Group makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition.

To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "right-of-use assets" (upon application of HKFRS 16) or "prepaid lease payments" (before application of HKFRS 16) in the consolidated statement of financial position except for those that are classified and accounted for as investment properties under the fair value model. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property, plant and equipment.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment *(Continued)*

Ownership interests in leasehold land and building *(Continued)*

Construction in progress includes property, plant and equipment in the course of construction for production or for its own use purposes. Construction in progress is carried at cost less any recognised impairment loss. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is recognised so as to write off the cost of assets other than properties under construction 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 property, 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 property, 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.

Buildings under development for future owner-occupied purpose

When buildings are in the course of development for production or for administrative purposes, the amortisation of prepaid lease payments provided during the construction period is included as part of costs of buildings under construction. Buildings under construction are carried at cost, less any identified impairment losses. Depreciation of buildings commences when they are available for use (i.e. when they are in the location and condition necessary for them to be capable of operating in the manner intended by management).

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

On initial recognition, investment properties are measured at cost including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at fair value. Gain and losses arising from changes in the fair value of investment property are included in profit or loss in the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period which the property is derecognised.

When an investment property becomes an owner-occupied property because its use has changed as evidenced by commencement of owner-occupation, the transfer is made at the carrying amount.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment on tangible assets

Impairment on property, plant and equipment, right-of-use assets and intangible assets other than goodwill

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use assets, intangible assets with finite useful lives 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). Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

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

In addition, the Group assesses whether there is indication that corporate assets may be impaired. If such indication exists, corporate assets are also allocated to individual cash-generating units, when a reasonable and consistent basis of allocation can be identified, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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.

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, unless the relevant asset is carried at a revalued amount under another standard, in which case the impairment loss is treated as a revaluation decrease under that standard.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Cash and cash equivalents

Bank balances and cash in the consolidated statement of financial position comprise cash at banks and on hand and short-term deposits 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 and short-term deposits as defined above.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Provision

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Financial instruments

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

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 (other than financial assets at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets at FVTPL are recognised immediately in profit or loss.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (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) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest and dividend income, which are derived from the financial assets and shareholders' right are presented as other income.

Financial assets

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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Classification and subsequent measurement of financial assets (Continued)

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"):

- the financial asset is held within a business model whose objective is achieved by both selling and collecting 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.

All other financial assets are subsequently measured at fair value through profit or loss ("FVTPL"), except that at the date of initial application of HKFRS 9/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 "Business Combinations" applies.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or

- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or

- it is a derivative that is not designated and effective as a hedging instrument.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost and trade receivables subsequently measured at FVTOCI. 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 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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Classification and subsequent measurement of financial assets (Continued)

Trade receivables classified as at FVTOCI

Subsequent changes in the carrying amounts for trade receivables classified as at FVTOCI as a result of interest income calculated using the effective interest method are recognised in profit or loss. All other changes in the carrying amount of these receivables are recognised in other comprehensive income and accumulated under the heading of FVTOCI reserve. Impairment allowances are recognised in profit or loss with corresponding adjustment to other comprehensive income without reducing the carrying amounts of these receivables. The amounts that are recognised in profit or loss are the same as the amounts that would have been recognised in profit or loss if these receivables had been measured at amortised cost. When these receivables are derecognised, the cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss.

Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss exclude any interest earned on the financial asset and is included in the "other gains and losses, net" line item.

Impairment of financial assets

The Group recognises a loss allowance for expected credit loss ("ECL") on financial assets which are subject to impairment under HKFRS 9 (including trade and other receivables, trade receivables at FVTOCI, amounts due from shareholders and bank balances and cash). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

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.

The Group always recognises lifetime ECL for trade receivables. The ECL on these assets are assessed individually.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, 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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets (Continued)

(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.

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;
- an actual or expected significant deterioration in the operating results of the debtor; and
- 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 afore-going, 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 debt instrument is determined to have low credit risk if i) it 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 to have low credit risk when it has an internal or external credit rating of 'investment grade' as per globally understood definitions.

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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets (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.

(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 three 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 adjusted by 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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets (Continued)

(v) Measurement and recognition of ECL *(Continued)*

Generally, the ECL is 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.

Where ECL is measured on a collective basis or cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- Nature of financial instruments (i.e. the Group's trade and other receivables are each assessed as a separate group. Loans to related parties are assessed for expected credit losses on an individual basis);
- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

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.

Except for trade receivables without recourse that are measured at FVTOCI, 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 and other receivables where the corresponding adjustment is recognised through a loss allowance account. For trade receivables without recourse that are measured at FVTOCI, the loss allowance is recognised in other comprehensive income and accumulated in the FVTOCI reserve without reducing the carrying amount of these receivables.

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.

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

On derecognition of a debt instrument classified as at FVTOCI upon application of HKFRS 9, the cumulative gain or loss previously accumulated in the FVTOCI reserve is reclassified to profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by a group entity are classified as either 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 group entities are recognised at the proceeds received, net of direct issue costs.

Financial liabilities at amortised cost

Financial liabilities including trade and other payables, amounts due to shareholders, amount due to ultimate holding company, amount due to a non-controlling shareholder of a subsidiary and bank 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.

Related parties

(a) A person, or a close member of that person's family, is related to the Group if 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 the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

(i) the entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);

(ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);

(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;

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Related parties *(Continued)*

(b) *(Continued)*

(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); or

(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.

Close family members of an individual are those family members who may be expected to influence, or be influence by, that person in their dealings with the entity and include:

(a) that person's children and spouse or domestic partner;

(b) children of that person's spouse or domestic partner; and

(c) dependants of the person or that person's spouse or domestic partner.

A transaction is considered to be a related party transaction when there is a transfer of resources and obligations between related parties.

Segment reporting

Operating segments and the amounts of each segment item reported in the consolidated financial statements are identified from the financial information provided regularly to the Group's top management for the purposes of allocating resources to and assessing the performance of the Group's various lines of business.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of business activities.

Segment revenue, expenses, results and assets include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment, but exclude exceptional items. Segment capital expenditure is the total cost incurred during the year to acquire segment assets (both tangible and intangible) that are expected to be used for more than one year. Corporate portions of expenses and assets mainly comprise corporate administrative and financing expenses and corporate financial assets respectively.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 4, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. 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.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

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:

Depreciation and impairment of property, plant and equipment and right-of-use assets

The Group's management determines the estimated useful lives and the depreciation method in determining the related depreciation charges for its property, plant and equipment and right-of-use assets. This estimate is based on the management's experience of the actual useful lives of property, plant and equipment of similar nature and functions and the determination of lease term. In addition, management assesses impairment whenever events or changes in circumstances indicate that the carrying amount of an item of property, plant and equipment and right-of-use assets may not be recoverable. Management will increase the depreciation charge where useful lives are estimated to be shorter than previously estimated, or will write off or write down obsolete assets that have been abandoned or impaired. As at 31 December 2019, the carrying amount of property, plant and equipment and right-of-use assets are approximately HK$148,671,000 and HK$52,370,000, respectively (2018: HK$152,041,000 and HK$Nil respectively). Any change in these estimates may have a material impact on the results of the Group.

Valuation of inventories

Valuation of inventories is stated at the lower of cost and net realisable value at the end of the reporting period. Net realisable value is determined on the basis of the estimated selling price less the estimated costs necessary to make the sale. The directors estimate the net realisable value for raw materials and finished goods based primarily on the latest invoice prices, historical experience of manufacturing and selling products in similar nature. It could change significantly as a result of changes in customer taste and competitor action in response to industry cycles. In addition, the directors perform an inventory review on a product by product basis at the end of each reporting period and assess the need for write down of inventories.

Provision for impairment of trade receivables

The Group's management determines the provision for impairment of trade and other receivables based on the expected credit losses which uses a lifetime expected loss allowance for all trade receivables. The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Management reassesses the provision at each reporting date.

6. REVENUE AND SEGMENT INFORMATION

Revenue represents revenue arising from manufacturing and sales of products, which are included sleepwear products, loungewear products, 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.

6. REVENUE AND SEGMENT INFORMATION *(Continued)*

Revenue from major products and services

Disaggregation of revenue from contracts with customers

	2019	2018
	HK$'000	HK$'000
Sales of products		
— Sleepwear	**191,420**	435,834
— Loungewear	**497,509**	154,379
— Greige fabric	**8,457**	9,619
Processing services	**3,899**	8,554
	701,285	608,386
Timing of revenue recognition		
At a point in time	**697,386**	599,832
Over time	**3,899**	8,554
	701,285	608,386

For revenue from manufacturing and sales of products, which are included sleepwear products, loungewear products and greige products, is recognised when control of the goods has transferred, being when the goods have been shipped to the customer's specific location (delivery). The normal credit period is 0 to 120 days upon delivery.

For processing services, such services are recognised as a performance obligation satisfied over time as the Group creates or enhances an asset that the customer controls as when the Group provides processing services. Revenue is recognised for these processing services based on the stage of completion of the contract using input method. No credit period is granted to the customers.

Revenue arising from sales of products and processing services are under fixed price arrangement with customers. During the years ended 31 December 2019 and 2018, all performance obligations for manufacturing and sales of sleepwear products, loungewear products and greige products, 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.

6. REVENUE AND SEGMENT INFORMATION *(Continued)*

Geographical information

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

	2019 HK$'000	2018 HK$'000
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
Canada	**16,142**	—
The PRC	**8,522**	16,882
Cambodia	**3,835**	1,291
	701,285	608,386

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

	2019 HK$'000	2018 HK$'000
Non-current assets		
The PRC	**160,417**	162,852
Hong Kong	**33,729**	35,014
Cambodia	**9,750**	3,431
	203,896	201,297

Note: Non-current assets excluded deferred tax assets.

Information about major customers

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

	2019 HK$'000	2018 HK$'000
Customer A	**466,529**	412,656
Customer B	**180,849**	159,501

7. OTHER INCOME

	2019 **HK$'000**	2018 HK$'000
Interest income	**288**	87
Rental income	**—**	1,181
Government grant	**581**	—
Bad debt recovered	**224**	—
Others (Note)	**524**	820
	1,617	2,088

Note: For the year ended 31 December 2019, others mainly represented sales of raw materials and scrap materials amounted to HK$505,000 (2018: HK$172,000).

8. OTHER GAINS AND LOSSES, NET

	2019 **HK$'000**	2018 HK$'000
(Loss)/gain on disposal/write off of property, plant and equipment	**(19)**	60
Net foreign exchange loss	**(890)**	(1,201)
Allowance for expected credit losses recognised/(reversed) on trade and other receivables, net	**(1,558)**	121
	(2,467)	(1,020)

9. FINANCE COSTS

	2019 **HK$'000**	2018 HK$'000
Interest on bank borrowings	**7,291**	5,802
Interest on lease liabilities	**514**	—
	7,805	5,802

10. INCOME TAX EXPENSE

	2019 HK$'000	2018 HK$'000
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	**2**	260
	18,418	14,724
Deferred tax credit (Note 27)	**(559)**	(1,593)
	17,859	13,131

(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%.

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

10. INCOME TAX EXPENSE *(Continued)*

(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.

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

	2019	2018
	HK$'000	HK$'000
Profit before tax	**72,702**	55,356
Tax at average income tax rate (Note)	**12,503**	8,554
Tax effect of expenses not deductible for tax purpose	**3,648**	3,633
Tax effect of income not taxable for tax purpose	**(175)**	(587)
Tax effect of deductible temporary differences not recognised	**48**	250
Tax effect of tax losses not recognised	**1,835**	1,341
Others	**—**	(60)
Income tax expense for the year	**17,859**	13,131

Note: The average income tax rate for the years ended 31 December 2019 and 2018 represented the weighted average tax rate of the operations in different jurisdictions on the basis of the relative amounts of profit before tax and the tax rate of the relevant entities of the corresponding years.

11. PROFIT FOR THE YEAR

	2019 HK$'000	2018 HK$'000
Profit for the year has been arrived at after charging/(crediting):		
Directors' remuneration: (Note 12)	**4,743**	2,298
Other staff costs:		
Salaries and other benefits	**105,803**	97,527
Retirement benefit scheme contributions	**7,440**	7,876
	113,243	105,403
Auditor's remuneration for audit services:		
— HLB Hodgson Impey Cheng Limited	**1,400**	—
— Other auditor	**15**	507
Depreciation of property, plant and equipment	**11,241**	10,214
Depreciation of investment property	**—**	706
Depreciation of right-of-use assets	**3,385**	—
Release of prepaid lease payments	**—**	1,078
Cost of inventories recognised as an expense	**430,440**	431,850
Operating leases rental in respect of minimum lease payments of rental premises under HKAS 17	**—**	2,790
Expenses related to short-term leases	**393**	—
Gross rental income from investment property	**—**	(1,181)
less: outgoings	**—**	453
	—	(728)
Allowance for expected credit loss recognised/(reversed) on trade and other receivables, net	**1,558**	(121)

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

Mr. Tam Kwok Pui, Ms. Paulina Yeung and Mr. So Lie Mo, Raymond are executive directors of the Company for the years ended 31 December 2019 and 2018, and Mr. Edmond Tam is also the chief executive officer of the Company.

During the year ended 31 December 2019, Mr. Lai Yat Kwong, Fred, Mr. Lui Ho Ming , Paul and Mr. Woo Chun Fai were appointed as independent non-executive directors of the Company on 26 July 2019. No independent non-executive directors were appointed by the Company during the year ended 31 December 2018.

12. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS *(Continued)*

(a) Directors' and chief executive's emoluments

During the years ended 31 December 2019 and 2018, the emoluments paid or payable to the Directors of the Company disclosed pursuant to the applicable Listing Rules and Hong Kong Companies Ordinance are as follows:

For the year ended 31 December 2019

		Other emoluments			
	Fees HK$'000	Salaries, allowances and other benefits HK$'000	Performance based bonuses (Note) HK$'000	Retirement benefit scheme contributions HK$'000	Total HK$'000
Executive Directors					
Mr. Tam Kwok Pui	—	1,265	1,200	—	2,465
Ms. Paulina Yeung	—	1,080	1,000	18	2,098
Mr. So Lie Mo, Raymond	—	60	—	—	60
Independent Non-executive Directors					
Mr. Lai Yat Kwong, Fred[1]	—	40	—	—	40
Mr. Lui Ho Ming, Paul[1]	—	40	—	—	40
Mr. Woo Chun Fai[1]	—	40	—	—	40
	—	2,525	2,200	18	4,743

Note:

1 Appointed as Independent Non-executive Directors on 26 July 2019.

For the year ended 31 December 2018

		Other emoluments			
	Fees HK$'000	Salaries, allowances and other benefits HK$'000	Performance based bonuses (Note) HK$'000	Retirement benefit scheme contributions HK$'000	Total HK$'000
Executive Directors					
Mr. Tam Kwok Pui	—	1,200	—	—	1,200
Ms. Paulina Yeung	—	1,080	—	18	1,098
Mr. So Lie Mo, Raymond	—	—	—	—	—
	—	2,280	—	18	2,298

Note: The performance based bonuses are determined on the performance of the individuals and the profitability of the Company for the years ended 31 December 2019 and 2018.

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

12. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS *(Continued)*

(b) Five highest paid employees

The five highest paid employees of the Group during the year included two directors (2018: two directors), details of whose remuneration are set out in note 12(a) above. Details of the remaining three (2018: three) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2019 **HK$'000**	2018 HK$'000
Salaries, allowances and other benefits	**2,022**	1,582
Performance based bonuses (Note)	**1,600**	105
Retirement benefit scheme contributions	**36**	36
	3,658	1,723

Note: The performance based bonuses are determined on the performance of the employees and the profitability of the Company for the years ended 31 December 2019 and 2018.

The number of the highest paid employees who neither a director nor chief executive of the Company whose remuneration fell within the following bands are as follows:

	Number of employees	
	2019	2018
Nil to HK$1,000,000	**2**	3
HK$1,500,001 to HK$2,000,000	**1**	—
	3	3

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the years ended 31 December 2019 and 2018. No emoluments were paid by the Group to any of the directors, the chief executive or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office for the years ended 31 December 2019 and 2018.

13. EARNINGS PER SHARE

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

	2019 HK$'000	2018 HK$'000
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

	'000	'000
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 capitalisation 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.

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

14. DIVIDENDS

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.

Prior to listing of the Company and Group reorganisation disclosed in the Prospectus, JA Overseas had declared dividends in aggregate amount of approximately HK$14,742,000 to its former shareholders during the year ended 31 December 2018. The amount has been settled in cash.

15. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture, Fixtures and equipment HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
Cost							
At 1 January 2018	126,809	1,332	28,273	8,317	1,805	12,607	179,143
Additions	103	760	1,498	705	486	912	4,464
Transfers	1,568	—	—	—	—	(1,568)	—
Transfer from investment property (Note 16)	28,244	—	—	—	—	—	28,244
Disposals/write off	—	—	—	(60)	(617)	—	(677)
Currency realignment	(7,094)	(54)	(1,300)	(353)	(89)	(770)	(9,660)
At 31 December 2018 and 1 January 2019	149,630	2,038	28,471	8,609	1,585	11,181	201,514
Additions	—	86	5,736	1,994	93	793	8,702
Transfers	181	—	—	—	—	(181)	—
Disposals/write off	—	—	(59)	(273)	—	—	(332)
Currency realignment	(743)	(10)	(214)	(62)	(9)	(85)	(1,123)
At 31 December 2019	**149,068**	**2,114**	**33,934**	**10,268**	**1,669**	**11,708**	**208,761**
Accumulated depreciation							
At 1 January 2018	15,796	762	13,201	6,142	1,092	—	36,993
Provided for the year	5,515	320	3,300	892	187	—	10,214
Transfer from investment property (Note 16)	4,648	—	—	—	—	—	4,648
Eliminated on disposals/write off	—	—	—	(60)	(518)	—	(578)
Currency realignment	(963)	(16)	(535)	(233)	(57)	—	(1,804)
At 31 December 2018 and 1 January 2019	24,996	1,066	15,966	6,741	704	—	49,473
Provided for the year	6,215	534	3,167	1,121	204	—	11,241
Eliminated on disposals/write off	—	—	(12)	(259)	—	—	(271)
Currency realignment	(196)	(10)	(102)	(39)	(6)	—	(353)
At 31 December 2019	**31,015**	**1,590**	**19,019**	**7,564**	**902**	**—**	**60,090**
Carrying amounts							
At 31 December 2019	**118,053**	**524**	**14,915**	**2,704**	**767**	**11,708**	**148,671**
At 31 December 2018	124,634	972	12,505	1,868	881	11,181	152,041

The cost of above items of property, plant and equipment, other than construction in progress, less their residual values are depreciated on a straight-line basis at the following rates per annum:

Land and buildings	2.5%–5% or over the term of the lease
Leasehold improvements	20% or over the term of the lease, whichever is shorter
Plant and machinery	10–33.3%
Furniture, fixtures and equipment	20–33.3%
Motor vehicles	20%

The Group has pledged land and buildings with a carrying value of approximately HK$118,053,000 and HK$115,003,000 as at 31 December 2019 and 2018, respectively, to secure general banking facilities granted to the Group. In addition, the Group has pledged plant and machinery with a carrying value of approximately HK$13,178,000 and HK$4,201,000 as at 31 December 2019 and 2018, respectively, to secure bank borrowings granted to the Group.

16. INVESTMENT PROPERTY

	HK$'000
Cost	
At 1 January 2018	28,244
Transfer to property, plant and equipment (Note 15)	(28,244)
At 31 December 2018, 1 January 2019 and 31 December 2019	**—**
Depreciation	
At 1 January 2018	3,942
Provided for the year	706
Transfer to property, plant and equipment (Note 15)	(4,648)
At 31 December 2018, 1 January 2019 and 31 December 2019	**—**
Carrying value	
At 31 December 2019	**—**
At 31 December 2018	—

The above investment property is depreciated on a straight-line basis at 2.5% per annum.

The investment property is leasehold land and building located in Hong Kong held under medium-term leases.

During the year ended 31 December 2018, the directors of the Company transferred the entire investment property to property, plant and equipment, upon the expiry of the operating lease with the tenant, for the Group's administrative and marketing purpose (Note 15).

17. PREPAID LEASE PAYMENTS

	2018 HK$'000
Analysed for reporting purposes as:	
Current assets	1,059
Non-current assets	46,847
	47,906

The Group has pledged prepaid lease payments with a carrying value of approximately HK$47,906,000 as at 31 December 2018, to secure bank borrowings granted to the Group. On 1 January 2019, the Group has applied HKFRS 16 and the prepaid lease payments with carrying value of approximately HK$47,906,000 was reclassified to right-of-use assets (Note 25).

18. INVENTORIES

	2019 HK$'000	2018 HK$'000
Raw materials	**53,959**	57,941
Work in progress	**17,325**	14,474
Finished goods	**43,284**	36,679
	114,568	109,094

19. TRADE AND OTHER RECEIVABLES

	2019 HK$'000	2018 HK$'000
Trade receivables	**35,970**	34,397
Less: allowance for expected credit losses	**(3,376)**	(2,373)
	32,594	32,024
Other receivables and prepayment included in current assets:		
Other receivables in respect of factored trade receivables	**22,063**	15,756
Prepayments	**4,562**	5,925
Prepayments to import-export corporations (Note)	**25,420**	46,014
Prepayments to deferred issue costs	**—**	5,265
Deposits paid	**1,684**	3,208
Tax recoverable	**1,853**	673
Other receivables	**1,170**	831
	56,752	77,672
Less: allowance for expected credit losses	**(196)**	—
	56,556	77,672
Less: rental deposits (non-current portion)	**(1,475)**	(1,606)
	55,081	76,066
	87,675	108,090

Note: Prepayments to import-export corporation mainly represented the prepayments in advance made by Justin Allen Limited, a subsidiary of the Group to an independent import-export corporation A and the prepayments in advance made by Shanghai Jielong Trading Limited, a subsidiary of the Group to another independent import-export incorporation B.

19. TRADE AND OTHER RECEIVABLES *(Continued)*

The Group allows a credit period of 0 to 120 days (2018: 0 to 120 days) to its customers.

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

	2019	2018
	HK$'000	HK$'000
Trade receivables		
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

Credit limits attributed to customers and credit terms granted to customers are reviewed regularly. The majority of the trade receivables that are neither past due nor impaired have no history of defaulting on repayments.

Details of allowance for expected credit losses assessment of trade and other receivables for the years ended 31 December 2019 and 2018 are set out in note 33.

20. TRADE RECEIVABLES AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2019	2018
	HK$'000	HK$'000
Trade receivables at FVTOCI	**27,907**	19,749

The following is an aging analysis of trade receivables at FVTOCI presented based on the delivery dates at the end of each reporting period:

	2019	2018
	HK$'000	HK$'000
0–30 days	**27,907**	19,749

The carrying amount of trade receivables at FVTOCI of approximately HK$27,907,000 was net of allowance for expected credit loss of approximately HK$135,000.

Details of impairment assessment of trade receivables at FVTOCI for the years ended 31 December 2019 and 2018 are set out in note 33.

21. AMOUNTS DUE FROM (TO) SHAREHOLDERS/ULTIMATE HOLDING COMPANY/A NON-CONTROLLING SHAREHOLDER OF A SUBSIDIARY

Details of amounts due from (to) shareholders, ultimate holding company, a non-controlling shareholder of a subsidiary are as follows:

	As at 31 December		Maximum outstanding amount year ended 31 December	
	2019 HK$'000	2018 HK$'000	**2019 HK$'000**	2018 HK$'000
Amounts due from shareholders				
Mr. Edmond Tam	**—**	294	**294**	332
Mr. Raymond Tam	**—**	1,600	**1,600**	1,785
Ms. Paulina Yeung	**—**	54	**54**	73
	—	1,948		
Amount due from ultimate holding company				
Strategic King	**—**	—	**37**	N/A
Amounts due to a shareholder				
Mr. Edmond Tam	**—**	(110,761)	**N/A**	N/A
Amount due to ultimate holding company				
Strategic King	**—**	(13,170)	**N/A**	N/A
Amount due to a non-controlling shareholder of a subsidiary				
許昌豫中紡織有限公司 ("許昌豫中紡織")	**—**	(879)	**N/A**	N/A

22. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2019 HK$'000	2018 HK$'000
Financial assets mandatorily at FVTPL:		
— Structured bank deposits	**—**	6,195
	—	6,195

As at 31 December 2018, structured bank deposits carried interest at variable rate. Interest rates of these structured deposits varied depending on the movement of market interest rate at the maturity date. The deposits may be withdrawn by the Group at any time. During the year ended 31 December 2019, the deposits was settled on 16 January 2019, and no structured bank deposits designated and mandatorily at FVTPL.

23. BANK BALANCES AND CASH

	2019 **HK$'000**	2018 HK$'000
Cash on hand and in bank	**131,750**	23,204
Bank deposit with original maturity date more than 3 months	**—**	3,916
	131,750	27,120

Bank deposits of approximately HK$14,579,000 and HK$14,639,000 have been secure general banking facilities granted to the Group as at 31 December 2019 and 2018 respectively.

As at 31 December 2019, bank balances carry interest at market rates which range from 0.01% to 2.00% (2018: 0.1% to 2.00%).

The Group's bank balances and cash that were denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	2019 **HK$'000**	2018 HK$'000
Denominated in HK$	**116,005**	1,141
Denominated in Renminbi ("RMB")	**4,575**	87
Denominated in Canadian dollar ("CAD")	**331**	168
Denominated in Kampuchean Riel ("KHR")	**210**	106

The remittance of bank balances and cash denominated in RMB out of PRC is subject to the foreign exchange control restrictions imposed by the government of the PRC.

24. TRADE AND OTHER PAYABLES

	2019 **HK$'000**	2018 HK$'000
Trade payables	**39,928**	35,284
Prepayments from and purchase payables due to import-export corporations (Note (a))	**12,671**	52,540
Accrued expenses	**31,409**	23,581
Accrued issue costs	**6,013**	1,926
Other tax payables	**5,174**	5,841
Payables for acquisition of property, plant and equipment	**1,643**	262
Other payables	**7,868**	3,332
	104,706	122,766

Note:

(a) Prepayments from and purchase payables due to import-export corporations mainly represented to the balance due to an independent import-export corporation A by Shanghai Jielong Trading Limited and the balance due to another independent import-export corporation B by Justin Allen Limited.

24. TRADE AND OTHER PAYABLES *(Continued)*

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$'000	2018 HK$'000
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.

25. RIGHT-OF-USE ASSETS/LEASE LIABILITIES

Right-of-use Assets

	Leasehold land (Note a) HK$'000	Land and buildings (Note b) HK$'000	Total HK$'000
As at 1 January 2019	**47,906**	**6,131**	**54,037**
Addition during the year	**—**	**2,052**	**2,052**
Depreciation provided during the year	**(1,074)**	**(2,311)**	**(3,385)**
Currency realignment	**(313)**	**(21)**	**(334)**
As at 31 December 2019	**46,519**	**5,851**	**52,370**

The right-of-use assets represent the Group's right-to-use underlying leased land and premises under operating lease arrangements over the lease terms, which are stated at cost less accumulated impairment losses, and adjusted for any remeasurement of the lease liabilities.

Upfront payments for leasehold land in the PRC own used properties were classified as prepaid land lease payments as at 31 December 2018. On 1 January 2019, the Group has applied HKFRS 16 and the prepaid lease payments with carrying value of approximately HK$47,906,000 was reclassified to right-of-use assets.

Notes:

(a) It represented the carrying amount of the title of the leasehold land of Henan Factory. The Group owns leasehold land where its manufacturing facilities are primarily located and office buildings. The Group is the registered owner of these property interests, including the underlying leasehold lands. Lump sum payments were made upfront to acquire these property interests. The leasehold land components of these owned properties are presented separately only if the payments made can be allocated reliably.

(b) For both years, the Group leases various offices for its operations. Lease contracts are entered into for fixed term of 2 years to 5 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 with a carrying value of approximately HK$46,519,000 have been pledged to secure bank borrowings granted to the Group as at 31 December 2019.

25. RIGHT-OF-USE ASSETS/LEASE LIABILITIES *(Continued)*

Lease Liabilities

The carrying amounts of the lease liabilities as at 31 December 2019 are set out as below:

	As at 31 December 2019 HK$'000
Non-current	3,341
Current	2,264
	5,605

	As at 31 December 2019	
	Minimum lease payments due HK$'000	Present value of leases liabilities HK$'000
Lease liabilities comprises:		
— within one year	2,637	2,264
— more than one year but not exceeding two years	2,348	2,166
— more than two years but not exceeding five years	1,235	1,175
	6,220	5,605
Less: future finance charge	(615)	—
Present value of lease liabilities	5,605	5,605

The Group leases various properties to operate its factories and these lease liabilities are measured at the present value of the lease payments that are not yet paid.

Lease obligations that are denominated in currencies other than the functional currencies of the relevant group entities as set out below:

	USD HK$'000	RMB HK$'000	Total HK$'000
As at 31 December 2019	3,389	2,216	5,605

The Group does not face a significant liquidity risk with regard to its lease liabilities. Lease liabilities are monitored within the Group's treasury function.

The total cash outflows for leases including payments of lease liabilities for the year ended 31 December 2019 was amounted to HK$2,437,000 (2018: Nil).

26. BANK BORROWINGS

	2019 HK$'000	2018 HK$'000
Bank loans, secured and guaranteed	**111,769**	27,429
Carrying amount repayable:		
Within one year	**111,220**	13,361
More than one year, but not exceeding two years	**549**	2,210
More than two years, but not exceeding five years	**—**	552
	111,769	16,123
Carrying amount of bank loans that contain a repayable on demand clause (show under current liabilities) but repayable:		
Within one year	**—**	11,306
More than one year, but not exceeding two years	**—**	—
	111,769	27,429
Less: Amount included under the current liabilities	**(111,220)**	(24,667)
Amount due after one year shown under non-current liabilities	**549**	2,762
Fixed-rate borrowings	**2,744**	4,972
Variable-rate borrowings	**109,025**	22,457
	111,769	27,429

26. BANK BORROWINGS *(Continued)*

Borrowings were denominated in the following currency:

	2019 HK$'000	2018 HK$'000
USD	**67,860**	—
HKD	**—**	11,306
RMB	**43,909**	16,123
	111,769	27,429

As at 31 December 2019, the Group's variable-rate borrowings carrying interest at the Bank's USD Best Lending Rate or the People's Bank of China's benchmark rate (2018: Hong Kong Interbank Offered Rate or the People's Bank of China's benchmark rate) plus certain basis points. The range of effective interest rates (which are also equal to contracted interest rates) on the Group's borrowings were as follows:

	2019	2018
Effective interest rates:		
Fixed-rate borrowings	**6.18%**	6.18%
Variable-rate borrowings	**3.40%–5.22%**	3.14%–5.22%

As at 31 December 2019, bank borrowings amounting to HK$111,769,000 (2018: HK$27,429,000) are personally guaranteed by Mr. Edmond Tam. Bank borrowings amounting to HK$111,769,000 (2018: HK$27,429,000) are secured by land and buildings, plant and machinery and right-of-use assets of the Group with carrying amounts of HK$118,053,000, HK$13,178,000 and HK$46,519,000 (2018: land and building, plant and machinery and prepaid lease payment of the Group with carrying amounts of HK$115,003,000, HK$4,201,000 and HK$47,906,000) respectively. All monies over bank account and securities held by Mr. Edmond Tam in the corresponding bank are pledged to secure general banking facilities granted to a subsidiary. Details of the personal guarantees from shareholders are set out in note 36.

27. DEFERRED TAX

The following is the deferred tax assets recognised and movements:

	Unrealised profit on inventories HK$'000	ECL provision of trade receivables HK$'000	Other temporary difference HK$'000	Total HK$'000
At 31 December 2017	678	—	—	678
Adjustments upon application of HKFRS 9	—	50	—	50
At 1 January 2018 (restated)	678	50	—	728
Credited/(charged) to profit or loss (Note 10)	813	(20)	800	1,593
At 31 December 2018 and 1 January 2019	**1,491**	**30**	**800**	**2,321**
Credited to profit or loss (Note 10)	**337**	**222**	**—**	**559**
At 31 December 2019	**1,828**	**252**	**800**	**2,880**

27. DEFERRED TAX *(Continued)*

No deferred tax asset has been recognised in respect of the unutilised tax losses of HK$19,906,000 and HK$19,369,000 as at 31 December 2019 and 2018, respectively, due to the unpredictability of future profit streams. Unrecognised tax losses of approximately HK$19,906,000 and HK$19,369,000 as at 31 December 2019 and 2018, respectively, in the tax jurisdiction of the PRC may be carried forward for five years.

The Group has other deductible temporary difference amounted to HK$800,000 as at 31 December 2018 and 2019. No deferred tax asset has been recognised in respect of such temporary difference as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

Under the EIT Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC companies from 1 January 2008 onwards. Deferred taxation has not been provided for the years ended 31 December 2019 and 2018 in respect of temporary differences attributable to accumulated profits of the PRC subsidiary amounting to approximately HK$12,237,000 and HK$7,082,000, respectively, as at 31 December 2019 and 2018, as the Group is able to control the timing of reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

28. SHARE CAPITAL

	Number of shares	Amount HK$'000
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
Issue of ordinary shares (Note (a))	49,962,000,000	499,620
Balance as at 31 December 2019	**50,000,000,000**	**500,000**
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	—
Issue of shares under capitalisation issue (Note (c))	937,488,053	9,375
Issue of shares under the global offering (Note (c))	312,500,000	3,125
Balance as at 31 December 2019	**1,250,000,000**	**12,500**

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.

On 17 October 2019, pursuant to resolutions in writing passed by all the shareholders, conditional on the share premium account being credited as a result of the global offering, the Directors were authorised to capitalise approximately HK$9,375,000 standing to the credit of the share premium account of our Company by applying such sum in paying up in full at par 937,488,053 shares for allotment and issue to shareholders whose name appear on the register of members of our Company on 27 November 2019.

29. RETIREMENT BENEFIT SCHEMES

The Group provides defined contribution plans for its employees in Hong Kong, the PRC and Cambodia.

Hong Kong

The Group participates in a defined contribution scheme which is registered under the Mandatory Provident Fund Scheme (the "MPF Scheme") established under the Mandatory Provident Fund Schemes Ordinance. The assets of the scheme are held separately from those of the Group, in funds under the control of trustees. For members of the MPF Scheme, the Group contributes at the lower of HK$1,500 per month or 5% of relevant payroll costs each month to the MPF Scheme, in which the contribution is matched by the employee.

The PRC and Cambodia

The Group also participates in defined contribution retirement schemes organised by the relevant local government authorities in the PRC and Cambodia. Certain employees of the Group eligible for participating in the retirement schemes are entitled to retirement benefits from the schemes.

The Group is required to make contributions to the retirement schemes up to the time of retirement of the eligible employees, excluding those employees who resign before their retirement, at a percentage that is specified by the local government authorities.

The total expenses recognised in Consolidated Statement of Profit or Loss which amounted to HK$7,458,000 and HK$7,894,000 for the years ended 31 December 2019 and 2018, respectively, represents contributions payable to these plans by the Group at rates specified in the rules of the plans.

Share Option Scheme

The Company has a share option scheme which was adopted on 17 October 2019. The purpose of the share option scheme is to grant options to any full-time or part-time employees, consultants or potential employees, consultants, executives or officers (including executive, non-executive and independent non-executive directors) of our Company or any of its subsidiaries and any suppliers, customers, consultants, agents and advisers who, in the sole opinion of the Board, will contribute or have contributed to our Company and/or any of its subsidiaries as incentives or rewards for their contribution or potential contribution to our Company and/or any of its subsidiaries and retain high-calibre employees.

A summary of the share option scheme of the Company are set out in the section headed "Appendix V — 6. Share Option Scheme" in the Prospectus dated 19 November 2019.

No share option has been granted during the year ended 31 December 2019 (2018: Nil).

30. OPERATING LEASE COMMITMENTS

The Group as lessee

The Group made minimum lease payments in respect of its office premises and production plants amounting to HK$2,790,000 during the year ended 31 December 2018.

	2018 HK$'000
Within one year	2,595
In the second to fifth years inclusive	4,296
	6,891

30. OPERATING LEASE COMMITMENTS *(Continued)*

The Group as lessee *(Continued)*

The commitments for future minimum lease payments to Ms. Paulina Yeung included above are as follows:

	2018 HK$'000
Within one year	117

The Group as lessor

Property rental income earned were approximately HK$1,181,000 during the year ended 31 December 2018.

31. CAPITAL COMMITMENTS

	2019 **HK$'000**	2018 HK$'000
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the year	**1,885**	1,852

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 shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged throughout the years ended 31 December 2019 and 2018.

The capital structure of the Group consists of net debt, which includes the secured bank borrowings disclosed in note 26, net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital, retained profits and other reserves.

The management of the Group reviews the capital structure regularly. As part of this review, the management of the Group considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the management of the Group, the Group will balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt or the redemption of existing debt.

33. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2019 HK$'000	2018 HK$'000
Financial assets		
Financial assets at amortised cost (including cash and cash equivalents)	**187,381**	77,679
Trade receivables at FVTOCI	**27,907**	19,749
Financial assets at FVTPL	**—**	6,195
Financial liabilities		
Amortised cost	**196,987**	197,643

(b) Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, trade receivables at FVTOCI, amounts due from shareholders, financial assets at FVTPL, cash and cash equivalents, trade and other payables, lease liabilities, amounts due to shareholders, amount due to a non-controlling shareholder of a subsidiary and bank borrowings. Details of the financial instruments are disclosed in the respective notes. The risks associated with these financial instruments include market risk (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

Currency risk

The Group undertakes certain transactions denominated in foreign currencies which are different from USD and RMB, the functional currency of the respective group entities. The Group currently does not have a foreign exchange hedging policy. However, the management of the Group monitors foreign exchange exposure and will consider hedging significant foreign exchange exposure should the need arise.

The carrying amounts of the Group's foreign currencies denominated monetary assets and monetary liabilities as at 31 December 2019 and 2018 are as follows:

	Assets		Liabilities	
	2019 HK$'000	2018 HK$'000	2019 HK$'000	2018 HK$'000
HK$	**115,508**	1,534	**69,787**	134,720
RMB	**53**	87	**—**	—
CAD	**331**	168	**—**	—
KHR	**210**	106	**—**	—

33. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Market risk *(Continued)*

Currency risk (Continued)

Sensitivity analysis

Under the pegged exchange rate system, the financial impact arising from changes in exchange rates between HK$ and USD is not expected to be significant and therefore, the corresponding sensitivity analysis is not prepared.

The above RMB, CAD and KHR denominated assets are insignificant to the Group. Accordingly, no sensitivity analysis is presented in management's opinion.

The Company is mainly operated in its local jurisdiction with most of the transactions settled in its functional currencies of the operations and did not have significant exposure to risk resulting from changes in foreign currency exchange rates.

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate amount due to a shareholder (see note 21 for details) and fixed-rate bank borrowings (see note 26 for details). However, management considers the fair value interest rate risk is insignificant as they are relatively short-term.

The Group is also exposed to cash flow interest rate risk in relation to variable-rate financial assets at FVTPL (see note 22 for details) and bank balances and cash (see note 23 for details) and variable rate bank borrowings (see note 26 for details) due to the fluctuation of the prevailing market interest rate.

The Group currently does not have an interest rate hedging policy to hedge against the exposure. However, the management closely monitors interest rate exposure and will consider hedging significant interest rate risk should the need arise.

Sensitivity analysis

The sensitivity analysis below have been determined based on the exposure to interest rates for variable-rate bank borrowings. The analysis is prepared assuming the amount of liabilities outstanding at the end of the reporting period were outstanding for the whole year/period. A 50 basis points increase or decrease is used when reporting interest rate risk internally to key management personnel and represents the management's assessment of the reasonably possible change in interest rates. Financial assets at FVTPL and bank balances are excluded from sensitivity analysis as the directors of the Company consider that the exposure of cash flow interest rate risk arising from variable-rate financial assets at FVTPL and bank balances is insignificant.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's post-tax profit for the years ended 31 December 2019 and 2018 would decrease/increase by HK$455,000 and HK$94,000, respectively.

33. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment

The Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge obligations by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statements of financial position.

The Group's credit risk is primarily attributable to its trade receivables. In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group has concentration of credit risk as 29% and 33% of the total gross trade receivables was due from the Group's largest customer as at 31 December 2019 and 2018, respectively, and 84% and 84% of the total gross trade receivables was due from the five largest customers as at 31 December 2019 and 2018, respectively.

The credit risk on liquid funds is limited because the counterparties are banks with good reputation.

Group's exposure to credit risk after adoption of HKFRS 9

After the adoption of HKFRS 9, in addition to the credit risk limit management and other mitigation measures as described above, the Group monitors all financial assets, except for trade receivables, that are subject to impairment requirements to assess whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk, the Group will measure the loss allowance based on lifetime ECL rather than 12m ECL.

Trade receivables

For trade receivables (including trade receivables at FVTOCI), 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 individually.

The Group writes off trade receivables when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery.

33. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment *(Continued)*

Other receivables

For other receivables, the Group has applied the general approach in HKFRS 9 to measure the loss allowance at 12m ECL, since the directors of the Company assessed that there has not been any significant increase in credit risk since initial recognition.

In determining the expected credit losses, the Group determines the ECL on these items individually based on past default experience of the counterparty and reputation.

Bank balances

The bank balances is determined to have low credit risk. The credit risk on bank balances is limited because the counterparties are reputable banks and the risk of inability to pay is low.

Credit rating

As part of the Group's credit risk management, the Group applied internal credit rating for its customers. The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Trade receivables
Group A	The counter party has a low risk of default based on historical repayment records and has a good reputation	Lifetime ECL — not credit-impaired
Group B	The counter party has higher creditability but sometimes repays after due dates	Lifetime ECL — not credit-impaired
Group C	The counter party usually settles after due day with a higher-risk of default	Lifetime ECL — not credit-impaired
Group D	There is evidence indicating the asset is credit-impaired	Lifetime ECL — credit-impaired
Group E	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

33. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment *(Continued)*

The table below details the credit risk exposures of the Group's financial assets, which are subject to ECL assessment:

	Notes	External credit rating	Internal credit rating	12-month or lifetime ECL	Gross carrying amount HK$'000
As at 31 December 2019					
Trade receivables at FVTOCI					
Trade receivables	20	N/A	(Note ii)	Lifetime ECL	**28,042**
Financial assets at amortised cost					
Trade receivables	19	N/A	Group A (Note iii)	Lifetime ECL not credit-impaired	**33,928**
			Group C (Note iii)	Lifetime ECL not credit-impaired	**59**
			Group D (Note iii)	Lifetime ECL credit-impaired	**1,983**
Other receivables	19	N/A	(Note i)	12-months ECL	**23,233**
Bank balances and cash	23	A+ to BBB–	N/A	12-months ECL	**131,750**

33. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment *(Continued)*

	Notes	External credit rating	Internal credit rating	12-month or lifetime ECL	Gross carrying amount HK$'000
As at 31 December 2018					
Trade receivables at FVTOCI					
Trade receivables	20	N/A	(Note ii)	Lifetime ECL	19,749
Financial assets at amortised cost					
Trade receivables	19	N/A	Group A (Note iii)	Lifetime ECL not credit-impaired	32,011
			Group C (Note iii)	Lifetime ECL not credit-impaired	179
			Group D (Note iii)	Lifetime ECL credit-impaired	2,207
Other receivables	19	N/A	(Note i)	12-months ECL	16,587
Amounts due from shareholders	21	N/A	(Note i)	12-months ECL	1,948
Bank balances and cash	23	A+ to BBB–	N/A	12-months ECL	27,120

Notes:

i For the purposes of internal credit risk management, the Group uses past due information to assess whether credit risk has increased significantly since initial recognition.

ii For trade receivables, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. The Group determines the expected credit losses on trade receivables individually. The average expected credit loss rate is 0.48%.

iii As part of the Group's credit risk management, the Group applied internal credit rating for its customers. The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	**Description**	**Trade receivables**
Group A	The counter party has a low risk of default based on historical repayment records and has a good reputation	Lifetime ECL — not credit-impaired
Group B	The counter party has higher creditability but sometimes repays after due dates	Lifetime ECL — not credit-impaired
Group C	The counter party usually settles after due day with a higher risk of default	Lifetime ECL — not credit-impaired
Group D	There is evidence indicating the asset is credit-impaired	Lifetime ECL — credit-impaired
Group E	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

33. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment *(Continued)*

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 information that is available without undue cost or effort.

In the opinion of the directors of the Company, the trade receivables within Groups A and C at the end of the reporting period which have been past due 90 days or more are not considered as in default by considering the expected subsequent and historical repayment from the trade receivables.

Movement in the allowance for expected credit losses of trade receivables and other receivable:

	Trade receivables		Other receivable	
	Lifetime ECL (not credit-impaired) HK$'000	**Lifetime ECL (credit-impaired)** HK$'000	**12-months ECL** HK$'000	**Total** HK$'000
As at 31 December 2017 under HKAS 39	—	2,207	—	2,207
Adoption of HKFRS 9	287	—	—	287
As at 1 January 2018 — As restated	287	2,207	—	2,494
Reversal of allowance for expected credit losses during the year	(121)	—	—	(121)
As at 31 December 2018 and 1 January 2019	**166**	**2,207**	**—**	**2,373**
Bad debts recovered	**—**	**(224)**	**—**	**(224)**
Allowance for expected credit losses during the year	**1,362**	**—**	**196**	**1,558**
As at 31 December 2019	**1,528**	**1,983**	**196**	**3,707**

Liquidity risk

In management of the liquidity risk, the Group monitors and maintains a level 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 Group relies on external borrowings and advances from shareholders as significant sources of liquidity.

The following tables detail 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 maturity dates for other financial liabilities are based on the agreed repayment dates.

33. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Liquidity risk *(Continued)*

Liquidity tables

As at 31 December 2019

	Weighted average interest rate %	On demand or less than 3 months HK$'000	4 months to 1 year HK$'000	1–2 years HK$'000	2 years to 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31 December 2019 HK$'000
Non-derivative financial liabilities							
Trade and other payables	N/A	85,218	—	—	—	85,218	85,218
Secured bank borrowings							
— fixed rate	6.18	588	1,713	555	—	2,856	2,744
— variable rate	4.31	110,185	—	—	—	110,185	109,025
		195,991	1,713	555	—	198,259	196,987

As at 31 December 2018

	Weighted average interest rate %	On demand or less than 3 months HK$'000	4 months to 1 year HK$'000	1–2 years HK$'000	2 years to 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31 December 2018 HK$'000
Non-derivative financial liabilities							
Trade and other payables	N/A	45,404	—	—	—	45,404	45,404
Amount due to ultimate holding company	N/A	13,170	—	—	—	13,170	13,170
Amounts due to shareholders	N/A	110,761	—	—	—	110,761	110,761
Amount due to a non-controlling shareholder of a subsidiary	N/A	879	—	—	—	879	879
Secured bank borrowings							
— fixed rate	6.18	626	1,828	2,318	558	5,330	4,972
— variable rate	4.17	22,599	—	—	—	22,599	22,457
		193,439	1,828	2,318	558	198,143	197,643

The amounts included above for variable interest rate instruments for non-derivative financial liabilities are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

33. FINANCIAL INSTRUMENTS *(Continued)*

(c) Fair value measurements of financial instruments

This note provides information about how the Group determines fair values of financial instruments.

(i) Fair value of the Group's financial assets that are measured at fair value on a recurring basis

The Group's trade receivables at FVTOCI and financial assets at FVTPL are measured at fair value at the end of the reporting period. The following table gives information about how the fair values of these financial assets are determined.

Financial assets	Fair value as at 31 December 2019 HK$'000	2018 HK$'000	Fair value hierarchy	Valuation techniques and key inputs
Trade receivables at FVTOCI	**27,907**	19,749	Level 2	Discounted cash flow method. The key input is market interest rate.
Financial assets at FVTPL	**—**	6,195	Level 3	Discounted cash flow method. The key inputs are market interest rate and estimated performance of underlying investments. (Note)

Note: The financial impact arising from changes in unobservable inputs is not expected to be significant and therefore, no sensitivity analysis is presented in management's opinion.

There is no transfer between different levels of the fair value hierarchy during the years ended 31 December 2019 and 2018.

(ii) Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost during the year ended 31 December 2019 and 2018 approximate their fair values.

The fair values of these financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis, with the most significant input being the discount rate that reflects the credit risk of counterparties.

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 statements of cash flows as cash flows from financing activities.

	Amount due to ultimate holding company HK$'000	Amounts due to shareholders HK$'000	Amount due to a non-controlling shareholder of a subsidiary HK$'000	Interest payable HK$'000	Dividend payable HK$'000	Bank borrowings HK$'000	Deferred issue costs HK$'000	Lease liabilities HK$'000	Total HK$'000
At 1 January 2018	4	2,883	937	—	—	74,280	—	—	78,104
Financing cash flows	(4)	(2,883)	—	(5,802)	(1,563)	2,973	(3,339)	—	(10,618)
Interest expense	—	—	—	5,802	—	—	—	—	5,802
Dividend declared (Note 14)	—	—	—	—	14,742	—	—	—	14,742
Exchange difference	—	(92)	(58)	—	—	(1,175)	—	—	(1,325)
Non-cash transaction (Note 35)	13,179	111,057	—	—	(13,179)	(48,649)	—	—	62,408
Others	(9)	(204)	—	—	—	—	5,265	—	5,052
At 31 December 2018 and 1 January 2019	13,170	110,761	879	—	—	27,429	1,926	—	154,165
Adoption of HKFRS 16	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**5,799**	**5,799**
Financing cash flows	**(13,170)**	**(110,761)**	**(879)**	**(7,291)**	**(15,000)**	**84,450**	**(43,705)**	**(2,437)**	**(108,793)**
Interest expense	**—**	**—**	**—**	**7,291**	**—**	**—**	**—**	**514**	**7,805**
Dividend declared (Note 14)	**—**	**—**	**—**	**—**	**15,000**	**—**	**—**	**—**	**15,000**
Exchange difference	**—**	**—**	**—**	**—**	**—**	**(110)**	**—**	**(164)**	**(274)**
Non-cash transaction (Note 35)	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**1,893**	**1,893**
Others	**—**	**—**	**—**	**—**	**—**	**—**	**47,792**	**—**	**47,792**
At 31 December 2019	**—**	**—**	**—**	**—**	**—**	**111,769**	**6,013**	**5,605**	**123,387**

35. MAJOR NON-CASH TRANSACTIONS

During the year ended 31 December 2019, no (2018: HK$48,649,000) short term borrowings on bills discounted with recourse were settled through bills receivables discounted to the relevant financial institutions.

During the year ended 31 December 2019, the Group had non-cash addition to right-of-use assets and lease liabilities of HK$2,052,000 and HK$1,893,000, respectively, in respect of lease arrangements for land and building.

During the year ended 31 December 2018, amounts of HK$103,257,000 and HK$7,800,000 represent the considerations to a shareholder for the acquisitions of Power Summit Investment Limited and Castle Eagle Investment Limited, in which amounts of HK$1,000,000 and HK$200,000 was settled by cash, respectively.

36. MATERIAL RELATED PARTY DISCLOSURES

(a) Related party balances

Details of the outstanding balances with related parties at the end of the reporting period are set out in the consolidated statements of financial position and note 21.

(b) Related party transactions

During the years ended 31 December 2019 and 2018, the Group entered into the following transactions with related parties:

Name of related party	Nature of transactions	2019 HK$'000	2018 HK$'000
Ms. Paulina Yeung	Rental expenses	**116**	117

Detail of the commitments for future minimum lease payments to Ms. Paulina Yeung are set out in note 30.

(c) Compensation of key management personnel

Compensation paid to key management personnel of the Group represented the remuneration of directors and other members of key management are disclosed in note 12.

(d) Personal guarantees from shareholders

As at 31 December 2019, the general banking facilities amounting to HK$111,769,000 (2018: HK$27,429,000) granted to the Group are secured by personal guarantees from Mr. Edmond Tam.

(e) Pledge of assets held by shareholders

As at 31 December 2019 and 2018, the general banking facilities granted by banks to the Group are secured by all monies over bank account and securities held by Mr. Edmond Tam in the corresponding bank.

37. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

(a) Statement of Financial Position of the Company

As at 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
Non-current asset			
Investments in a subsidiary		**20,609**	—
Current assets			
Other receivables		**198**	5,425
Amount due from a subsidiary		**93,000**	—
Cash and cash equivalents		**112,279**	—
		205,477	5,425
Current liabilities			
Accrual and other payables		**8,896**	7,880
Amounts due to subsidiaries		**62,692**	15,168
		71,588	23,048
Net current assets/(liabilities)		**133,889**	(17,623)
Net assets/(liabilities)		**154,498**	(17,623)
Capital and reserve			
Share capital	28	**12,500**	—*
Reserves	37(b)	**141,998**	(17,623)
Total equity		**154,498**	(17,623)

* *Less than HK$1,000.*

The financial statements were approved and authorised for issue by the Board of Directors on 8 May 2020 and are signed on its behalf by:

Tam Kwok Pui
Director

Yeung Suk Foon Paulina
Director

37. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY *(Continued)*

(b) Reserves of the Company

For the year ended 31 December 2019

	Share premium HK$'000	(Accumulated losses)/ retained profits HK$'000	Total HK$'000
At 1 January 2018	—	(742)	(742)
Loss and total comprehensive expense for the year	—	(16,881)	(16,881)
At 31 December 2018 and 1 January 2019	—	(17,623)	(17,623)
Profit and total comprehensive income for the year	—	61,086	61,086
Reorganisation	20,609	—	20,609
Share issuance cost	(19,741)	—	(19,741)
Share issued under global offer (Note 28(c))	122,042	—	122,042
Capitalisation issue (Note 28(c))	(9,375)	—	(9,375)
Dividend (Note 14)	—	(15,000)	(15,000)
At 31 December 2019	**113,535**	**28,463**	**141,998**

38. PARTICULARS OF SUBSIDIARIES

(a) General information of subsidiaries

Details of the Company's subsidiaries at the date of this report are as follows:

Name of subsidiaries	Place and date of incorporation/ establishment	Principal place of operations	Nominal value of issued share capital	Percentage of equity interests and voting power attributable to the Company 2019	2018	Principal activities
Justin Allen Overseas Limited ("JA Overseas")	BVI, 26 April 2012	Hong Kong	USD11,947	**100.0%**	89.4%	Investment holding
Castle Eagle Investments Limited	BVI, 28 October 2013	Hong Kong	USD1	**100.0%**	89.4%	Investment holding
Jie Wei (Cambodia) Garment Factory Limited	Cambodia, 9 February 2011	Cambodia	USD1,000,000	**100.0%**	89.4%	Manufacturing and sales of sleepwear products, loungewear products and processing services
Justin Allen Limited	Hong Kong, 1 March 1983	Hong Kong	HK$100,000	**100.0%**	89.4%	Sales of sleepwear products and loungewear products
Shanghai Jielong Trading Limited	The PRC, 9 June 2006	The PRC, Shanghai	RMB1,000,000	**100.0%**	89.4%	Sales of fabric
Justin Allen Hong Kong Limited	Hong Kong, 14 January 2016	Hong Kong	HK$1,000	**100.0%**	89.4%	Inactive
Power Summit Investments Limited	BVI, 16 May 2012	Hong Kong	USD1	**100.0%**	89.4%	Inactive
Justin Allen Investment (China) Limited	Hong Kong, 27 July 2011	Hong Kong	HK$100,000	**100.0%**	89.4%	Inactive
Henan Kaiyu Spinning, Weaving & Apparel Limited ("Henan Kaiyu")	The PRC, 1 June 2011	The PRC, Henan	RMB119,744,836	**75.0%**	67.0%	Manufacturing and sales of sleepwear products, loungewear products and greige fabric and processing services

38. PARTICULARS OF SUBSIDIARIES *(Continued)*

(b) Details of non-wholly owned subsidiary that has material non-controlling interests

The table below shows details of non-wholly owned subsidiaries of the Group that have material non-controlling interests:

Name of subsidiaries	Place of incorporation/ operations	Proportion of ownership interests and voting rights held by non-controlling interests As at 31 December		Profit/(loss) allocated to non-controlling interests Year ended 31 December		Accumulated non-controlling interests As at 31 December	
		2019	2018	**2019**	2018	**2019**	2018
				HK$'000	HK$'000	**HK$'000**	HK$'000
JA Overseas[1]	BVI	**0.0%**	10.6%	**850**	6,635[2]	**—**	19,685[2]
Henan Kaiyu	The PRC	**25.0%**	33.0%[3]	**1,589**	(1,575)	**24,814**	23,415

Notes:

1 On 27 February 2019, pursuant to the sale and purchase agreements entered into between Strategic King, the Company, and the non-controlling shareholders of JA Overseas, the Company allotted 10,679 shares and 1,267 shares to Strategic King and the non-controlling shareholders of JA Overseas, respectively, to acquire the entire shareholdings of JA Overseas. In effect, JA Overseas became a wholly-owned subsidiary of the Group.

2 Excluding non-controlling interests of Henan Kaiyu, JA Overseas' subsidiary.

3 On 11 December 2018, pursuant to a sale and purchase agreement entered into between JA Overseas and Mr. Edmond Tam, JA Overseas agrees to purchase and Mr. Edmond Tam agrees to sell the entire issued shares of Power Summit, the holding company of Henan Kaiyu. Henan Kaiyu becomes a non-wholly owned subsidiary of JA Overseas since 11 December 2018.

Summarised financial information in respect of the Group's subsidiary that have material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

38. PARTICULARS OF SUBSIDIARIES *(Continued)*

(b) Details of non-wholly-owned subsidiary that has material non-controlling interests *(Continued)*

Henan Kaiyu

	As at 31 December	
	2019	2018
	HK$'000	HK$'000
Non-current assets	**138,815**	140,859
Current assets	**30,631**	70,703
Current liabilities	**(63,179)**	(111,166)
	106,267	100,396
Equity attributable to owners of the Company	**81,453**	76,981
Non-controlling interests	**24,814**	23,415
	106,267	100,396

	Year ended 31 December	
	2019	2018
	HK$'000	HK$'000
Revenue	**168,346**	162,972
Expenses	**(161,988)**	(169,271)
Profit/(loss) for the year	**6,358**	(6,299)
Profit/(loss) attributable to owners of the Company	**4,769**	(4,724)
Profit/(loss) attributable to non-controlling interests	**1,589**	(1,575)
Profit/(loss) for the year	**6,358**	(6,299)

38. PARTICULARS OF SUBSIDIARIES *(Continued)*

(b) Details of non-wholly-owned subsidiary that has material non-controlling interests *(Continued)*

Henan Kaiyu *(Continued)*

	Year ended 31 December	
	2019	2018
	HK$'000	HK$'000
Other comprehensive expense attributable to owners of the Company	**(569)**	(5,194)
Other comprehensive expense attributable to non-controlling interests	**(191)**	(1,731)
Other comprehensive expense	**(760)**	(6,925)
Total comprehensive income/(loss) for the year attributable to:		
Owners of the Company	**4,200**	(9,918)
Non-controlling interests	**1,398**	(3,306)
	5,598	(13,224)
Net cash outflow from operating activities	**(27,531)**	(8,404)
Net cash outflow from investing activities	**(576)**	(1,934)
Net cash inflow from financing activities	**26,935**	11,358
Effect of foreign exchange	**(319)**	(178)
Net cash (outflow)/inflow	**(1,491)**	842

39. EVENTS AFTER THE REPORTING PERIOD

Since January 2020, Wuhan City, Hubei Province, the PRC has reported certain confirmed cases of Novel Coronavirus ("COVID-19") which may affect the usual business environment of the country as a whole. In the opinion of directors, even though certain according to orders in the second quarter may be delayed and the settlement period of certain trade receivables may be prolonged, but currently available information and according to recent discussions with customers, it is expected that the total orders in 2020 from customers will not be substantial different as compared to 2019, and the financial results of the Group is not expected to have material adverse impact. The management is also continuing to develop and procure more orders to maintain a continuous business growth for the Group.

40. CONTINGENT LIABILITIES

As at 31 December 2019, the Group did not have any significant contingent liabilities.

41. COMPARATIVE FIGURES

The Group has initially applied HKFRS 16 on 1 January 2019. Under the transition method, comparative information is not restated. Further details of the change in accounting policies are disclosed in note 2.

In addition, certain comparative amounts have been reclassified to be consistent with the current year's presentation.

42. AUTHORISATION FOR ISSUE OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the Board of Directors on 8 May 2020.

Four-year Financial Summary

A summary of the results and of the assets and liabilities of the Group for the last four financial years, as extracted from the audited consolidated financial statements in this annual report and the Prospectus, is set out below:

RESULTS

	Year ended 31 December			
	2019	2018	2017	2016
	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**701,285**	608,386	524,852	467,863
Listing expenses	**(27,085)**	(16,878)	(500)	—
Profit before tax	**72,702**	55,356	63,189	56,830
Income tax expense	**(17,859)**	(13,131)	(11,778)	(11,031)
Profit for the year	**54,843**	42,225	51,411	45,799
Profit attributable to:				
Owners of the Company	**52,403**	37,165	46,565	41,159
Non-controlling interests	**2,440**	5,060	4,846	4,640
	54,843	42,225	51,411	45,799

ASSETS AND LIABILITIES

	As at 31 December			
	2019	2018	2017	2016
	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	**568,676**	478,235	451,277	471,552
Total liabilities	**(228,760)**	(278,717)	(156,762)	(233,108)
Net assets	**339,916**	199,518	294,515	238,444
Capital and reserves attributable to:				
Owners of the Company	**315,102**	156,418	248,464	196,548
Non-controlling interests	**24,814**	43,100	46,051	41,896
	339,916	199,518	294,515	238,444