

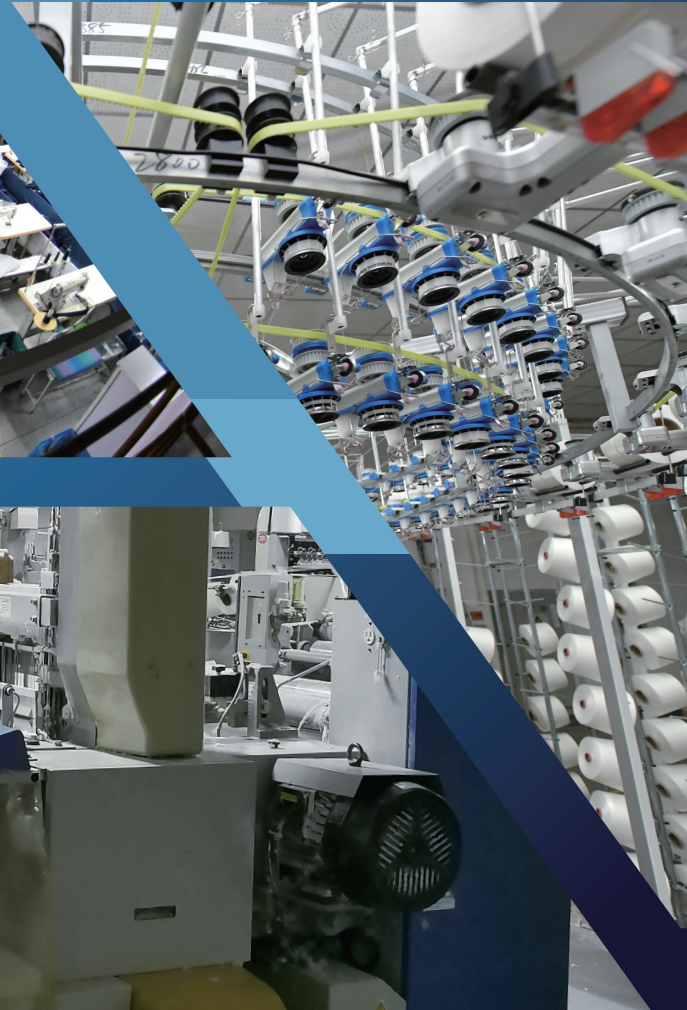


JUSTIN ALLEN HOLDINGS LIMITED

捷隆控股有限公司

Incorporated in the Cayman Islands with limited liability

Stock Code : 1425



2020

Interim Report



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MANAGEMENT DISCUSSION AND ANALYSIS

As the first fiscal year since the listing of Justin Allen Holdings Limited (the “**Company**”), 2020 marks an important milestone in our history. At the same time, 2020 is also a year of challenges. COVID-19 has brought upon unprecedented disruptions to businesses worldwide with no exception to the Company and its subsidiaries (the “**Group**”), our customers and our suppliers alike. Nevertheless, we have proactively implemented strategies that position the Group to capture post-pandemic opportunities. To cater for the needs of our customers, we have adopted flexible strategies to react to different scenarios arising from such challenging market and business environments.

Many businesses in the industry have recorded a substantial reduction in sales under the pressures of COVID-19. Thanks to the above mentioned proactive strategies, we only recorded a slight decrease in revenue. Moreover, the Group recorded a substantial growth in profit from operations. The Company’s completion of its listing last year before the pandemic, provides the Group with resources to continue with its operational expansion even before the economy recovers.

Following the Company’s practice of maintaining a consistent dividend policy, we have recently declared our first dividend since the listing. As mentioned by Mr. Tam Kwok Pui, our chairman, the Company will continue to adopt a generous dividend policy, provided there is no adverse impact on the Group’s development. We are obligated to fulfil our responsibility to provide promising returns to our shareholders and show our appreciation of their continuing support towards the Group.

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 is comprised of (1) raw materials sourcing and greige fabric production, (2) raw materials and fabric development, (3) garment design, (4) customer consultation on product design and fabric use, (5) conducting key garment production processes with our production facilities, and (6) carrying out quality control at various key production stages and on finished garment products. As such, in addition to the individual services listed above, the Group offers our customers a one-stop solution, from apparel inception to finalised production and shipment. The Group owns production facilities in each of Henan Province, the People’s Republic of China (“**PRC**”) and Phnom Penh, Cambodia. In Vietnam, the Group at this stage conducts production via sub-contractors with long-term relationship.

During the first half of 2020, national governments have implemented varying restrictions and precautionary measures because of the COVID-19 outbreak. This brings different levels of disruptions and difficulties to the Group’s customers and suppliers around the world, with certain customers postponing shipment of their orders. However, thanks to the Group’s operational model and early execution of precautionary measures, the Group not only avoided a substantial adverse impact but found the opportunity to improve its operational efficiency through creative methods. The Group’s vertical integration allowed us to provide good quality products to customers in accordance with their needs under such a rapidly changing environment. With customer satisfaction being a core tenet of the Company’s values, we have proactively communicated with customers throughout the pandemic to provide unique and effective solutions. This has brought us closer together with our customers and enhanced our relationships.

As stated in the prospectus of the Company dated 19 November 2019 (the “**Prospectus**”), part of the proceeds raised by the Group would be used to expand our operation vertically and horizontally, including the expansion of our Henan factory and the setup of a new garment factory in Vietnam. During this period, our Henan factory has commenced expansion and acquired certain machinery. The application of land use rights in Vietnam is also in progress. The management of the Group will visit Vietnam and finalise the deal with the Vietnam government after the pandemic when travel restrictions are lifted.



Financial Review

Revenue

For the six months ended 30 June 2020, the sales volume of sleepwear and loungewear products of the Group recorded a slight decrease as compared with the sales volume in the same period of the previous year. At the initial stage of the pandemic, many uncertainties caused our customers to postpone their orders, and thus the revenue of the Group during the current review period decreased by approximately 4.5%, to approximately HK\$270.42 million. Recently, as the pandemic situation has improved in many parts of the world, customers have not only requested us to deliver their on-hold orders, but they made additional orders to fulfil growing demands. It is expected that the overall revenue during the year will continue to grow as compared to the previous years.

Gross profit

During the six months ended 30 June 2020, the Group posted gross profit of approximately HK\$76.98 million and average gross profit margin of 28.5%. The Group's gross profit for the six months ended 30 June 2020 recorded an approximately 8.2% increment as compared to the six months ended 30 June 2019, which posted gross profit of HK\$71.15 million and average gross profit margin of approximately 25.1%. The increment was due to the change in our product mix.

Other gains and losses

For the six months ended 30 June 2020, the Group recorded other losses of approximately HK\$1.14 million, while it was approximately HK\$3.49 million of other gains in the same period of the previous year. The other losses in the current review period was mainly due to the exchange losses resulting from the depreciation of United States dollars.

Selling and distribution expenses

For the six months ended 30 June 2020, the selling and distribution expenses were approximately HK\$14.79 million, representing a decrease of approximately 14.5% as compared with the same period of the previous year. This decrease was mainly due to the reduction of revenue during this period as a result of the pandemic, and thus the transportation and import/export expenses were reduced. Meanwhile, under the national subsidy policy of the PRC government, a portion of social insurance borne by the enterprise was waived, and thus the relevant expenses recorded a decrease during this period.

Administrative expenses

The administrative expenses of the Group were approximately HK\$23.40 million during the six months ended 30 June 2020, representing a slight decrease from approximately HK\$24.27 million of the same period of the previous year. This was mainly due to the national subsidy policy as mentioned above that offset the additional professional expenses incurred after the listing of the Company. The Group's implementation of certain cost control policies further helped to reduce the overall administrative expenses.

Finance costs

For the six months ended 30 June 2020, the finance costs of the Group were approximately HK\$3.42 million, which remained stable as compared to approximately HK\$3.2 million in the same period of the previous year. As most of the Group's bank borrowings were repaid in the first half of 2020, it is expected that the finance costs in the second half of 2020 will record a significant decrease as compared with the same period in 2019.

Profit attributable to the owners of the Company

The profit attributable to the owners of the Company was approximately HK\$30.05 million for the six months ended 30 June 2020, representing an increase of approximately HK\$11.77 million as compared to the same period of previous year. The increase in net profit was mainly due to the absence of the listing expenses of approximately HK\$10.95 million recorded in the same period of the previous year. Additionally, an increase of approximately HK\$5.83 million was due to change of product mix compared to previous year.

Outlook and future prospects

COVID-19 has changed the way of how we live and work globally. Working from home and minimizing travel have become the new norm. This norm has been reflected in the increase in demand of loungewear and sleepwear products. Our customers were able to remain open during this pandemic, owing to their essential and diverse range of products. With open stores and the increased demand for loungewear and sleepwear, they were well-positioned to capture the extensive market shares released from the closures of several largescale apparel retailers. We expect that sales in the year of 2020 will not only return to normal, but will also see an encouraging growth by the end of the year. We further anticipate rapid growth in the years to come.

In preparation for the opportunities available when the economic and social environment recovers, the Group will further upgrade our existing production facilities and equipment as planned, and continue to carry on plans to expand horizontally and vertically as mentioned in the Prospectus, ensuring a promising return to the Group and its shareholders.

Financial resources and liquidity

As at 30 June 2020, the Group had current assets of approximately HK\$344.93 million (31 December 2019: HK\$361.90 million) and current liabilities of approximately HK\$213.08 million (31 December 2019: HK\$224.87 million). The current ratio was 1.62 as at 30 June 2020 as compared with 1.61 as at 31 December 2019.

The Group's cash and bank balances as at 30 June 2020 amounted to approximately HK\$112.68 million (31 December 2019: HK\$131.75 million), of which approximately 79.9%、12.8%、7.0%、0.2% and 0.1% were denominated in Hong Kong dollars, Renminbi, United States dollars, Canadian dollars and Cambodian riel respectively.

As at 30 June 2020, the Group had outstanding bank loans of approximately HK\$19.50 million (31 December 2019: HK\$111.77 million) which were granted by a bank in Hong Kong and were denominated in United States dollars. The interest rates charged by the bank ranged from 1.80% to 1.81% (31 December 2019: 3.40% to 6.18%) per annum and none were charged at fixed interest rates. Certain assets of the Group with a net book value of HK\$120.42 million (31 December 2019: HK\$177.75 million) were pledged for certain banking facilities.

The gearing ratio of the Group, measured by bank borrowings as a percentage of shareholders' equity, was approximately 6.3% as at 30 June 2020 as compared with approximately 35.4% as at 31 December 2019.

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 impact of foreign exchange fluctuation on our Group's business 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 of the Company (the "Director(s)") 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 30 June 2020, the Group did not have foreign exchange contracts, interest or currency swaps or other financial derivatives for hedging purposes.



EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2020, the Group employed 1,880 staff and workers in Hong Kong, PRC and Cambodia (31 December 2019: 2,107). 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

The Group had no significant contingent liabilities as at 30 June 2020.

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 30 June 2020 and expected timetable for the unutilized proceeds are as follows:

	Allocation HK\$'million	Amount utilized up to 30 June 2020 HK\$'million	Amount unutilized up to 30 June 2020 HK\$'million	Expected timeline for the unutilized net proceeds to be utilized (Note)	
				For the year ending 31 December 2020 HK\$'million	For the year ending 31 December 2021 HK\$'million
Further development of existing factory in Henan	45.1	4.2	40.9	5.8	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	4.2	56.6	9.6	47.0

Note: The expected timeline for utilizing the unutilized 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.



MATERIAL ACQUISITIONS AND DISPOSALS

The Group did not have material acquisitions and disposals for the six months ended 30 June 2020.

SIGNIFICANT INVESTMENT AND FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

During the six months ended 30 June 2020, the Group did not have any significant investments held.

Save as disclosed in the section headed “Future Plans and Use of Proceeds” in the Prospectus, there was no other plans for material investments or capital assets as at 30 June 2020.

EVENTS AFTER THE REPORTING PERIOD

Save as disclosed above and in this report, no other subsequent events occurred after 30 June 2020 which may have a significant effect on the assets and liabilities or future operations of the Group.

OTHER INFORMATION

Directors' and Chief Executive's Interests and Short Positions in Shares of the Company ("Shares") and Underlying Shares

As at 30 June 2020, the Directors and the chief executives 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 Future 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 and 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"):

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%

Note:

- (1) The letter "L" denotes the person's long position in our Shares.
- (2) Strategic King Holdings Limited ("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 Mr. Tam 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 contained in the Rules Governing the Listing of Securities on the Main Board of The Stock Exchange of Hong Kong Limited (the "Listing Rules") Rules or required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of the SFO.

Substantial Shareholders' Interests and Short Positions in Shares and Underlying Shares

As at 30 June 2020, the following persons (other than the Directors or chief executive of the Company) had an interest or short position in the shares and 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 Shareholder	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 30 June 2020, 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.

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 interim report was 125,000,000 shares which represented approximately 10% of the issued share capital of the Company as at the date of this interim report. No option had been granted or agreed to be granted as at the date of this interim report.

During the six months ended 30 June 2020, none of the Company or any of its subsidiaries was a party to any arrangement to enable the Directors to acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate.

Purchase, Sale or Redemption of Shares

During the six months ended 30 June 2020, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Shares.

Competing Interest

During the period under review, none of the Directors or the controlling shareholders (as defined in the Listing Rules) of the Company had an interest in a business which competes or may compete with the business of the Group.



Directors' Interests in Transactions, Arrangements or Contracts

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

Model Code for Securities Transactions

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as its own code of conduct for securities transactions by Directors. Having made specific enquiry of the Directors, all Directors have confirmed their compliance with all the relevant requirements as set out in the Model Code during the six months ended 30 June 2020.

Code of Corporate Governance Practices

The Company has complied with all of the code provisions of the Corporate Governance Code and Corporate Governance Report (the “**Code**”) as set out in Appendix 14 of the Listing Rules during the six months ended 30 June 2020, 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 of Directors of the Company (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.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and to the best knowledge of the Directors, the Company has maintained the prescribed public float under the Listing Rules throughout the six months ended 30 June 2020 and up to the date of this interim report.

Interim Dividend

The Directors did not recommend the payment of any interim dividend for the six months ended 30 June 2020 (corresponding period of 2019: Nil).

Audit Committee

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

The Group's unaudited interim financial statements for the six months ended 30 June 2020 have been reviewed by the audit committee of the Company.



Remuneration Committee

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

Nomination Committee

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

On behalf of the Board
Justin Allen Holdings Limited
Tam Kwok Pui
Chairman

Hong Kong, 27 August 2020



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INTERIM RESULTS

The Board is pleased to announce the unaudited condensed consolidated interim results for the six months ended 30 June 2020 of the Group, together with comparative figures for the previous period as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the Six Months Ended 30 June 2020

	Note	Six months ended 30 June	
		2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Revenue	3	270,423	283,103
Cost of sales		(193,443)	(211,957)
Gross profit		76,980	71,146
Other income		1,387	794
Other gains and losses, net		(1,144)	3,491
Selling and distribution expenses		(14,791)	(17,293)
Administrative expenses		(23,404)	(24,270)
Finance costs		(3,419)	(3,147)
Listing expenses		-	(10,952)
Profit before tax		35,609	19,769
Income tax expense	4	(5,963)	(7,123)
Profit for the period	5	29,646	12,646
Other comprehensive income/(loss), net of income tax			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange difference on translation of foreign operations		(8,754)	8,667
Other comprehensive income/(loss) for the period, net of income tax		(8,754)	8,667
Total comprehensive income for the period, net of income tax		20,892	21,313
Profit/(loss) for the period attributable to:			
— Owners of the Company		30,047	11,772
— Non-controlling interests		(401)	874
		29,646	12,646
Total comprehensive income/(loss) for the period attributable to:			
— Owners of the Company		21,614	19,991
— Non-controlling interests		(722)	1,322
		20,892	21,313
Dividend	6	-	-
Earnings per share	7		
— Basic (HK cents)		2.40	1.30
— Diluted (HK cents)		2.40	1.30

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

	Note	30 June 2020 HK\$'000 (Unaudited)	31 December 2019 HK\$'000 (Audited)
Non-current assets			
Property, plant and equipment	8	146,848	148,671
Right-of-use assets		49,693	52,370
Deposits paid for acquisition of property, plant and equipment		163	1,380
Rental deposits		1,835	1,475
Deferred tax assets		4,116	2,880
		202,655	206,776
Current assets			
Inventories		139,060	114,568
Trade and other receivables	9	50,059	87,675
Trade receivables at fair value through other comprehensive income		43,139	27,907
Bank balances and cash		112,676	131,750
		344,934	361,900
Current liabilities			
Trade and other payables	10	177,529	104,706
Lease liabilities		2,259	2,264
Bank borrowings		19,500	111,220
Tax payable		13,791	6,680
		213,079	224,870
Net current assets		131,855	137,030
Total assets less current liabilities		334,510	343,806
Non-current liabilities			
Bank borrowings		–	549
Lease liabilities		2,202	3,341
		2,202	3,890
Net assets		332,308	339,916
Capital and reserves attributable to owners of the Company			
Share capital	11	12,500	12,500
Reserves		295,716	302,602
Equity attributable to owners of the Company		308,216	315,102
Non-controlling interests		24,092	24,814
Total equity		332,308	339,916

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2020

	Attributable to the owners of the Company							Non-controlling interests	Total
	Share capital	Share premium	Statutory reserve	Other reserve	Exchange reserve	Retained profits	Sub-total		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000		
At 1 January 2019 (audited)	83	30,405	767	7,448	(11,405)	129,120	156,418	43,100	199,518
Profit for the period	-	-	-	-	-	11,772	11,772	874	12,646
Exchange difference on translation of foreign operations	-	-	-	-	8,219	-	8,219	448	8,667
Total comprehensive income for the period	-	-	-	-	8,219	11,772	19,991	1,322	21,313
Reorganization	(83)	(9,796)	-	13,494	(766)	17,686	20,535	(20,535)	-
At 30 June 2019 (unaudited)	-	20,609	767	20,942	(3,952)	158,578	196,944	23,887	220,831
At 1 January 2020 (audited)	12,500	113,535	942	20,942	(16,851)	184,034	315,102	24,814	339,916
Profit for the period	-	-	-	-	-	30,047	30,047	(401)	29,646
Exchange difference on translation of foreign operations	-	-	-	-	(8,433)	-	(8,433)	(321)	(8,754)
Total comprehensive (loss)/income for the period	-	-	-	-	(8,433)	30,047	21,614	(722)	20,892
Dividend	-	-	-	-	-	(28,500)	(28,500)	-	(28,500)
At 30 June 2020 (unaudited)	12,500	113,535	942	20,942	(25,284)	185,581	308,216	24,092	332,308



CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2020

	Six months ended 30 June	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Net cash generated from operating activities	88,278	30,058
Investing activities		
Purchase of property, plant and equipment	(5,088)	(1,363)
Withdrawal of financial assets at fair value through profit of loss	–	6,382
Other cash flows arising from investing activities	494	1,984
Net cash (used in)/generated from investing activities	(4,594)	7,003
Financing activities		
Repayment of bank borrowings	(111,769)	(23,778)
Proceeds from new bank borrowings	19,500	107,259
Repayment to shareholders	–	(107,529)
Repayment to ultimate holding company	–	(13,170)
Other cash flows arising from financing activities	(10,744)	(7,502)
Net cash used in financing activities	(103,013)	(44,720)
Net decrease in bank balances and cash	(19,329)	(7,659)
Bank balances and cash at 1 January	131,750	27,120
Effect of foreign exchange rate changes	255	98
Bank balances and cash at 30 June	112,676	19,559



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. REVIEW OF INTERIM RESULTS

The condensed consolidated interim financial statements are unaudited but have been reviewed by the audit committee of the Company.

2. BASIS OF PREPARATION

This consolidated interim financial results have been prepared in accordance with the applicable disclosure requirements of the Listing Rules.

This consolidated interim financial results contain consolidated financial results and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the publication of the 2019 annual financial statements. This consolidated interim financial results and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with the Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”).

The financial information relating to the financial year ended 31 December 2019 included in this consolidated interim financial results as being previously reported information does not constitute the Company’s statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 December 2019 are available from the Company’s registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 8 May 2020.

The accounting policies and methods of computation used in the preparation of this interim results announcement are consistent with those adopted by the Group in the 2019 annual accounts, except for the adoption of the standards, amendments and interpretations issued by the HKICPA mandatory for the annual periods beginning 1 January 2020. The effect of the adoption of these standards, amendments and interpretations was not material to the Group’s results of operations or financial position.

3. REVENUE AND SEGMENT INFORMATION

Revenue represents revenue arising from the manufacturing and sales of products, which included sleepwear and loungewear products and greige fabric, and processing services for the six months ended 30 June 2020 and 2019.

The Group has one operating segment based on information reported to the chief operating decision maker of the Group (the executive Directors 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.



3. REVENUE AND SEGMENT INFORMATION *(continued)*

Revenue from major products and services

	Six months ended 30 June	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Sales of products (sleepwear, loungewear and greige fabric)	268,995	282,950
Processing services	1,428	153
	270,423	283,103
Timing of revenue recognition		
At a point in time	268,995	282,950
Over time	1,428	153
	270,423	283,103

During the six months ended 30 June 2020 and 2019, all performance obligations for manufacturing and sales of sleepwear products, loungewear products, greige fabric and processing services are for periods of one year or less. As permitted under HKFRS 15, the transaction price allocated to unsatisfied performance obligations as at the end of each reporting period is not disclosed.

Geographical information

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

	Six months ended 30 June	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Revenue		
United States of America	207,744	179,720
United Kingdom	19,035	48,820
Ireland	21,211	33,235
Spain	4,792	12,065
The PRC	5,086	5,571
Canada	11,989	3,692
Cambodia	566	–
	270,423	283,103

3. REVENUE AND SEGMENT INFORMATION *(continued)*

Geographical information *(continued)*

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

	As at 30 June 2020 HK\$'000 (Unaudited)	As at 31 December 2019 HK\$'000 (Audited)
Non-current assets		
The PRC	158,005	160,417
Hong Kong	33,082	33,729
Cambodia	7,452	9,750
	198,539	203,896

Note: Non-current assets excluded deferred tax assets.

Information about major customers

Revenue from customers for the six months ended 30 June 2020 and 2019 contributing over 10% of the Group's revenue are as follows:

	Six months ended 30 June 2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Customer A	206,773	177,334
Customer B	45,606	86,440

4. INCOME TAX EXPENSES

Taxation in the condensed consolidated statement of profit or loss and other comprehensive income represents:

	Six months ended 30 June 2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Current tax:		
Hong Kong Profits Tax	6,824	5,911
PRC Enterprise Income Tax	376	833
Cambodia Income Tax	-	406
	7,200	7,150
Deferred tax credit	(1,237)	(27)
	5,963	7,123



4. INCOME TAX EXPENSES *(continued)*

(a) Cayman Islands

The Company was incorporated in the Cayman Islands as an exempted company 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 exempted companies with limited liability under the Company Law of British Virgin Islands are exempted from payment of British Virgin Islands income tax.

(c) Hong Kong Profits Tax

Hong Kong profits tax is calculated at the rate of 16.5% on the assessable profits for the period.

(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 six months period ended 30 June 2020 and 2019.

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 six months period ended 30 June 2020 and 2019.

5. PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Profit for the period is stated after charging:		
Staff costs comprises:		
— Wages and salaries	36,010	46,140
— Retirement benefits schemes contributions	379	1,836
	36,389	47,976
Depreciation of property, plant and equipment	5,902	6,935
Depreciation of right-of-use assets	1,768	1,648
Cost of inventories recognised as an expense	176,090	184,325
Expenses related to short-term leases	212	296

6. INTERIM DIVIDEND

During the six months ended 30 June 2020, the Board declared HK\$0.0228 per share or approximately HK\$28.5 million in aggregate as final dividend for the year ended 31 December 2019 (2018: Nil).

No interim dividend has been paid or declared by the Company for the six months ended 30 June 2020 (six months ended 30 June 2019: Nil).

7. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Earnings		
Earnings for the purpose of calculating basic earnings per share (Profit for the period attributable to the owners of the Company)	30,047	11,772
	'000 (Unaudited)	'000 (Unaudited)
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	1,250,000	906,190

Basic and diluted earnings per share for the six months ended 30 June 2020 and 2019 was the same as there was no potential ordinary shares in issue during the six months ended 30 June 2020 and 2019.

8. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2020, there was an addition of approximately HK\$6.31 million (for the six months ended 30 June 2019: HK\$3.87 million) in property, plant and equipment.

9. TRADE AND OTHER RECEIVABLES

	30 June 2020 HK\$'000 (Unaudited)	31 December 2019 HK\$'000 (Audited)
Trade receivables, net	6,764	32,594
Other receivables in respect of factored trade receivables	11,567	22,063
Prepayments	3,832	4,562
Prepayments to import-export corporations	22,375	25,420
Deposits paid	1,533	209
Tax recoverable	3,030	1,853
Other receivables, net	958	974
	50,059	87,675

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

9. TRADE AND OTHER RECEIVABLES *(continued)*

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

	30 June 2020 HK\$'000 (Unaudited)	31 December 2019 HK\$'000 (Audited)
0–30 days	6,481	28,724
31–60 days	283	3,045
61–90 days	–	407
Over 90 days	–	418
	6,764	32,594

10. TRADE AND OTHER PAYABLES

	30 June 2020 HK\$'000 (Unaudited)	31 December 2019 HK\$'000 (Audited)
Trade payables	84,541	39,928
Prepayments from and purchase payables due to import-export corporations	22,795	12,671
Accrued expenses	26,569	31,409
Accrued issue costs	–	6,013
Other tax payables	450	5,174
Payables for acquisition of property, plant and equipment	1,135	1,643
Dividend payable	28,500	–
Other payables	13,539	7,868
	177,529	104,706

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

	30 June 2020 HK\$'000 (Unaudited)	31 December 2019 HK\$'000 (Audited)
0–30 days	78,613	34,722
31–60 days	3,952	4,846
61–90 days	1,126	–
Over 90 days	850	360
	84,541	39,928

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

11. SHARE CAPITAL

	Number of shares	Amount HK\$'000
Authorised:		
Balance as at 1 January 2019, ordinary shares of HK\$0.01 each	38,000,000	380
Issue of ordinary shares (<i>Note (a)</i>)	49,962,000,000	499,620
<hr/>		
Balance as at 31 December 2019, 1 January 2020 and 30 June 2020	50,000,000,000	500,000
<hr/>		
Issue and fully paid:		
Balance as at 1 January 2019	1	–
Issue of shares (<i>Note (b)</i>)	11,946	–
Issue of shares under capitalization issue (<i>Note (c)</i>)	937,488,053	9,375
Issue of shares under the global offering (<i>Note (c)</i>)	312,500,000	3,125
<hr/>		
Balance as at 31 December 2019, 1 January 2020 and 30 June 2020	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 Justin Allen Overseas Limited (“**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 capitalize 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.

12. CAPITAL COMMITMENTS

	30 June 2020 HK\$'000 (Unaudited)	31 December 2019 HK\$'000 (Audited)
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the period/year	679	1,885

13. CONTINGENT LIABILITIES

The Group had no significant contingent liabilities as at 30 June 2020 (2019: Nil).

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