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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)

2021 INTERIM RESULTS ANNOUNCEMENT

The board (the “**Board**”) of directors (the “**Directors**”) of Justin Allen Holdings Limited (the “**Company**”) is pleased to announce the unaudited condensed consolidated interim results for the six months ended 30 June 2021 of the Company and its subsidiaries (collectively 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 2021

	Note	Six months ended 30 June	
		2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Revenue	3	361,498	270,423
Cost of sales		<u>(274,321)</u>	<u>(193,443)</u>
Gross profit		87,177	76,980
Other income		7,018	1,387
Other gains and losses, net		(568)	(1,144)
Selling and distribution expenses		(21,527)	(14,791)
Administrative expenses		(30,074)	(23,404)
Finance costs		(1,486)	(3,419)
Profit before tax		40,540	35,609
Income tax expense	4	(9,651)	(5,963)
Profit for the period	5	30,889	29,646

		Six months ended 30 June	
	<i>Note</i>	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
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		<u>5,857</u>	<u>(8,754)</u>
Other comprehensive income/(loss) for the period, net of income tax		<u>5,857</u>	<u>(8,754)</u>
Total comprehensive income for the period, net of income tax		<u>36,746</u>	<u>20,892</u>
Profit/(loss) for the period attributable to:			
- Owners of the Company		31,667	30,047
- Non-controlling interests		<u>(778)</u>	<u>(401)</u>
		<u>30,889</u>	<u>29,646</u>
Total comprehensive income/(loss) for the period attributable to:			
- Owners of the Company		37,171	21,614
- Non-controlling interests		<u>(425)</u>	<u>(722)</u>
		<u>36,746</u>	<u>20,892</u>
Dividend	6	<u>-</u>	<u>-</u>
Earnings per share	7		
- Basic (HK cents)		<u>2.53</u>	<u>2.40</u>
- Diluted (HK cents)		<u>2.53</u>	<u>2.40</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

	<i>Note</i>	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
Non-current assets			
Property, plant and equipment		144,115	146,209
Right-of-use assets		51,400	51,753
Deposits paid for acquisition of property, plant and equipment		63	126
Rental deposits		1,692	1,616
Deferred tax assets		4,914	2,300
		<u>202,184</u>	<u>202,004</u>
Current assets			
Inventories		202,189	103,322
Trade and other receivables	8	81,270	77,492
Financial assets at fair value through other comprehensive income		40,908	32,452
Financial assets at fair value through profit or loss		123,603	76,606
Bank balances and cash		74,577	85,924
		<u>522,547</u>	<u>375,796</u>
Current liabilities			
Trade and other payables	9	190,043	130,496
Lease liabilities		1,878	2,200
Bank borrowings		84,318	-
Tax payable		24,739	12,819
		<u>300,978</u>	<u>145,515</u>
Net current assets		<u>221,569</u>	<u>230,281</u>
Total assets less current liabilities		<u>423,753</u>	<u>432,285</u>
Non-current liabilities			
Lease liabilities		951	1,229
		<u>951</u>	<u>1,229</u>
Net assets		<u>422,802</u>	<u>431,056</u>
Capital and reserves attributable to owners of the Company			
Share capital		12,500	12,500
Reserves		383,481	391,310
Equity attributable to owners of the Company		395,981	403,810
Non-controlling interests		26,821	27,246
Total equity		<u>422,802</u>	<u>431,056</u>

Notes:

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 Rules Governing the Listing of Securities on the Main Board of The Stock Exchange of Hong Kong Limited (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 2020 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 2020 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 2020 are available from the Company’s registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 30 March 2021.

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 2020 annual accounts, except for the adoption of the standards, amendments and interpretations issued by the HKICPA mandatory for the annual periods beginning 1 January 2021. 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 2021 and 2020.

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

	Six months ended 30 June	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Sales of products (sleepwear, loungewear and greige fabric)	358,162	268,995
Processing services	3,336	1,428
	361,498	270,423

Timing of revenue recognition

At a point in time	358,162	268,995
Over time	3,336	1,428
	361,498	270,423

During the six months ended 30 June 2021 and 2020, 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	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Revenue		
United States of America	300,497	207,744
United Kingdom	20,468	19,035
Ireland	16,671	21,211
The PRC	10,781	5,086
Canada	7,948	11,989
Spain	5,133	4,792
Cambodia	-	566
	361,498	270,423

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

	As at 30 June 2021 (Unaudited)	As at 31 December 2020 (Audited)
Non-current assets		
The PRC	159,096	161,026
Hong Kong	31,940	32,527
Cambodia	6,234	6,151
	197,270	199,704

Note: Non-current assets excluded deferred tax assets.

Information about major customers

Revenue from customers for the six months ended 30 June 2021 and 2020 contributing over 10% of the Group's revenue are as follows:

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Customer A	299,197	206,773
Customer B	43,153	45,606

4. Income tax expenses

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

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current tax:		
Hong Kong Profits Tax	7,865	6,824
PRC Enterprise Income Tax	4,067	376
Cambodia Income Tax	332	-
	<u>12,264</u>	<u>7,200</u>
Deferred tax credit	<u>(2,613)</u>	<u>(1,237)</u>
	<u>9,651</u>	<u>5,963</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 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

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.

(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 2021 and 2020.

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 2021 and 2020.

5. Profit for the period

Six months ended 30 June	
2021	2020
HK\$'000	HK\$'000
(Unaudited)	(Unaudited)

Profit for the period is stated after charging:

Depreciation of property, plant and equipment	5,728	5,902
Depreciation of right-of-use assets	1,225	1,768
Expenses related to short-term leases	498	212
	<u>7,451</u>	<u>7,882</u>

6. Interim dividend

During the six months ended 30 June 2021, the Board declared HK\$0.036 (2019: HK\$0.0228) per share or approximately HK\$45.0 million (2019: HK\$28.5 million) in aggregate as final dividend for the year ended 31 December 2020.

No interim dividend has been paid or declared by the Company for the six months ended 30 June 2021 (six months ended 30 June 2020: 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	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Earnings		
Earnings for the purpose of calculating basic earnings per share (Profit for the period attributable to the owners of the Company)	<u>31,667</u>	<u>30,047</u>
	'000	'000
	(Unaudited)	(Unaudited)
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	<u>1,250,000</u>	<u>1,250,000</u>

Basic and diluted earnings per share for the six months ended 30 June 2021 and 2020 was the same as there was no potential ordinary shares in issue during the six months ended 30 June 2021 and 2020.

8. Trade and other receivables

	30 June	31 December
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Trade receivables, net	9,122	20,501
Other receivables, net	<u>72,148</u>	<u>56,991</u>
	<u>81,270</u>	<u>77,492</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:

	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
0-30 days	7,117	16,257
31-60 days	2,005	585
61-90 days	-	3,654
Over 90 days	-	5
	<u>9,122</u>	<u>20,501</u>

9. Trade and other payables

	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
Trade payables	117,572	47,968
Other payables, net	72,471	82,528
	<u>190,043</u>	<u>130,496</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:

	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
0-30 days	114,795	44,160
31-60 days	2,429	3,010
61-90 days	-	151
Over 90 days	348	647
	<u>117,572</u>	<u>47,968</u>

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

10. Contingent liabilities

The Group has no significant contingent liabilities as at 30 June 2021 (2020: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The Group primarily engages in the business of OEM garment manufacturing, specializing 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 finalized 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 the first half of 2021, given that the spread of the novel coronavirus pandemic ("COVID-19") has been under control with the rolling out of the vaccine, the global macro-economy has been gradually recovering. Benefiting from the proactive implementation of business strategy, the Group is able to cope with these challenges and capture post-pandemic opportunities in the market. Our diversified production bases allow us to dodge from lock-downs of different countries and maintain continuous production, and further provide options for customers to shift orders to us. For the six months ended 30 June 2021, the sales volume of sleepwear and loungewear products of the Group was approximately 10.3 million pieces, which recorded an increment of approximately 37.4% as compared to the sales volume for the six months ended 30 June 2020.

Finance Review

Revenue

For the six months ended 30 June 2021, the revenue of the Group recorded approximately HK\$361.5 million, representing an increment of approximately 33.7% as compared with the same period of last year. During the first half of 2021, the sales volume of sleepwear and loungewear products of the Group was approximately 10.3 million pieces, which recorded an increment of approximately 37.4% as compared to the sales volume for the same period of 2020. On the other hand, due to the change of product mix, the average selling price of our sleepwear and loungewear products slightly decreased by approximately 3.5% as compared with those in 2020.

Gross profit

The gross profit of the Group increased by approximately HK\$10.2 million from approximately HK\$77.0 million during the six months ended 30 June 2020, to approximately HK\$87.2 million during the six months ended 30 June 2021. The increment rate was approximately 13.2%. During the current period under review, the average gross profit margin was approximately 24.1% while the average gross profit margin for the full year 2020 was approximately 28.2%. During the first half of 2021, the Group is changing the sources of raw materials due to stricter requirements from customers. The COVID-19 pandemic has continuously impacted raw material supply and shipping arrangements due to reasons such as border lockdown in different countries and tight supply of containers. All these factors resulted in the increment in overall production and material costs and the average gross profit margin decrease during this period.

Other income

For the six months ended 30 June 2021, the Group recorded other income of approximately HK\$7.0 million, while it was approximately HK\$1.4 million during the six months ended 30 June 2020. The increment was mainly due to the interest income of approximately HK\$4.5 million contributed from the market-tradeable bond instruments invested by the Group for utilizing short-term available fund.

Selling and distribution expenses

For the six months ended 30 June 2021, the selling and distribution expenses of the Group were approximately HK\$21.5 million, representing an increase of approximately HK\$6.7 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 2021 was approximately 6.0%, while it was

approximately 5.5% in 2020.

Administrative expenses

The administrative expenses of the Group for the six months ended 30 June 2021 were approximately HK\$30.1 million, with an increment of approximately 28.5% from approximately HK\$23.4 million recorded in 2020. During the current period under review, the Group is continuously expanding its operation scale in order to prepare for further growth in the future.

Finance costs

The finance costs of the Group decreased by approximately 56.5% from approximately HK\$3.4 million for the six months ended 30 June 2020 to approximately HK\$1.5 million for the six months ended 30 June 2021. The decrease was mainly due to the change of bank loans portfolio during the six months ended 30 June 2021, and there were only some 1 to 3 months short-term bank loans incurred during 2021 for supporting the temporary requirement of working capital.

Profit attributable to the owners of the Company

The profit attributable to the owners of the Company increased by approximately 5.4% from approximately HK\$30.0 million for the six months ended 30 June 2020 to approximately HK\$31.7 million for the six months ended 30 June 2021. The increment of net profit was mainly due to the abovementioned increment of revenue.

Outlook and Future Prospects

With the impact from COVID-19 pandemic and other social and political factors over manufacturing industries such as tight supply of materials and limitations in cross-border shipment, it is expected that the production cost will continuously maintain a comparatively higher level for a short period of time. On the other hand, in view of the global economy gradually recovering from the COVID-19 pandemic, the Group will continue to move forward in expanding the business both vertically and horizontally in order to cope with different challenges and get prepared to capture business opportunities.

For vertical integration, we are in the process of acquiring a garment manufacturing factory for immediate expansion of our production capacity, and establishing our own flagship factory in Vietnam with the potential of developing a fully vertical manufacturing base in the long term. Additionally, to avoid unpredictable challenge from trade uncertainties and to diversify social, economic and political risks, management is exploring possibilities to set up production bases in other countries. More in-depth research and discussions will be continued in the second half of this year.

For horizontal integration, the Group has worked with our customers to further extend our product categories in children's wear besides our current sleepwear and loungewear products. The Group has enlarged the quality assurance and compliance team to meet the stricter safety standards and protocols of children's wear. Furthermore, we have onboarded a director of design and senior designer from Spain to lead and strengthen the ability of our current design department, and provide even more value-added services to our customers.

For our mid and long term strategy, the Group aims to expand our reach in existing and new markets by utilizing our solid foundation, market analysis, and technical research to place ourselves in a position to capture future opportunities to provide fruitful returns for the Group and all shareholders.

Financial Resources and Liquidity

As at 30 June 2021, the Group had current assets of approximately HK\$522.5 million (31 December 2020: HK\$375.80 million) and current liabilities of approximately HK\$300.98 million (31 December 2020: HK\$145.52 million). The current ratio was 1.74 as at 30 June 2021 as compared with 2.58 as at 31 December 2020.

The Group's cash and bank balances as at 30 June 2021 amounted to approximately HK\$74.58 million (31 December 2020: HK\$85.92 million), of which approximately 66.3% were denominated in Renminbi, approximately 28.2% were denominated in United States dollars, approximately 5.1% were denominated in Hong Kong dollars, and approximately 0.4% were denominated in Canadian dollars and Cambodian riel.

As at 30 June 2021, the Group had outstanding bank loans amounted to approximately HK\$84.32 million (31 December 2020: Nil) which were granted by banks in Hong Kong and PRC, and were denominated in United States Dollars, with interest rates charged by banks ranged from 1.52% to 2.48% per annum in which approximately HK\$31.28 million bank loans were charged at fixed interest rates. The Group pledged assets of the Group with a net book value of HK\$168.50 million (31 December 2020: HK\$173.92 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 21.3% as at 30 June 2021 as compared with zero as at 31 December 2020.

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 30 June 2021, the Group entered into foreign currency forward contracts 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.

For the six months ended 30 June 2021, the Group invested in 20 sets of market-tradable bond instruments with par value between USD0.2 million to USD2.0 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 were issued by 12 different issuers (who are independent third parties) in Hong Kong Stock Exchange or Singapore Stock Exchange and were acquired by the Group on the secondary market, with par value (aggregated according to each issuer) ranged from USD0.2 million to USD2.0 million and coupon rate ranged from 4.7% to 8.5%. The principal business activities of these issuers mainly include construction, property and real estate development in the PRC, etc.. As at 30 June 2021, the total amount of par value of these bonds was approximately USD12.95 million (equivalent to approximately HK\$101.01 million) and the market value was approximately HK\$102.52 million, and the aggregation of par value of bond instruments from each issuer represented less than 5% of the total assets of the Group. During the six months ended 30 June 2021, the Group recognized realized trading loss of approximately HK\$0.75 million and unrealized gain from mark-to-market fair value adjustments of approximately HK\$1.51 million.

For the six months ended 30 June 2021, the Group also subscribed 3 different funds with par value between USD0.4 million to USD2.0 million each through a bank. These funds were issued by 3 different financial institutions (who are independent third parties) with par value ranged from USD0.4 million to USD2.0 million each. As at 30 June 2021, the total amount of par value of these funds was approximately USD2.80 million (equivalent to approximately HK\$21.84 million) and the market value was approximately HK\$22.04 million, and the aggregation of par value of funds from each issuer represented less than 5% of the total assets of the Group. During the six months ended 30 June 2021, the Group recognized unrealized gain from mark-to-market fair value adjustments of approximately HK\$0.2 million.

The management of the Group made risk assessments and set different criteria before making investment in each bond instrument and fund, including (but not limited to) understanding the business nature of each issuer and characteristics of each bond instrument and fund through related product introduction materials, limiting the investment only in products with credit rating equal to or higher than BB-, and all are tradeable in open market in order to maintain high liquidity. We may remain cautious with the volatility in global financial markets due to the geopolitical tensions as well as the fluid outlook of interest rates.

Capital Commitments

As at 30 June 2021, the Group had capital commitments of approximately HK\$0.47 million (31 December 2020: approximately HK\$0.36 million).

Material Acquisitions and Disposals

The Group did not have material acquisitions and disposals for the six months ended 30 June 2021.

Significant Investment

Other than those stated above, the Group did not have other significant investment for the six months ended 30 June 2021.

Contingent Liabilities

As at 30 June 2021, the Directors were not aware of any material contingent liabilities.

Events after the Reporting Period

No subsequent events occurred after 30 June 2021, which may have a significant effect, on the assets and liabilities of future operations of the Group.

Purchase, Sale or Redemption of Shares

During the six months ended 30 June 2021, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Shares.

Employees and Remuneration Policy

As at 30 June 2021, the Group employed 1,668 staff and workers in Hong Kong, PRC and Cambodia (31 December 2020: 1,847). 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 six months ended 30 June 2021 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 six months ended 30 June 2021. 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 six months ended 30 June 2021, and no competing business was reported by the Controlling Shareholders throughout the six months ended 30 June 2021.

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 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 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 2021.

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 2021, 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.

Interim Dividend

The Directors did not recommend the payment of any interim dividend for the six months ended 30 June 2021 (corresponding period of 2020: 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 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 2021 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 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.

Publication of the Interim Results and Interim Report

The interim results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.justinallengroup.com). The Company’s interim report for the six months ended 30 June 2021 will be dispatched to the Shareholders and published on the aforementioned websites in due course.

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

Hong Kong, 30 August 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.