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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)

**CONNECTED TRANSACTION
ACQUISITION OF THE REMAINING EQUITY INTEREST
IN A NON-WHOLLY OWNED SUBSIDIARY**

The Board is pleased to announce that on 18 September 2023, the Purchaser and the Vendor entered into the Equity Transfer Agreement, pursuant to which the Vendor agreed to sell and the Purchaser agreed to purchase an aggregate of 25% of the equity interest in the Target Company (an indirect non-wholly owned subsidiary of the Company which the Company owns 75% of its equity interest) at a total Consideration of RMB31,500,000. Upon Completion, the Target Company will become an indirect wholly owned subsidiary of the Company.

As at the date of this announcement, the Target Company is an indirect non-wholly owned subsidiary of the Company and the Vendor is interested in 25% of the entire equity interest in the Target Company. The Vendor is therefore a substantial shareholder of the Target Company under the Listing Rules and hence a connected person of the Company at the subsidiary level. As such, the Acquisition constitutes a connected transaction under the Listing Rules.

As (1) the Vendor is connected person of the Company at the subsidiary level; (2) the Board has approved the Equity Transfer Agreement and the transactions contemplated thereunder; and (3) the independent non-executive Directors have confirmed that the terms of the Equity Transfer Agreement are fair and reasonable and the Equity Transfer Agreement and the transactions contemplated thereunder are on normal commercial terms or better and in the interests of the Company and the Shareholders as a whole, by virtue of Rule 14A.101 of the Listing Rules, the Equity Transfer Agreement and the transactions contemplated thereunder are subject to the reporting and announcement requirements but are exempted from the circular, independent financial advice and shareholders' approval requirements under Chapter 14A of the Listing Rules.

INTRODUCTION

On 18 September 2023, the Purchaser and the Vendor entered into the Equity Transfer Agreement pursuant to which the Vendor agreed to sell and the Purchaser agreed to purchase the remaining 25% of the equity interest in the Target Company at a total Consideration of RMB31,500,000. Upon Completion, the Target Company will become an indirect wholly owned subsidiary of the Company.

EQUITY TRANSFER AGREEMENT

Principal terms of the Equity Transfer Agreement are summarised as follows:

Date

18 September 2023

Parties

- (1) The Purchaser
- (2) The Vendor

Assets to be acquired

Pursuant to the Equity Transfer Agreement, the Vendor agreed to sell and the Purchaser agreed to purchase an aggregate of 25% of the equity interest in the Target Company.

Upon Completion, the Target Company will be an indirect wholly-owned subsidiary of the Company. Accordingly, the financial results, assets and liabilities of the Target Company will continue to be consolidated into the accounts of the Group.

Conditions Precedent

Completion shall take place before 31 December 2023 (or later dates agreed by both parties in written) upon satisfaction or waiver of the following Conditions Precedent:

- (a) if necessary, Shareholders either (i) at an extraordinary general meeting of the Company or (ii) by way of a Shareholders' written approval, approve the proposed resolution and all transactions contemplated under the Equity Transfer Agreement;
- (b) the Target Company, the Vendor and the Purchaser have obtained the necessary licenses, approvals, and consents for the Equity Transfer Agreement and all transactions contemplated hereunder;
- (c) the Vendor and the Purchaser have not violated any provisions, terms, statements, commitments, warranties, and obligations under the Equity Transfer Agreement;
- (d) the Target Company has completed the procedures for the alteration of industry and commerce registrations;
- (e) the Target Company has obtained a shareholder resolution approving the Acquisition; and
- (f) the third-party shareholder of the Target Company have provided written confirmation consenting to waive their pre-emptive rights to purchase the Target Company.

Completion

The Completion is on the date of the fifth working day upon the satisfaction (or waiver) of the Conditions Precedent (or at any other date mutually agreed upon in writing by the Vendor and the Purchaser).

At Completion, the Vendor shall facilitate the convening of a shareholder meeting and a board meeting of the Target Company to approve the following matters:

- (a) approve the transfer of equity to the Purchaser; and
- (b) (if requested by the Purchaser) approve the appointment of director(s) nominated by the Purchaser to achieve control of the board of directors of the Target Company.

At Completion the Purchaser shall submit a copy of its minutes of the board meeting approving the Equity Transfer Agreement and the transactions under the Equity Transfer Agreement.

The Purchaser and the Vendor agreed that, since 1 October 2023 the Purchaser entitles to all the assets and liabilities, and profit or loss regarding the equity interest in the Target Company acquired pursuant to the Acquisition .

Consideration

The total amount of the Consideration is RMB31,500,000, which shall be paid by the Purchaser at Completion by remittance to the bank account designated by the Vendor.

The Consideration was determined and agreed between the parties after arms' length negotiations and with reference to various factors, including (but not limited to) (i) the Vendor's RMB30,000,000 capital contribution to the Target Company for the existing 25% of the equity interest in the Target Company; (ii) the recent performance of the Target Company, and (iii) the benefits brought by the Acquisition as stated in the section "Reasons for and Benefits of the Acquisition" set out herein below.

The payment of the Consideration will be funded by internal resources of the Group.

INFORMATION OF THE COMPANY AND THE GROUP

The Company is incorporated in the Cayman Islands with limited liability, and its shares are listed on the Main Board of the Stock Exchange (Stock Code: 1425). The Company and its subsidiaries engage in the business of OEM garment manufacturing, specializing in the production of sleepwear and loungewear products. The Group has 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.

INFORMATION OF THE TARGET COMPANY

The Target Company is incorporated in the PRC with limited liability in 2011, and principally engages in garment and fabric manufacturing business through a factory in Henan Province, the PRC.

As at the date of this announcement, the Target Company is an indirect non-wholly owned subsidiary of the Company owned as to 75% by the Purchaser and 25% by the Vendor. After the completion of the Acquisition, the Target Company will be an indirect wholly-owned subsidiary of the Company.

Based on the unaudited financial information of the Target Group prepared in accordance with Hong Kong generally accepted accounting practices for the six months ended 30 June 2023, the net asset value of the Target Company was approximately HK\$121.5 million as at 30 June 2023.

Set out below is the audited turnover and profit/(loss) (before and after taxation) of the Target Company prepared in accordance with Hong Kong generally accepted accounting practices for the years ended 31 December 2021 and 2022 respectively:

	For the year ended 31 December	
	2021	2022
	<i>(HKD'000)</i>	<i>(HKD'000)</i>
Turnover	250,348	200,529
Profit/(loss) before taxation	(160)	13,365
Profit/(loss) after taxation	(147)	13,378

INFORMATION OF THE VENDOR

The Vendor was established in the PRC in 1999 and engages in, among others, the business of spinning, weaving, packaging and sales of ancillary materials in relation to textile production. It is owned by Wei Liang Min (魏良民) 51% and Duan Xiao Ming (段曉明) 49%, who are both PRC citizens and are merchants. To the best of the knowledge of the Directors having made all reasonable enquiries, save for owning equity interest of the Target Company, the Vendor and its respective beneficial owners are Independent Third Parties.

REASONS FOR AND BENEFITS OF THE ACQUISITION

After the Completion, the Target Company will become a wholly-owned subsidiary of the Company, which will be conducive to improving its decision-making efficiency with regard to its operation. At the same time, the Acquisition will also help the Company to streamline the Target Company's business structure, clarify its business scope, adjust its product structure and highlight its main business advantages, which is in line with the Target Company's long-term strategic positioning and the interests of the Shareholders as a whole.

The Directors (including the independent non-executive Directors) are of the view that the terms of the Acquisition are fair and reasonable and in the interests of the Shareholders and the Group as a whole.

LISTING RULES IMPLICATION

As at the date of this announcement, the Target Company is an indirect non-wholly owned subsidiary of the Company and the Vendor is interested in 25% of the entire equity interest in the Target Company. The Vendor is therefore a substantial shareholder of the Target Company under the Listing Rules and hence a connected person of the Company at the subsidiary level. As such, the Acquisition also constitutes a connected transaction under the Listing Rules.

As (1) the Vendor is a connected persons of the Company at the subsidiary level; (2) the Board has approved the Equity Transfer Agreement and the transactions contemplated thereunder; and (3) the independent non-executive Directors have confirmed that the terms of the Equity Transfer Agreement are fair and reasonable and the Equity Transfer Agreement and the transactions contemplated thereunder are on normal commercial terms or better and in the interests of the Company and the Shareholders as a whole, by virtue of Rule 14A.101 of the Listing Rules, the Equity Transfer Agreement and the transactions contemplated thereunder are subject to the reporting and announcement requirements but are exempted from the circular, independent financial advice and shareholders' approval requirements under Chapter 14A of the Listing Rules.

None of the Directors has a material interest in the Acquisition or is required to abstain from voting from the Board resolutions for considering and approving the same pursuant to the articles of association of the Company.

DEFINITION

In this announcement, unless the context requires otherwise, the following expressions shall have the following meanings:

“Acquisition”	the acquisition of an aggregate of 25% of the equity interest in the Target Company by the Purchaser from the Vendor
“Board”	the board of Directors of the Company
“Business Day(s)”	any day on which banks in the PRC are generally open for business (excluding Saturdays, Sundays and public holidays in the PRC)
“Company”	Justin Allen Holdings Limited (捷隆控股有限公司), a company incorporated in the Cayman Islands with limited liability, and its shares are listed on the Main Board of the Stock Exchange
“Completion”	the completion of the Equity Transfer Agreement
“Condition(s) Precedent”	the condition(s) precedent to the Completion
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Consideration”	the total consideration payable by the Company for the Acquisition, being RMB31,500,000
“Director(s)”	the director(s) of the Company
“Equity Transfer Agreement”	the Equity Transfer Agreement dated 18 September 2023 and entered into among the Purchaser and the Vendors in relation to the Acquisition
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China which, for the purpose of this announcement only, excludes the Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan

“Purchaser”	Justin Allen Investment (China) Limited (凱威投資(中國)有限公司), a limited liability company incorporated in Hong Kong which is an indirectly wholly-owned subsidiary of the Company and currently holding 75% interest in the Target Company
“Shareholder(s)”	holder(s) of the shares of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Henan Kaiyu Spinning, Weaving & Apparel Ltd. (河南凱豫紡織服裝有限公司), a limited liability company established in the PRC which the Group currently holds 75% of its equity interest
“Vendor”	Xuchang Yuzhong Textile Co., Ltd. (許昌豫中紡織有限公司), a company a limited liability company established in the PRC, which is currently holding 25% interest in the Target Company and a connected person at the subsidiary level of the Company
“HKD”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of PRC
“%”	per cent.

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

Hong Kong, 18 September 2023

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. Mak King Sau.