

2023 INTERIM REPORT

JUSTIN ALLEN HOLDINGS LIMITED



捷隆控股有限公司

Incorporated in the Cayman Islands with limited liability

Stock Code : 1425

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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**”), Phnom Penh, Cambodia and Honduras. In Vietnam, the Group currently operates production via sub-contractors with long-term relationship.

In the first half of 2023, the outlook for the global economy took a positive turn as economies reopened after the lifting of COVID-related restrictions and global inflationary pressures began to ease, with central banks approaching the end of the recent tightening cycle. Nonetheless, global trade did not have a big momentum, and it is expected to recover in the second half of 2023 from returning to normalcy.

For the six months ended 30 June 2023, the sales volume of sleepwear and loungewear products of the Group was approximately 8.9 million pieces. Benefiting from the proactive implementation of business strategies such as diversification of production bases and product portfolio, the Group is able to achieve higher average selling price and enhance the gross profit margin by approximately 1.8 percentage points to approximately 27.4% as compared to such for the six months ended 30 June 2022.

Financial Review

Revenue

For the six months ended 30 June 2023, the revenue of the Group recorded at approximately HK\$363.5 million, representing a decrease of approximately 23.7% as compared with the same period of 2022. The decline is mainly attributable to timing difference of shipping deliveries between 2023 and 2022. During the first half of 2023, the sales volume of sleepwear and loungewear products of the Group was approximately 8.9 million pieces, while it was approximately 13.3 million during the same period of 2022, and most of these late shipments were already shipped during July and August 2023. On the other hand, due to the change of product mix, the average selling price of our sleepwear and loungewear products slightly increased by approximately 13.9% as compared with that in the first half of 2022.

Gross profit

The gross profit of the Group in the first half of 2023 was approximately HK\$99.6 million with an average gross profit margin of approximately 27.4%, while it was approximately HK\$122.1 million with an average gross profit margin of approximately 25.6% in the same period of 2022. The proactive implementation of business strategies such as diversification of production bases allowed us to allocate production among different bases to save on raw material and production costs. Also the Group has gained more high-end product orders which contributed the increment of average selling price. These matters resulted in a slight increase of average gross profit margin during the current period.

Other income

For the six months ended 30 June 2023, the Group recorded other income of approximately HK\$7.4 million, while it was approximately HK\$5.5 million during the six months ended 30 June 2022. The increase was mainly due to an increase in bank deposit interest income of approximately HK\$2.8 million in the six months ended 30 June 2023 compared to the same period in 2022 mainly attributed to the increment of interest rates.

Other gains and losses

For the six months ended 30 June 2023, the Group recorded other net loss of approximately HK\$0.07 million, while the other net loss was approximately HK\$23.8 million during the six months ended 30 June 2022. The improvement was primarily due to the Group recorded approximately HK\$3.8 million of aggregated realized and unrealized net losses from investments in market-tradeable bond and funds and foreign exchange options in the six months ended 30 June 2023 as compared to approximately HK\$22.2 million losses in the same period in 2022.

Selling and distribution expenses

For the six months ended 30 June 2023, the selling and distribution expenses of the Group were approximately HK\$19.8 million, which was a reduction of approximately HK\$2.0 million as compared to the same period of last year. This was mainly due to the decrease in transportation expenses as a result of the easing of shipping cost crisis experienced in 2022.

Administrative expenses

The administrative expenses of the Group for the six months ended 30 June 2023 were approximately HK\$30.3 million, with a slight reduction of approximately HK\$1.2 million as compared to the same period of last year. During the current period under review, even though the Group is continuously expanding its operation scale like setting up the Honduras factory and also working on the pre-operation activities for Vietnam production base, the Group is actively relocating resources for effective usage and being prepared for the on-going inflation risk, and thus recorded reduction in administrative expenses compared to the same period in 2022.

Finance costs

For the six months ended 30 June 2023, the finance costs of the Group were approximately HK\$5.0 million, while they were approximately HK\$3.5 million during the same period of last year. In the first half of 2023, the interest rates for trade financing such as factoring and discounting were higher than those in 2022 due to the United States Federal Reserve System announced a series of interest rate hikes, which also had a substantial impact to the interest rate in Hong Kong.

Profit attributable to the owners of the Company

The profit attributable to the owners of the Company increased by approximately 17.5% from approximately HK\$34.2 million for the six months ended 30 June 2022 to approximately HK\$40.2 million for the six months ended 30 June 2023. The increment of net profit was mainly due to the abovementioned reasons and cost control.

Receivables and payables

As at 30 June 2023, the trade and other receivables of the Group amounted to approximately HK\$159.6 million, which were slightly higher than the balance of approximately HK\$155.7 million as at 31 December 2022 mainly due to timing difference of settlement.

As at 30 June 2023, the trade and other payables of the Group amounted to approximately HK\$219.0 million, representing an increase of approximately HK\$67.8 million as compared to the balance in 2022 mainly due to the increase of trade payables. The peak season of the Group is around the middle of the year, and the Group always stocked more raw materials for production purpose. As a result, the trade payable balance during the middle of the year is always higher than that as at 31 December of every year.

Outlook and future prospects

Despite the reopening of China and global economies following the lifting of COVID-related restrictions, 2023 continues to pose challenges as major central banks' restrictive monetary policies aimed at combating inflation are dampening economic activity. In light of these circumstances, our Group is aiming on stable growth in our existing business while also planning for future expansion to capitalize on business opportunities once global and domestic demand regains resilience.

Our production plant in Honduras is currently undergoing trial production and is expected to commence commercial operations in the second half of 2023. Furthermore, we are exploring other locations in Central America to expand our production capacities for both garments and raw materials as our vertical integration strategy to ensuring quality control and stable supply in this region. Establishing bases in this region not only enables us to shorten the delivery time to our American customers, but also diversifies economic and political risks, while allowing us to be pioneers in these new markets. Implementing this Central America plan can reduce delivery costs and lead times, as well as alleviate production pressure in our China base.

In addition, our Vietnam subsidiary recently has leased approximately 30,000 square meters of land in Thua Thien Hue Province for a period of 43 years. Going forward, we are considering establishing our first production facility in Vietnam, which will increase our production capacities. Apart from cost reduction and quality enhancement, this new establishment in Vietnam aims to meeting the demand of existing customers and accommodate new ones.

At our China base, we are exploring opportunities to expand production capacity for our existing products and potentially set up new production lines to broaden our product offering categories. Furthermore, the Group is contemplating a vertical integration strategy to establish our own brand.

With these plans in mind, our Group's objective is to expand into existing and new markets by leveraging our solid foundation, market intelligence, and technical expertise. By positioning ourselves to capture future opportunities, we aim to deliver fruitful returns for the Group and all stakeholders involved.

Financial resources and liquidity

As at 30 June 2023, the Group had current assets of approximately HK\$736.5 million (31 December 2022: HK\$634.6 million) and current liabilities of approximately HK\$240.0 million (31 December 2022: HK\$174.6 million). The current ratio was 3.07 as at 30 June 2023 as compared with 3.63 as at 31 December 2022.

The Group's cash and bank balances as at 30 June 2023 amounted to approximately HK\$184.4 million (31 December 2022: HK\$165.3 million), of which approximately 32.6% were denominated in Hong Kong dollars, approximately 31.9% were denominated in Renminbi, approximately 28.5% were denominated in United States dollars, and approximately 7.0% were denominated in other currencies.

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 2023, the Group entered into foreign currency options 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.

As at 30 June 2023, the Group owned 12 sets of market-tradable bond instruments with par value between USD0.2 million and 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 10 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 3.75% to 7.95%. The principal business activities of these issuers mainly include banking, airline services, property and real estate development in the PRC, etc.. As at 30 June 2023, the total amount of par value of these bonds was approximately USD6.8 million (equivalent to approximately HK\$53.0 million) and the market value was approximately USD3.8 million (equivalent to approximately HK\$29.6 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 2023, the Group recognized unrealized loss from mark-to-market fair value adjustments of approximately HK\$4.2 million. There are no additions of investments in bond instruments during 2023.

As at 30 June 2023, the Group also owned 11 different funds with par value between USD0.3 million and USD3.9 million each through a bank. These funds were issued by 10 different financial institutions (which are independent third parties) with par value (aggregated according to each issuer) ranged from USD0.3 million to USD3.9 million each. As at 30 June 2023, the total amount of par value of these funds was approximately USD10.5 million (equivalent to approximately HK\$81.9 million) and the market value was approximately USD9.8 million (equivalent to approximately HK\$76.4 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 2023, the Group recognized realized trading gain of approximately HK\$0.08 million and unrealized gain from mark-to-market fair value adjustments of approximately HK\$0.02 million. There are no additions of investments in funds during 2023.

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, ensure the risk and reward from each investment is in a reasonable balance and all are tradeable in open market in order to maintain high liquidity. We may also review the investment portfolio from time to time, and remain cautious with the volatility in global financial markets due to the geopolitical tensions as well as the fluid outlook of interest rates.

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2023, the Group employed 1,813 staff and workers (31 December 2022: 1,988). The Group remunerates its employees based on their performance and experience and their remuneration package will be reviewed periodically by the management. Other employee benefits include medical insurance, retirement scheme, appropriate training program and share option scheme.

CONTINGENT LIABILITIES

As at 30 June 2023, the Directors were not aware of any material contingent liabilities.

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 2023 and expected timetable for the unutilized proceeds are as follows:

	Allocation HK\$'million	Amount utilized up to 30 June 2023 HK\$'million	Amount unutilized up to 30 June 2023 HK\$'million	Expected timeline for the unutilized net proceeds to be utilized (Note) For the year ending 31 December 2023 HK\$'million
Further development of existing factory in Henan	45.1	13.2	31.9	31.9
New production factory in Vietnam	13.8	6.5	7.3	7.3
Working capital	1.9	–	1.9	1.9
Total	60.8	19.7	41.1	41.1

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 2023.

SIGNIFICANT INVESTMENT AND FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Save as disclosed above, during the six months ended 30 June 2023, the Group did not have other significant investments.

EVENTS AFTER THE REPORTING PERIOD

A dividend of HK\$55 million was paid by the Company on 4 July 2023. Save as disclosed above and in this report, no other subsequent events occurred after 30 June 2023 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 2023, 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 2023, 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 <i>(Note 1)</i>	Approximate percentage or attributable percentage of shareholding (%)
Strategic King	Beneficial owner <i>(Note 2)</i>	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 2023, 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 2023 share option scheme (the “**Share Option Scheme**”) on 8 June 2023 and on the same date terminated the share option scheme adopted by the Company on 17 October 2019. Summary of the principal terms of the Share Option Scheme was disclosed in the circular dated 5 May 2023.

The total number of securities available for issue under the original share option scheme as at 1 January 2023 and under the Share Option Scheme as at 30 June 2023 was 125,000,000 and 125,000,000 Shares respectively, which both represented approximately 10% of the issued share capital of the Company as at the corresponding date. Under the Share Option Scheme, the maximum entitlement of each participant should not be exceed 1% of Shares in issue, and the service provider submit as at 30 June 2023 was 25,000,000 Shares. 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 2023, 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 2023, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Shares.

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 2023 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 2023. 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 2023, and no competing business was reported by the Controlling Shareholders throughout the six months ended 30 June 2023.

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 2023.

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 2023, 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 2023 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 2023 (corresponding period of 2022: 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. Mak King Sau and other members include the two independent non-executive Directors Mr. Lui Ho Ming Paul and Mr. Woo Chun Fai.

The Group's condensed consolidated interim financial statements for the six months ended 30 June 2023 are unaudited but have 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 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. Mak King Sau.

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. Mak King Sau.

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

Hong Kong, 30 August 2023

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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 2023 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 2023

	Note	Six months ended 30 June	
		2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Revenue	3	363,460	476,405
Cost of sales		(263,832)	(354,325)
Gross profit		99,628	122,080
Other income		7,379	5,462
Other gains and losses, net		(73)	(23,766)
Selling and distribution expenses		(19,797)	(21,804)
Administrative expenses		(30,309)	(31,535)
Finance costs		(5,017)	(3,483)
Profit before tax		51,811	46,954
Income tax expense	4	(10,463)	(13,692)
Profit for the period	5	41,348	33,262
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		(9,132)	(6,805)
Other comprehensive income/(loss) for the period, net of income tax		(9,132)	(6,805)
Total comprehensive income for the period, net of income tax		32,216	26,457

		Six months ended 30 June	
	<i>Note</i>	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Profit/(loss) for the period attributable to:			
— Owners of the Company		40,226	34,194
— Non-controlling interests		1,122	(932)
		41,348	33,262
Total comprehensive income/(loss) for the period attributable to:			
— Owners of the Company		34,909	28,645
— Non-controlling interests		(2,693)	(2,188)
		32,216	26,457
Dividend	6	—	—
Earnings per share			
— Basic and diluted (HK cents)	7	3.22	2.74

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2023

	Note	30 June 2023 HK\$'000 (Unaudited)	31 December 2022 HK\$'000 (Audited)
Non-current assets			
Property, plant and equipment	8	123,903	132,444
Right-of-use assets		55,144	52,733
Rental deposits		1,453	1,452
Deferred tax assets		2,587	1,629
		183,087	188,258
Current assets			
Inventories		235,407	84,702
Trade and other receivables	9	159,570	155,733
Financial assets at fair value through other comprehensive income		51,250	76,577
Financial assets at fair value through profit or loss		105,858	152,281
Bank balances and cash		184,395	165,297
		736,480	634,590
Current liabilities			
Trade and other payables	10	219,010	151,182
Lease liabilities Bank		3,014	3,574
Financial liabilities at fair value through profit or loss		–	508
Tax payable		17,935	19,376
		239,959	174,640
Net current assets		496,521	459,950
Total assets less current liabilities		679,608	648,208

	<i>Note</i>	30 June 2023 HK\$'000 (Unaudited)	31 December 2022 HK\$'000 (Audited)
Non-current liabilities			
Lease liabilities		4,606	5,422
		4,606	5,422
Net assets			
Capital and reserves attributable to owners of the Company			
Share capital	11	12,500	12,500
Reserves		636,264	601,355
Equity attributable to owners of the Company		648,764	613,855
Non-controlling interests		26,238	28,931
Total equity		675,002	642,786

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2023

	Attributable to the owners of the Company						Sub-total	Non-controlling interests	Total
	Share capital	Share premium	Statutory reserve	Other reserve	Exchange reserve	Retained profits			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2022 (audited)	12,500	113,535	1,187	20,942	2,303	374,214	524,681	27,953	552,634
Profit for the period	-	-	-	-	-	34,194	34,194	(932)	33,262
Exchange difference on translation of foreign operations	-	-	-	-	(5,549)	-	(5,549)	(1,256)	(6,805)
Total comprehensive income for the period	-	-	-	-	(5,549)	34,194	28,645	(2,188)	26,457
Dividend	-	-	-	-	-	(73,750)	(73,750)	-	(73,750)
At 30 June 2022 (unaudited)	12,500	113,535	1,187	20,942	(3,246)	334,658	479,576	25,765	505,341
At 1 January 2023 (audited)	12,500	113,535	1,187	20,942	(7,326)	473,017	613,855	28,931	642,786
Profit for the period	-	-	-	-	-	40,226	40,226	1,122	41,348
Exchange difference on translation of foreign operations	-	-	-	-	(5,317)	-	(5,317)	(3,815)	(9,132)
Total comprehensive income for the period	-	-	-	-	(5,317)	40,226	34,909	(2,693)	32,216
At 30 June 2023 (unaudited)	12,500	113,535	1,187	20,942	(12,643)	513,243	648,764	26,238	675,002

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2023

	Six months ended 30 June	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Net cash (used in)/generated from operating activities	(10,711)	116,703
Investing activities		
Purchase of property, plant and equipment	(2,159)	(4,704)
Purchase of financial assets at fair value through profit of loss	(19,250)	(81,900)
Withdrawal of financial assets at fair value through profit of loss	61,079	47,776
Other cash flows arising from investing activities	201	4,358
Net cash generated from/(used in) investing activities	39,871	(34,470)
Financing activities		
Repayment of bank borrowings	–	(34,996)
Proceeds from new bank borrowings	–	9,360
Other cash flows arising from financing activities	(6,805)	(4,923)
Net cash used in financing activities	(6,805)	(30,559)
Net increase in bank balances and cash	22,355	51,674
Bank balances and cash at 1 January	165,297	98,476
Effect of foreign exchange rate changes	(3,257)	(671)
Bank balances and cash at 30 June	184,395	149,479

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. 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 2022 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 2022 included in these 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 2022 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 2023.

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 2022 annual accounts, except for the adoption of new and revised standards with effect from 1 January 2023 as detailed in note 2 below.

2. CHANGES IN ACCOUNTING POLICIES

The Group has applied the following amendments to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for the annual periods beginning on or after 1 January 2023 for the preparation of the condensed consolidated financial statements:

HKFRS 17 (including the October 2020 and February 2022 amendments to HKFRS 17)	Insurance Contracts
HKAS 1 and HKFRS Practice Statement 2 (Amendments)	Disclosure of Accounting Policies
HKAS 8 (Amendments)	Definition of Accounting Estimates
HKAS 12 (Amendments)	Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The application of the amendments to HKFRSs in the current period has 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 condensed consolidated financial statements.

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 2023 and 2022.

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	
	2023 HK\$'000 (Unaudited)	2022 <i>HK\$'000</i> (Unaudited)
Sales of products (sleepwear, loungewear and greige fabric)	362,895	473,787
Processing services	565	2,618
	363,460	476,405
Timing of revenue recognition		
At a point in time	362,895	473,787
Over time	565	2,618
	363,460	476,405

During the six months ended 30 June 2023 and 2022, 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.

3. REVENUE AND SEGMENT INFORMATION *(continued)*

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	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Revenue		
United States of America	282,903	408,582
United Kingdom	24,991	20,826
Ireland	26,646	19,203
Canada	16,001	14,930
Spain	8,954	7,632
The PRC	3,409	2,906
Cambodia	–	2,326
Honduras	556	–
	363,460	476,405

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

	As at	As at
	30 June	31 December
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Non-current assets		
The PRC	127,933	138,241
Hong Kong	30,381	31,000
Honduras	9,963	10,287
Cambodia	5,730	7,101
Vietnam	6,493	–
	180,500	186,629

Note: Non-current assets excluded deferred tax assets.

3. REVENUE AND SEGMENT INFORMATION *(continued)*

Information about major customers

Revenue from customers for the six months ended 30 June 2023 and 2022 contributing over 10% of the Group's revenue are as follows:

	Six months ended 30 June	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Customer A	281,577	405,659
Customer B	61,918	48,812

4. INCOME TAX EXPENSES

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

	Six months ended 30 June	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Current tax:		
Hong Kong Profits Tax	4,458	8,000
PRC Enterprise Income Tax	6,104	7,556
Cambodia Income Tax	903	62
Deferred tax credit	11,465 (1,002)	15,618 (1,926)
	10,463	13,692

(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.

4. INCOME TAX EXPENSES *(continued)*

(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

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 2023 and 2022.

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 2023 and 2022.

5. PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Profit for the period is stated after charging:		
Staff costs comprises:		
— Wages and salaries	48,920	44,603
— Retirement benefits schemes contributions	4,389	3,341
	53,309	47,944
Depreciation of property, plant and equipment	6,695	6,152
Depreciation of right-of-use assets	2,592	2,240
Cost of inventories recognised as an expense	205,952	291,698
Expenses related to short-term leases	559	901

6. INTERIM DIVIDEND

During the six months ended 30 June 2023, the Board declared HK\$0.044 (2022: HK\$0.059) per share or approximately HK\$55.0 million (2022: HK\$73.8 million) in aggregate as final dividend for the year ended 31 December 2022.

No interim dividend has been paid or declared by the Company for the six months ended 30 June 2023 (six months ended 30 June 2022: 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	
	2023	2022
	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)	40,226	34,194
	'000	'000
	(Unaudited)	(Unaudited)
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	1,250,000	1,250,000

Basic and diluted earnings per share for the six months ended 30 June 2023 and 2022 was the same as there was no potential ordinary shares in issue during the six months ended 30 June 2023 and 2022.

8. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2023, there was an addition of approximately HK\$2.16 million (for the six months ended 30 June 2022: HK\$4.72 million) in property, plant and equipment.

9. TRADE AND OTHER RECEIVABLES

	30 June 2023 HK\$'000 (Unaudited)	31 December 2022 HK\$'000 (Audited)
Trade receivables, net	29,385	34,363
Prepayments	23,194	23,971
Prepayments to import-export corporations	82,907	83,932
Deposits	6,155	1,196
Tax recoverable	12,311	6,488
Other receivables, net	5,618	5,783
	159,570	155,733

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 2023 HK\$'000 (Unaudited)	31 December 2022 HK\$'000 (Audited)
0–30 days	7,148	28,225
31–60 days	21,888	6,113
61–90 days	349	–
Over 90 days	–	25
	29,385	34,363

10. TRADE AND OTHER PAYABLES

	30 June 2023 HK\$'000 (Unaudited)	31 December 2022 HK\$'000 (Audited)
Trade payables	108,210	31,992
Prepayments from and purchase payables due to import-export corporations	59,180	57,652
Accrued expenses	46,418	50,350
Other tax payables	142	2,631
Payables for acquisition of property, plant and equipment	1,246	1,506
Other payables	3,814	7,051
	219,010	151,182

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 2023 HK\$'000 (Unaudited)	31 December 2022 HK\$'000 (Audited)
0–30 days	107,542	31,856
31–60 days	162	–
61–90 days	373	–
Over 90 days	133	136
	108,210	31,992

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 31 December 2022 and 30 June 2023, ordinary shares of HK\$0.01 each	50,000,000,000	500,000
Issued and fully paid:		
Balance as at 31 December 2022 and 30 June 2023	1,250,000,000	12,500

12. CAPITAL COMMITMENTS

	30 June 2023 HK\$'000 (Unaudited)	31 December 2022 HK\$'000 (Audited)
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the period/year	2,500	143

13. CONTINGENT LIABILITIES

The Group had no significant contingent liabilities as at 30 June 2023 (2022: 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. Mak King Sau
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. Mak King Sau (*Chairman*)
Mr. Lui Ho Ming Paul
Mr. Woo Chun Fai

Remuneration Committee

Mr. Lui Ho Ming Paul (*Chairman*)
Mr. Tam Kwok Pui
Mr. Mak King Sau

Nomination Committee

Mr. Tam Kwok Pui (*Chairman*)
Mr. Mak King Sau
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

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
Standard Chartered Bank (Hong Kong)
Limited

Registered Office in Cayman Islands

Ogier Global (Cayman) Limited
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Cayman Islands

Principal Place of Business in Hong Kong

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