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JUSTIN ALLEN HOLDINGS LIMITED

捷隆控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 01425)

**ANNOUNCEMENT OF AUDITED ANNUAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

The board (the “**Board**”) of directors (the “**Directors**”) of Justin Allen Holdings Limited (the “**Company**”) is pleased to announce the audited consolidated annual results for the year ended 31 December 2020 of the Company and its subsidiaries (collectively the “**Group**”), together with comparative figures for the year ended 31 December 2019 as follows:

**AUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME**

For the year ended 31 December 2020

	<i>Notes</i>	2020 HK\$'000	2019 HK\$'000
Revenue	4	857,431	701,285
Cost of sales		(615,317)	(499,082)
Gross profit		242,114	202,203
Other income		5,974	1,617
Other gains and losses, net		(6,059)	(2,467)
Selling and distribution expenses		(49,144)	(40,655)
Administrative expenses		(53,738)	(53,106)
Finance costs	5	(5,277)	(7,805)
Listing expenses		-	(27,085)
Profit before tax		133,870	72,702
Income tax expense	6	(27,649)	(17,859)
Profit for the year	7	106,221	54,843

	<i>Notes</i>	2020 HK\$'000	2019 HK\$'000
Other comprehensive income/(loss)			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange difference on translating foreign operations		<u>13,419</u>	<u>(4,871)</u>
Other comprehensive income/(loss) for the year		<u>13,419</u>	<u>(4,871)</u>
Total comprehensive income for the year		<u>119,640</u>	<u>49,972</u>
Profit for the year attributable to:			
Owners of the Company		105,609	52,403
Non-controlling interests		<u>612</u>	<u>2,440</u>
		<u>106,221</u>	<u>54,843</u>
Total comprehensive income for the year attributable to:			
Owners of the Company		117,208	47,723
Non-controlling interests		<u>2,432</u>	<u>2,249</u>
		<u>119,640</u>	<u>49,972</u>
Earnings per share, basic and diluted (HK cents)	9	<u>8.45</u>	<u>5.50</u>

AUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	<i>Notes</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		146,209	148,671
Right-of-use assets		51,753	52,370
Deposits paid for acquisition of property, plant and equipment		126	1,380
Rental deposits		1,616	1,475
Deferred tax assets		2,300	2,880
		202,004	206,776
Current assets			
Inventories		103,322	114,568
Trade and other receivables	<i>10</i>	77,492	87,675
Financial assets at fair value through other comprehensive income		32,452	27,907
Financial assets at fair value through profit or loss		76,606	-
Bank balances and cash		85,924	131,750
		375,796	361,900
Current liabilities			
Trade and other payables	<i>11</i>	130,496	104,706
Lease liabilities		2,200	2,264
Bank borrowings		-	111,220
Tax payable		12,819	6,680
		145,515	224,870
Net current assets		230,281	137,030
Total assets less current liabilities		432,285	343,806
Non-current liabilities			
Bank borrowings		-	549
Lease liabilities		1,229	3,341
		1,229	3,890
Net assets		431,056	339,916
Capital and reserves			
Share capital	<i>12</i>	12,500	12,500
Reserves		391,310	302,602
Equity attributable to owners of the Company		403,810	315,102
Non-controlling interests		27,246	24,814
Total equity		431,056	339,916

Notes:

1. GENERAL INFORMATION

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

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

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

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

Prior to the corporate reorganisation undertaken in preparation for the listing of the Company’s shares on the Stock Exchange (the “**Reorganisation**”), the group entities were under the control of Mr. Edmond Tam and Ms. Paulina Yeung. Through the Reorganisation, the Company became the holding company of the companies now comprising the Group on 27 February 2019. Accordingly, for the purpose of the preparation of the audited 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 the 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 audited 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 audited 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 audited consolidated financial statements are presented in Hong Kong dollars (“**HKS**”). The functional currency of the Company is United States dollars. All values are rounded to the nearest thousand dollars (HK\$’000) except otherwise indicated.

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

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the *Amendments to References to the Conceptual Framework in HKFRS Standards* and the following amendments to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2020 for the preparation of the consolidated financial statements:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKAS 39, HKFRS 7 and HKFRS 9	Hedge accounting

The application of the *Amendments to References to the Conceptual Framework in HKFRS Standards* and the amendments to HKFRSs in the current year had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 17	Insurance Contracts and the related Amendments ¹
Amendments to HKFRS 16	Covid-19 Related Rent Concessions ⁴
Amendments to HKFRS 3	Reference to the Conceptual Framework ²
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2 ⁵
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ¹
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use ²
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract ²
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020 ²

¹ Effective for annual periods beginning on or after 1 January 2023.

² Effective for annual periods beginning on or after 1 January 2022.

³ Effective for annual periods beginning on or after a date to be determined.

⁴ Effective for annual periods beginning on or after 1 June 2020.

⁵ Effective for annual periods beginning on or after 1 January 2021.

The directors anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

3. SIGNIFICANT ACCOUNTING POLICIES

The audited consolidated financial statements have been prepared in accordance with all applicable HKFRSs, which is a collective term that includes all applicable individual HKFRSs, Hong Kong Accounting Standards (“HKASs”), and Interpretations issued by the HKICPA and accounting principles generally accepted in Hong Kong. For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decision made by primary users. In addition, the audited consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) and by the Hong Kong Companies Ordinance.

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in the audited 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 HKFRS 16 “Leases”, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 “Inventories” or value in use in

HKAS 36 “Impairment of Assets”.

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

4. REVENUE AND SEGMENT INFORMATION

Revenue represents revenue arising from the manufacturing and sales of products, which included sleepwear and loungewear products and greige fabric, and processing services for the years ended 31 December 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 of the Company who are also directors of the operating subsidiaries) (the “CODM”) for the purpose of resource allocation and performance assessment, which is the consolidated results of the Group. As a result, there is only one reporting segment of the Group. No analysis of segment assets or segment liabilities is presented as such information is not regularly provided to the CODM.

Revenue from major products and services

	2020 <i>HK\$’000</i>	2019 <i>HK\$’000</i>
Sales of products		
- Sleepwear	529,726	497,509
- Loungewear	315,002	191,420
- Greige fabric	10,598	8,457
Processing services	2,105	3,899
	<u>857,431</u>	<u>701,285</u>
Timing of revenue recognition		
At a point in time	855,326	697,386
Over time	2,105	3,899
	<u>857,431</u>	<u>701,285</u>

During the year ended 31 December 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 presented based on the location of customers:

	2020 <i>HK\$’000</i>	2019 <i>HK\$’000</i>
Revenue		
United States of America	731,788	470,607
United Kingdom	34,881	111,823
Ireland	35,200	66,511
Spain	9,228	23,845
The PRC	12,703	8,522
Canada	33,631	16,142
Cambodia	-	3,835
	<u>857,431</u>	<u>701,285</u>

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Non-current assets		
The PRC	161,026	160,417
Hong Kong	32,527	33,729
Cambodia	6,151	9,750
	<u>199,704</u>	<u>203,896</u>

Note: Non-current assets excluded deferred tax assets.

Information about major customers

Revenue from customers for the years ended 31 December 2020 and 2019 contributing over 10% of the Group's revenue are as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Customer A	730,038	466,529
Customer B (Note)	-	180,849
	<u>-</u>	<u>180,849</u>

Note: No information on revenue for the current year is disclosed for this customer since it contributed less than 10% of the Group's revenue.

5. FINANCE COSTS

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Interest on bank borrowings	4,876	7,291
Interest on lease liabilities	401	514
	<u>5,277</u>	<u>7,805</u>

6. INCOME TAX EXPENSE

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
The income tax expense comprises:		
Current tax:		
Hong Kong Profits Tax	25,678	14,954
PRC Enterprise Income Tax	2,454	3,462
Cambodia Income Tax	-	2
	<u>28,132</u>	<u>18,418</u>
Deferred tax credit	(483)	(559)
	<u>27,649</u>	<u>17,859</u>

(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 are exempted companies with limited liability under the Company Law of British Virgin Islands and, accordingly, are exempted from payment of British Virgin Islands income tax.

(c) Hong Kong Profits Tax

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

The directors of the Company considered the amount involved upon implementation of the two-tiered profits tax rates regime as insignificant to the audited consolidated financial statements. Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for the years ended 31 December 2020 and 2019.

(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 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 years ended 31 December 2020 and 2019.

7. PROFIT FOR THE YEAR

	2020 <i>HK\$’000</i>	2019 <i>HK\$’000</i>
Profit for the year is stated after charging/(crediting):		
Depreciation of property, plant and equipment	11,896	11,241
Depreciation of right-of-use assets	3,512	3,385
Expenses related to short-term leases	401	393
Allowance for credit loss (reversed) recognised on trade receivables and other receivables	<u>(36)</u>	<u>1,558</u>

8. DIVIDEND

The Board recommends the payment of final dividend of approximately HK\$0.036 per share at HK\$45,000,000 (2019: HK\$0.0228 per share) for the year ended 31 December 2020.

9. EARNINGS PER SHARE

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Earnings		
Earnings for the purpose of calculating basic earnings per share (Profit for the year attributable to the owners of the Company)	<u>105,609</u>	<u>52,403</u>
	<i>'000</i>	<i>'000</i>
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	<u>1,250,000</u>	<u>951,939</u>

Basic and diluted earnings per share for the years ended 31 December 2020 and 2019 was the same as there was no potential ordinary shares in issue during the years ended 31 December 2020 and 2019.

10. TRADE AND OTHER RECEIVABLES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Trade receivables, net	20,501	32,594
Deposit, prepayment and other receivables, net	<u>56,991</u>	<u>55,081</u>
	<u>77,492</u>	<u>87,675</u>

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

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
0-30 days	16,257	28,724
31-60 days	585	3,045
61-90 days	3,654	407
Over 90 days	<u>5</u>	<u>418</u>
	<u>20,501</u>	<u>32,594</u>

11. TRADE AND OTHER PAYABLES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Trade payables	47,968	39,928
Accruals and other payables	<u>82,528</u>	<u>64,778</u>
	<u>130,496</u>	<u>104,706</u>

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
0-30 days	44,160	34,722
31-60 days	3,010	4,846
61-90 days	151	-
Over 90 days	647	360
	47,968	39,928

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

12. SHARE CAPITAL

	Number of shares	Amount HK\$
Authorised:		
Balance as at 1 January 2019, Ordinary shares of HK\$0.01 each	38,000,000	380,000
Issue of ordinary shares (Note a)	49,962,000,000	499,620,000
Balance as at 31 December 2019, 1 January 2020 and 31 December 2020	50,000,000,000	500,000,000
Issue and fully paid:		
Balance as at 1 January 2019	1	-
Issue of shares (Note b)	11,946	119
Issue of shares under capitalization issue (Note c)	937,488,053	9,374,881
Issue of shares under the global offering (Note c)	312,500,000	3,125,000
Balance as at 31 December 2019, 1 January 2020 and 31 December 2020	1,250,000,000	12,500,000

Notes:

- 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.
- 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.
- 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.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The Group primarily engages in the business of OEM garment manufacturing, specialising in the production of sleepwear and loungewear products. We have a vertically integrated business operation, which 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 operates production via sub-contractors with long-term relationship.

In early 2020, the outbreak of the 2019 coronavirus ("COVID-19") epidemic seriously affected the global economy. According to the data of Organization for Economic Cooperation and Development (OECD), in 2020, the gross domestic product (GDP) declined by approximately 3.3% in the G20 area. COVID-19 has brought upon unprecedented disruptions to businesses worldwide with no exception to the Group, our customers and our suppliers alike. COVID-19 has also changed the way of how we live and work globally. Working from home has become a new norm, plus minimizing travelling outside. On the other hand, this also brought an opportunity to the Group, which increased the demand of loungewear and sleepwear products. For the year ended 31 December 2020, the sales volume of sleepwear and loungewear products of the Group was approximately 21.37 million pieces, which recorded an increment of approximately 14.2% as compared to the sales volume for the year ended 31 December 2019.

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 expand our production capacity vertically and horizontally, including the expansion of our factory in Henan, PRC and also establish production base in Vietnam. During 2020, the Group already acquired certain production machineries and equipment for our Henan factory, and was also under in-depth discussion about the plan of establishing a production base in Vietnam. The management of the Group will visit Vietnam and finalize the planning with related parties after the epidemic once travel restrictions are lifted.

For the year ended 31 December 2020, the Board declared a final dividend of HK\$0.036 per share, representing a dividend ratio of approximately 42.6% out of the profit attributable to the owners of the Company. As stated above, the COVID-19 epidemic slowed down the expansion of our production facilities, and the Group has surplus capital being unutilized. In view of this, the Board decided to declare dividend at a relatively high dividend ratio to shareholders of the Company for sharing the good results with them and as an appreciation for their support.

Finance Review

Revenue

For the year ended 31 December 2020, the revenue of the Group recorded approximately HK\$857.43 million, representing an increment of approximately 22.3% as compared with the same period of last year. During 2020, the sales volume of sleepwear and loungewear products of the Group was approximately 21.37 million pieces, which recorded an increment of approximately 14.2% as compared to the sales volume for the year ended 31 December 2019. Also due to the change of product mix, the average selling price of our sleepwear and loungewear products increased by approximately 7.4% as compared with those in 2019.

Gross profit

The gross profit of the Group increased by approximately HK\$39.91 million from approximately HK\$202.20 million during the year ended 31 December 2019, to approximately HK\$242.11 million during the year ended 31 December 2020. The increment rate was approximately 19.7%. During the current period under review, the average gross profit margin was approximately 28.2% while it was approximately 28.8% in 2019. During 2020 the Group assigned more works to our sub-contractors in Vietnam to diversify the risk of closing border due to COVID-19 outbreak in different countries, and thus the average unit cost increased slightly.

Other income

For the year ended 31 December 2020, the Group recorded other income of approximately HK\$5.97 million, while it was approximately HK\$1.62 million in 2019. The increment was mainly due to different government grants supporting the enterprises during the COVID-19 epidemic, aggregated at approximately HK\$3.18 million.

Other gains and losses

For the year ended 31 December 2020, the Group recorded other losses of approximately HK\$6.06 million, while it was approximately HK\$2.47 million in 2019. During the current year, our factory in Henan was under expansion and reformation, and certain old machineries and equipment were written off which resulted in a loss of approximately HK\$3.91 million.

Selling and distribution expenses

For the year ended 31 December 2020, the selling and distribution expenses of the Group were approximately HK\$49.14 million, representing an increase of approximately HK\$8.49 million as compared with the same period of last year. The increase was in line with the growth of revenue, in which the selling expenses over turnover ratio for 2020 was approximately 5.73%, while it was approximately 5.80% in 2019.

Administrative expenses

The administrative expenses of the Group for the year ended 31 December 2020 were approximately HK\$53.74 million, with a slightly increment of approximately 1.4% from approximately HK\$53.11 million recorded in 2019. During the current year, the PRC government implemented some national subsidy policies and a portion of social insurance borne by the enterprise was waived, which in turn offset the increment of other expenses resulted from the expansion of operation scale of the Group.

Finance costs

The finance costs of the Group decreased by approximately 32.4% from approximately HK\$7.81 million for the year ended 31 December 2019 to approximately HK\$5.28 million for the year ended 31 December 2020. The substantial reduction is due to most bank borrowings of the Group were repaid in the first half of 2020, and no material amount of new borrowings were made during the year except the general trade finance arrangement which the primary objective is to lower the credit risk and liquidity risk.

Profit attributable to the owners of the Company

The profit attributable to the owners of the Company increased by approximately 32.9% from approximately HK\$79.49 million (excluding listing expenses) for the year ended 31 December 2019 to approximately HK\$105.61 million for the year ended 31 December 2020. The increment of net profit was mainly due to the abovementioned increment of revenue and the Group's effort in controlling the cost and expenses at a reasonable level.

Outlook and Future Prospects

As the COVID-19 epidemic swept the world in 2020, the global economy has been hit hard. It is also expected that in the coming years it will bring different side effects and make the operating environment in manufacturing industry and international supply chain more challenging, such as the rise of raw material costs and tight shipment schedule. Also more restrictions are expected to be imposed on the export sales to United States, for example, stricter restrictions on the source of raw materials may be imposed. These may be challenges for the Group to maintain a constant gross profit level.

On the other hand, benefiting from the proactive implementation of business strategy, the Group is able to cope with these challenges and capture post-epidemic opportunities available in the market. Other than the plan in Vietnam, the Group is also exploring the possibilities to set up production base or engage sub-contractors in other continents such as Africa and Central America in order to diversify the social, economic and political risks. It may also allow us to provide more flexible reactions to deal with different scenarios arising from the changing market situations. The Group is also working hard to explore new customers and develop new product pipeline to maintain stable growth in revenue. At the same time, the management of the Group is looking for different ways to shorten the implementation time of upgrading

and addition of production facilities and also establishing the production base in Vietnam, in order to get prepared for the opportunities available when the economic and social environment recovers.

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

Financial Resources and Liquidity

As at 31 December 2020, the Group had current assets of approximately HK\$375.80 million (31 December 2019: HK\$361.90 million) and current liabilities of approximately HK\$145.52 million (31 December 2019: HK\$224.87 million). The current ratio was 2.58 as at 31 December 2020 as compared with 1.61 as at 31 December 2019.

The Group's cash and bank balances as at 31 December 2020 amounted to approximately HK\$85.92 million (31 December 2019: HK\$131.75 million), of which approximately 81.7% were denominated in United States dollars, Renminbi, Canadian dollars and Cambodian riel, and 18.3% in Hong Kong dollars. The decrease in cash and bank balances is mainly due to the repayment of approximately HK\$111.77 million bank loans during the 2020.

As at 31 December 2020, the Group did not have any outstanding bank loans. As at 31 December 2019, the Group had outstanding bank loans amounted to approximately HK\$111.77 million which were granted by banks in Hong Kong and PRC, and were denominated in United States Dollars and Renminbi, with interest rates charged by banks ranged from 3.40% to 6.18% per annum in which approximately HK\$2.74 million bank loans were charged at fixed interest rates. The Group pledged assets of the Group with a net book value of HK\$165.93 million (31 December 2019: HK\$177.75 million) for bank loans and unutilized banking facilities.

The gearing ratio of the Group, measured by bank borrowings as a percentage of shareholders' equity, was zero as at 31 December 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 exposure to foreign exchange fluctuation is relatively limited. As at 31 December 2020, the Group entered into a foreign currency forward contract to lock the exchange risk between Renminbi and United States dollars. The Group will from time to time consider different financial instruments to control the foreign exchange risk at a manageable level.

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 United States dollars or in the local currencies of the operating subsidiaries to minimize exposure to foreign exchange risks, and making investment in financial instruments with open market, good credit rating and low market risk to earn stable return. Other than stated above, the Group did not have other interest or currency swaps or other financial derivatives for hedging purposes.

Material Acquisitions and Disposals

The Group did not have material acquisitions and disposals for the year ended 31 December 2020.

Significant Investment

For the year ended 31 December 2020, the Group invested in 15 sets of market-tradable bond instruments with par value of not more than USD0.7 million each through a bank via different transactions with the objective to apply unutilized short-term available fund to earn stable return from wide-ranged portfolios. Those bond instruments are issued by 8 different issuers (who are independent third parties) in Hong Kong Stock Exchange or Singapore Stock Exchange, with par value (aggregated according to each issuer) ranged from USD0.6 million to USD2.1 million and coupon rate ranged from 4.700% to 7.875%. As at 31 December 2020 the total amount of par value of these bonds is approximately USD9.55 million (equivalent to approximately HK\$74.49 million).

Other than those stated above, the Group did not have other significant investment for the year ended 31 December 2020.

Contingent Liabilities

As at 31 December 2020, the Directors were not aware of any material contingent liabilities.

Events after the Reporting Period

No subsequent events occurred after 31 December 2020 which may have a significant effect, on the assets and liabilities of future operations of the Group.

Capital Structure

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

Purchase, Sale or Redemption of Shares

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities during the year ended 31 December 2020.

Employees and Remuneration Policy

As at 31 December 2020, the Group employed about 1,847 staff and workers in Hong Kong, PRC and Cambodia (as at 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.

Competing Interest

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

Each of the Controlling Shareholders has provided a written confirmation (each a “**Confirmation**”, and together the “**Confirmations**”) to the Company confirming that he/she/it fully complied with the Deed of Non-Competition (as defined in the Prospectus) during the year ended 31 December 2020 and that they did not conduct any competing business with the Group and were not offered any competing business opportunities with the Group during the year ended 31 December 2020. The independent non-executive Directors have reviewed the Confirmations from the Controlling Shareholders and are satisfied that the Deed of Non-Competition was fully complied with by Controlling Shareholders during the year ended 31 December 2020, and no competing business was reported by the Controlling Shareholders throughout the year ended 31 December 2020.

Directors’ Interests in Transaction, Arrangements or Contracts

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

Model Code for Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 of the Listing Rules as its own code of conduct for securities transactions by directors. Having made specific enquiry of the Company’s directors, all directors have confirmed their compliance with all the relevant requirements as set out in the Model Code during the year ended 31 December 2020.

Independence of Independent Non-executive Directors

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

Code of Corporate Governance Practices

The Company has complied with all of the code provisions of the Corporate Governance Code and Corporate Governance Report (the “Code”) as set out in Appendix 14 of the Listing Rules during the year ended 31 December 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 considers that the balance of power and authority for the present arrangement will not be impaired and this structure will enable the Company to make and implement decisions promptly and effectively. The Board will continue to review and consider splitting the roles of chairman of the Board and chief executive of the Company at a time when it is appropriate and suitable by taking into account the circumstances of the Group as a whole.

Audit Committee

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

The Group’s audited annual financial results for the year ended 31 December 2020 disclosed in this announcement has been reviewed by the audit committee.

Remuneration Committee

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

Nomination Committee

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

Annual General Meeting

The annual general meeting of the shareholders of the Company will be held at Unit 1703, World-Wide House, 19 Des Voeux Road Central, Hong Kong on Friday, 28 May 2021 and the notice of annual general meeting will be published and dispatched to the shareholders in the manner as required by the Listing Rules in due course.

Closure of Register of Members

The register of members of the Company will be closed during the following periods:

- (i) from Tuesday, 25 May 2021 to Friday, 28 May 2021 both days inclusive, for the purpose of ascertaining shareholders' entitlement to attend and vote at the annual general meeting of the Company to be held on Friday, 28 May 2021. In order to be eligible to attend and vote at the annual general meeting of the Company, all share certificates with completed transfer forms either overleaf or separately must be lodged for registration with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30pm on Monday, 24 May 2021; and
- (ii) on Tuesday, 8 June 2021, for the purpose of ascertaining shareholders' entitlement to the proposed final dividend. In order to establish entitlements to the proposed final dividend, all share certificates with completed transfer forms either overleaf or separately must be lodged for registration with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30pm on Monday, 7 June 2021. The final dividend will be paid on or about Monday, 21 June 2021 to the shareholders whose names appear on the register of members as on Tuesday, 8 June 2021.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

The annual results announcement will be published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.justinallengroup.com) and the Company's 2020 Annual Report will be dispatched to Shareholders and published on the Company's and the Stock Exchange's websites in due course.

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

Hong Kong, 30 March 2021

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