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JUSTIN ALLEN HOLDINGS LIMITED

捷隆控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 01425)

**ANNOUNCEMENT OF ANNUAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

The board (the “**Board**”) of directors (the “**Directors**”) of Justin Allen Holdings Limited (the “**Company**”) is pleased to announce the audited consolidated annual results for the year ended 31 December 2022 of the Company and its subsidiaries (collectively the “**Group**”), together with comparative figures for the year ended 31 December 2021 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2022

	<i>Notes</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Revenue	3	1,220,760	1,181,603
Cost of sales		(847,493)	(871,139)
Gross profit		373,267	310,464
Other income	4	15,909	11,924
Other gains and losses, net	5	(51,859)	(3,016)
Selling and distribution expenses		(49,468)	(54,403)
Administrative expenses		(56,266)	(64,465)
Finance costs	6	(11,760)	(4,889)
Profit before tax		219,823	195,615
Income tax expense	7	(43,926)	(37,336)
Profit for the year	8	175,897	158,279

	<i>Notes</i>	2022 HK\$'000	2021 HK\$'000
Other comprehensive (loss)/income			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange difference arising on translating foreign operations		<u>(11,995)</u>	<u>8,299</u>
Other comprehensive (loss)/income for the year		<u>(11,995)</u>	<u>8,299</u>
Total comprehensive income for the year		<u>163,902</u>	<u>166,578</u>
Profit for the year attributable to:			
Owners of the Company		<u>172,553</u>	158,316
Non-controlling interests		<u>3,344</u>	<u>(37)</u>
		<u>175,897</u>	<u>158,279</u>
Total comprehensive income for the year attributable to:			
Owners of the Company		<u>162,924</u>	165,871
Non-controlling interests		<u>978</u>	<u>707</u>
		<u>163,902</u>	<u>166,578</u>
Earnings per share, basic and diluted (HK cents)	<i>10</i>	<u>13.80</u>	<u>12.67</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

	<i>Notes</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		132,444	144,656
Right-of-use assets		52,733	50,274
Deposits paid for acquisition of property, plant and equipment		-	17
Rental deposits		1,452	1,616
Deferred tax assets		1,629	1,820
		<u>188,258</u>	<u>198,383</u>
Current assets			
Inventories		84,702	146,962
Trade and other receivables	<i>11</i>	155,733	164,471
Financial assets at fair value through other comprehensive income		76,577	55,597
Financial assets at fair value through profit or loss		152,281	127,603
Bank balances and cash		165,297	98,476
		<u>634,590</u>	<u>593,109</u>
Current liabilities			
Trade and other payables	<i>12</i>	151,182	184,835
Lease liabilities		3,574	1,066
Bank borrowings		-	35,520
Financial liabilities at fair value through profit or loss		508	928
Tax payable		19,376	15,929
		<u>174,640</u>	<u>238,278</u>
Net current assets		<u>459,950</u>	<u>354,831</u>
Total assets less current liabilities		<u>648,208</u>	<u>553,214</u>
Non-current liabilities			
Lease liabilities		5,422	580
		<u>5,422</u>	<u>580</u>
Net assets		<u>642,786</u>	<u>552,634</u>
Capital and reserves			
Share capital	<i>13</i>	12,500	12,500
Reserves		601,355	512,181
Equity attributable to owners of the Company		613,855	524,681
Non-controlling interests		28,931	27,953
Total equity		<u>642,786</u>	<u>552,634</u>

Notes:

1. GENERAL INFORMATION

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

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

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

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

The consolidated financial statements are presented in Hong Kong dollars (“**HK\$**”). The functional currency of the Company is United States dollars. All values are rounded to the nearest thousand dollars (HK\$’000) except otherwise indicated.

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

Amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following new and amendments to HKFRSs issued by Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) for the first time in the current year, which are mandatorily effective for the annual period beginning on or after 1 January 2022 for the preparation of the consolidated financial statements:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020
Accounting Guideline 5 (Revised)	Merger Accounting for Common Control Combinations

The application of the amendments to HKFRS Standards in the current year has had no material impact on the Group’s financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 17(including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ²
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback ³
Amendments to HKAS 1	Classification of Liabilities as Current or Non- current and related amendments to Hong Kong

Amendments to HKAS 1	Interpretation 5 (2020) ³
Amendments to HKAS 1 and HKFRS Practice Statement 2	Non-current Liabilities with Covenants ³
Amendments to HKAS 8	Disclosure of Accounting Policies ¹
Amendments to HKAS 12	Definition of Accounting Estimates ¹
	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ¹

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

² Effective for annual periods beginning on or after a date to be determined.

³ Effective for annual periods beginning on or after 1 January 2024.

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

3. REVENUE AND SEGMENT INFORMATION

Revenue represents revenue arising from the manufacturing and sales of products, which included sleepwear and loungewear products and greige fabric, and processing services for the years ended 31 December 2022 and 2021.

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

Disaggregation of revenue from contracts with customers

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Sales of products		
- Sleepwear	914,262	787,927
- Loungewear	296,295	364,944
- Greige fabric	4,999	25,381
Processing services	5,204	3,351
	<u>1,220,760</u>	<u>1,181,603</u>
Timing of revenue recognition		
At a point in time	1,215,556	1,178,252
Over time	5,204	3,351
	<u>1,220,760</u>	<u>1,181,603</u>

For manufacturing and sales of products, which included sleepwear products, loungewear products and greige fabric products, revenue is recognised when control of the goods has transferred, being when the goods have been shipped to the customer’s specific location (delivery). The normal credit period is 0 to 120 days upon delivery.

For processing services, such services are recognised as a performance obligation satisfied over time as the Group creates or enhances an asset that the customer controls when the Group provides processing services. Revenue is recognised for these processing services based on the stage of completion of the contract using input method. No credit period is granted to the customers.

Revenue arising from sales of products and processing services are under fixed price arrangement with customers. During the years ended 31 December 2022 and 2021, all performance obligations for manufacturing and sales of sleepwear products, loungewear products and greige products, 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, which is presented based on the location of customers:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Revenue		
United States of America	1,008,687	1,004,353
United Kingdom	75,186	57,946
Ireland	70,902	44,802
The PRC	6,434	28,732
Canada	31,602	28,274
Spain	24,179	17,496
Honduras	1,444	-
Cambodia	2,326	-
	<u>1,220,760</u>	<u>1,181,603</u>

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Non-current assets		
The PRC	138,241	160,274
Hong Kong	31,000	31,361
Cambodia	7,101	4,928
Honduras	10,287	-
	<u>186,629</u>	<u>196,563</u>

Note: Non-current assets excluded deferred tax assets.

Information about major customers

Revenue from customers for the years ended 31 December 2022 and 2021 contributing over 10% of the Group's revenue are as follows:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Customer A	1,003,169	1,000,432
Customer B	173,560	122,853
	<u>1,176,729</u>	<u>1,123,285</u>

4. OTHER INCOME

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Government grant	1,182	1,022
Interest income		
- Bank deposit	796	356
- Financial assets at fair value through profit or loss	4,242	9,158
Dividend income	3,812	916
Sales of raw materials and samples	5,240	287
Others	637	185
	<u>15,909</u>	<u>11,924</u>

5. OTHER GAINS AND LOSSES, NET

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Gain on disposal/written off of property, plant and equipment	29	65
Net foreign exchange (loss)/gain	(4,921)	1,057
Reversal for expected credit loss recognized on trade and other receivables, net	151	704
Fair value change on financial assets at fair value through profit or loss, net:		
- Foreign exchange options		
- Realized (loss)/gain	(27,341)	2,040
- Unrealized (loss)/gain	(612)	104
- Investments in bonds and funds		
- Realized gain	256	1,194
- Unrealized loss	(19,421)	(8,180)
	<u>(51,859)</u>	<u>(3,016)</u>

6. FINANCE COSTS

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Interest on trade financing	10,312	3,679
Interest on bank borrowings	481	1,000
Interest on lease liabilities	967	210
	<u>11,760</u>	<u>4,889</u>

7. INCOME TAX EXPENSE

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
The income tax expense comprises:		
Current tax:		
Hong Kong Profits Tax	33,941	32,864
PRC Enterprise Income Tax	9,101	3,544
Cambodia Income Tax	699	458
	<u>43,741</u>	<u>36,866</u>
Deferred tax charge	185	470
	<u>43,926</u>	<u>37,336</u>

(a) Cayman Islands

The Company was incorporated in the Cayman Islands as an exempted company with limited liability and, accordingly, is exempted from payment of Cayman Islands income tax.

(b) British Virgin Islands Income Tax

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

(c) Hong Kong Profits Tax

Under the two-tiered profits tax rates regime of Hong Kong Profits Tax, 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 years ended 31 December 2022 and 2021.

Pursuant to the EIT Law of PRC and the Detailed Implementation Rules, distribution of the profits earned by the PRC subsidiaries since 1 January 2008 to holding companies incorporated in Hong Kong is subject to the PRC withholding tax at tax rate of 5%.

(e) Cambodia Income Tax

Pursuant to the relevant laws and regulations in Cambodia, the tax rate of the Cambodian subsidiary is 20% during the years ended 31 December 2022 and 2021.

8. PROFIT FOR THE YEAR

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Profit for the year is stated after charging:		
Depreciation of property, plant and equipment	12,638	12,604
Depreciation of right-of-use assets	4,615	3,779
Expenses related to short-term leases	<u>1,000</u>	<u>967</u>

9. DIVIDEND

(i) Dividends payable to equity shareholders of the Company attributable to the year

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Final dividend proposed after the end of reporting period of HK\$0.044 per share (2021: HK\$0.059 per share)	<u>55,000</u>	<u>73,750</u>

(ii) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Final dividend in respect of the previous financial year, approved and paid during the year, of HK\$0.059 per share (2021: HK\$0.036 per share)	<u>73,750</u>	<u>45,000</u>

10. EARNINGS PER SHARE

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Earnings		
Earnings for the purpose of calculating basic earnings per share (Profit for the year attributable to the owners of the Company)	<u>172,553</u>	<u>158,316</u>
	<i>'000</i>	<i>'000</i>
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	<u>1,250,000</u>	<u>1,250,000</u>

Basic and diluted earnings per share for the years ended 31 December 2022 and 2021 was the same as there was no potential ordinary shares in issue during the years ended 31 December 2022 and 2021.

11. TRADE AND OTHER RECEIVABLES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Trade receivables, net	34,363	37,562
Deposit, prepayment and other receivables, net	<u>121,370</u>	<u>126,909</u>
	<u>155,733</u>	<u>164,471</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 expected credit losses, presented based on the delivery dates at the end of each reporting period:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
0-30 days	28,225	25,799
31-60 days	6,113	11,225
61-90 days	-	512
Over 90 days	<u>25</u>	<u>26</u>
	<u>34,363</u>	<u>37,562</u>

12. TRADE AND OTHER PAYABLES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Trade payables	31,992	93,174
Accruals and other payables	119,190	91,661
	151,182	184,835

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
0-30 days	31,856	86,316
31-60 days	-	6,760
61-90 days	-	-
Over 90 days	136	98
	31,992	93,174

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

13. SHARE CAPITAL

	Number of shares	Amount <i>HK\$'000</i>
Authorised: Balance as at 1 January 2021, 31 December 2021, 1 January 2022 and 31 December 2022	50,000,000,000	500,000
Issued and fully paid: Balance as at 1 January 2021, 31 December 2021, 1 January 2022 and 31 December 2022	1,250,000,000	12,500

14. COMPARATIVE FIGURES

Certain comparative amounts have been reclassified to be consistent with the current year's presentation.

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 at this stage operates production via sub-contractors with long-term relationship.

In 2022, in view of the complex and volatile external environment, as well as the various pressures and challenges posed by the decline in market supply and demand under the impact of the post-pandemic and global inflation, the Group has managed to achieve steady growth in revenue and operating profit through the proactive implementation of business strategies such as diversification of production bases and product portfolio. For the financial year 2022, the sales volume of sleepwear and loungewear products of the Group was approximately 26.6 million pieces, which recorded a slightly decrease of approximately 6.3% as compared to the sales volume in 2021. However, with the benefit of our vertical integration and cost saving strategies, the profit attributable to the owners of the Company recorded about HK\$172.5 million, representing an increment of approximately 9.0% as compared to the same period of last year.

For the year ended 31 December 2022, the Board proposed a final dividend of HK\$0.044 per share, representing a dividend ratio of approximately 31.9% out of the profit attributable to the owners of the Company. Given the Group continued to record good results in a challenging environment, and on the other hand the Group is reserving resources to further establish production bases in Central America and Vietnam for capturing the upcoming demand recovery, the Board decided to declare dividend at a moderate dividend ratio to shareholders of the Company for sharing fruitful returns to them and as an appreciation for their support.

Finance Review

Revenue

For the year ended 31 December 2022, the revenue of the Group recorded approximately HK\$1,220.8 million, representing an increment of approximately 3.3% as compared with the same period of last year. During 2022, the sales volume of sleepwear and loungewear products of the Group was approximately 26.6 million pieces while it was approximately 28.3 million pieces in 2021. 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 5.0% as compared with that in 2021.

Gross profit

The gross profit of the Group in 2022 was approximately HK\$373.3 million with gross profit margin of approximately 30.6%, while it was approximately HK\$310.5 million in 2021 with margin of approximately 26.3%. Under the post-pandemic environment, the pressure over global shipping arrangements and raw materials costs was gradually released, and also the appreciation of exchange rate from USD to RMB allowed us to record a higher profit margin.

On the other hand, the Group has implemented certain arrangements like entering into some foreign exchange options contracts to reduce the exchange fluctuation risks between USD and RMB during sales and purchase transactions and secure the gross profit margin at a manageable and predictable level. In 2022, when the spot rate for exchange USD to RMB recorded appreciation, the Group may be able to exchange more RMB for PRC production needs. At the same time the contract rate of the crystalized foreign exchange options contracts may be lower than the spot rate and hence resulted realized and unrealized net forfeited amount of approximately HK\$28.0 million in 2022. To view the above arrangement as a whole, the gains from exchange were forfeited, but the gross profit margin was secured at a higher level. However, due to foreign exchange option arrangement did not meet all requirements of classifying as hedging under related accounting standards, from the accounting aspect such forfeited amount cannot be recorded as a part of the cost of sales and reflect the actual operation situation. Hence

on one hand the said HK\$28.0 million was included in the gross profit amount stated above, and on the other hand the losses were recorded in the class of “other gains and losses”. If the said losses arising from the foreign exchange options were included when calculating the gross profit margin, in 2022 the average gross profit margin of the Group should be approximately 28.3% while it was approximately 26.5% in 2021.

Other gains and losses

For the year ended 31 December 2022, the Group recorded net other losses of approximately HK\$51.9 million, while it was approximately HK\$3.0 million during 2021. During the current year, such other losses mainly related to the realized and unrealized net losses from foreign exchange options contracts which were intended to control the USD and RMB exchange fluctuation risks during sales and purchase transactions. Also the Group recorded approximately HK\$19.2 million aggregated realized and unrealized net losses from investments in market-tradeable bond and funds, which were recorded according to the market value as at the reporting date. The Group intended to hold these investments on a long-term basis till maturity. Thus it is expected that these losses will not be realized when the investments are due to be redeemed at maturity. Also, the Group recorded approximately HK\$4.9 million exchange losses mainly due to the depreciation of RMB during the current year.

Selling and distribution expenses

For the year ended 31 December 2022, the selling and distribution expenses of the Group were approximately HK\$49.5 million, representing a decrease of approximately 9.1% from approximately HK\$54.4 million recorded in 2021. The Group aimed to utilize our resources in more effective way for cost control, and these has come to effect during last few years. The selling expenses over turnover ratio gradually decreased from approximately 5.7% in 2020 to approximately 4.2% in 2022.

Administrative expenses

The administrative expenses of the Group for the year ended 31 December 2022 were approximately HK\$56.3 million, representing a decrease of approximately 12.7% from approximately HK\$64.5 million recorded in 2021. During the current year 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 to use effectively and being prepared for the on-going inflation risk, and thus recorded reduction in administrative expenses.

Finance costs

The finance costs of the Group were approximately HK\$11.8 million during 2022, while it was approximately HK\$4.9 million in 2021. During 2022 the United States Federal System announced a series of actions to raise the interest rates, which also had substantial impact to the interest rate in Hong Kong. Thus the finance costs of the Group, which were mainly related to trade financing like factoring and discounting, also suffered substantial impact.

Profit attributable to the owners of the Company

The profit attributable to the owners of the Company increased by approximately 9.0% from approximately HK\$158.3 million for the year ended 31 December 2021 to approximately HK\$172.6 million for the year ended 31 December 2022. The increment of net profit was mainly due to the abovementioned increment of gross profit and also reduction in selling and administrative expenses.

Receivables and Payables

As at 31 December 2022, the trade and other receivables of the Group amounted to approximately HK\$155.7 million, representing a decrease of approximately HK\$8.7 million as compared to the balance in 2021. For 2022, the prepayments to import-export corporations was increased by approximately HK\$50.3 million due to the increase of production works in our overseas production bases and sub-contractors, but the prepayment amount to other suppliers was decreased by approximately HK\$22.6 million mainly due to the payment timing difference as compared with 2021. Furthermore, in view of the growing trend of interest rates, the Group adjusted the trade financing arrangements during the second half of 2022 and thus as at 31 December 2022 there were no other receivables in respect of factored trade receivables, while it was recorded approximately HK\$33.9 million in 2021.

As at 31 December 2022, the trade and other payables of the Group amounted to approximately HK\$151.2 million, representing a decrease of approximately HK\$33.7 million as compared to the balance in 2021. Such reduction is mainly due to the timely settlement of trade payables prior to the year end, resulting in a decrease of approximately HK\$61.2 million in the trade payables. Meanwhile, the prepayments from and purchase payables due to import-export corporations increased by approximately HK\$32.2 million due to the increase of production works in our overseas production bases and sub-contractors.

Outlook and Future Prospects

Year 2022 was a challenging year. Under the post-pandemic environment, the global economy is affected by the inflationary crisis. Different governments are using different strategies such as raising interest rates to slow down the inflation. It is expected the economic downturn will last for a period of time, but on the other hand this may provide opportunities for the Group to move forward in expanding the business to meet the expected demand recovery in the future.

In 2022 the Group established a production plant in Honduras, which is now under trial production phase and is expected to launch commercial operation in the second quarter of 2023. The Group is also looking for other places in Central America to expand our production capacities for both garments and raw materials. Our bases on the other side of the world may not only shorten the delivery time to our American customers, but also diversify the political risks and enjoy the benefits of being a pioneer in these new markets. Vertical integration is always the Group's business strategy to control quality and maintain stable supply, and applying this in the Central America plan can reduce the delivery cost and time, and also share the production pressure in our China base.

Furthermore, our Vietnam company has revised the investment proposal which has been approved by the Vietnam government authorities in 2023, and recently it has leased a land of about 30,000 square meters in Thua Thien Hue Province, Vietnam for 43 years at a total fee of USD1.15 million. Going forward, the Group may establish our first production facility in Vietnam which substantially increase our production capacities. Apart from cost reduction and quality enhancement, the new establishment in Vietnam is expected to satisfy the needs of existing customers as well as accommodate new customers.

In view of the above plans, the Group aims to expand our existing and new markets by utilizing our solid foundation, market intelligence, and technical knowhow 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 31 December 2022, the Group had current assets of approximately HK\$634.6 million (31 December 2021: HK\$593.1 million) and current liabilities of approximately HK\$174.6 million (31 December 2021: HK\$238.3 million). The current ratio was 3.63 as at 31 December 2022 as compared with 2.49 as at 31 December 2021.

The Group's cash and bank balances as at 31 December 2022 amounted to approximately HK\$165.3 million (31 December 2021: HK\$98.5 million), of which approximately 76.1% were denominated in United States dollars, 18.7% in Renminbi, 4.9% in Hong Kong dollars and 0.3% in other currencies.

As at 31 December 2022, the Group had no outstanding bank loans. As at 31 December 2021, the Group had outstanding bank loans amounting approximately HK\$35.5 million which were granted by banks in Singapore and PRC, and were denominated in United States Dollars and Renminbi, with interest rates charged by banks ranged from 1.32% to 4.70% per annum in which all were charged at fixed interest rates. The Group pledged assets of the Group with a net book value of HK\$130.9 million (31 December 2021: HK\$144.7 million) for bank loans and unutilized banking facilities.

The gearing ratio of the Group, measured by bank borrowings as a percentage of shareholders' equity, was zero as at 31 December 2022 as compared with approximately 6.8% as at 31 December 2021.

Since the Group's principal activities are in Hong Kong and PRC and the financial resources available, including cash on hand and bank borrowings, are mainly in Hong Kong Dollars, Renminbi and United States Dollars, the exposure to foreign exchange fluctuation is relatively limited. As at 31 December 2022, the Group entered into foreign currency forward contracts to offset 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 31 December 2022, the Group invested in 12 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 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 bank, airline services, property and real estate development in the PRC, etc.. As at 31 December 2022, the total amount of par value of these bonds was approximately USD6.75 million (equivalent to approximately HK\$52.7 million) and the market value was approximately USD4.3 million (equivalent to approximately HK\$33.5 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 year ended 31 December 2022, the Group recognized realized trading gain of approximately HK\$0.3 million and net unrealized loss from mark-to-market fair value adjustments of approximately HK\$14.0 million.

As at 31 December 2022, the Group also invested in 12 different funds with par value between USD0.4 million and USD2.0 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 USD0.4 million to USD3.9 million each. As at 31 December 2022, the total amount of par value of these funds was approximately USD11.3 million (equivalent to approximately HK\$88.1 million) and the market value was approximately USD10.6 million (equivalent to approximately HK\$82.3 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 year ended 31 December 2022, the Group recognized net unrealized loss from mark-to-market fair value adjustments of approximately HK\$5.8 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.

Material Acquisitions and Disposals

The Group did not have material acquisitions and disposals for the year ended 31 December 2022.

Significant Investment

Other than those stated above, the Group did not have other significant investment for the year ended 31 December 2022.

Contingent Liabilities

As at 31 December 2022, the Directors were not aware of any material contingent liabilities.

Events after the Reporting Period

No subsequent events occurred after 31 December 2022 which may have a significant effect on the assets, liabilities or future operations of the Group.

Capital Structure

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

Purchase, Sale or Redemption of Shares

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company’s listed securities during the year ended 31 December 2022.

Employees and Remuneration Policy

As at 31 December 2022, the Group employed about 1,969 staff and workers in Hong Kong, PRC, Cambodia, Vietnam and Honduras (as at 31 December 2021: 1,712). The Group remunerates its employees based on their performance and experience and their remuneration package will be reviewed periodically by the management. Other employee benefits include medical insurance, retirement scheme, appropriate training program and share option scheme.

Competing Interest

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

Each of the Controlling Shareholders has provided a written confirmation (each a “**Confirmation**”, and together the “**Confirmations**”) to the Company confirming that he/she/it fully complied with the Deed of Non-Competition (as defined in the Prospectus) during the year ended 31 December 2022 and that they did not conduct any competing business with the Group and were not offered any competing business opportunities with the Group during the year ended 31 December 2022. The independent non-executive Directors have reviewed the Confirmations from the Controlling Shareholders and are satisfied that the Deed of Non-Competition was fully complied with by Controlling Shareholders during the year ended 31 December 2022, and no competing business was reported by the Controlling Shareholders throughout the year ended 31 December 2022.

Directors’ Interests in Transaction, Arrangements or Contracts

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

Model Code for Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 of the Listing Rules as its own code of conduct for securities transactions by directors. Having made specific enquiry of the Company’s directors, all directors have confirmed their compliance with all the relevant requirements as set out in the Model Code during the year ended 31 December 2022.

Independence of Independent Non-executive Directors

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

Code of Corporate Governance Practices

The Company has complied with all of the code provisions of the Corporate Governance Code and Corporate Governance Report (the “**Code**”) as set out in Appendix 14 of the Listing Rules during the year ended 31 December 2022, except for the following deviations:

Pursuant to Code Provision A.2.1 of the Code, the role of chairman and the chief executive should be segregated and should not be performed by the same individual. However, the Company does not have a separate chairman and chief executive and Mr. Tam Kwok Pui currently performs these two roles. The Directors believe that vesting the roles of both chairman and chief executive in the same position has the benefit of ensuring consistent leadership within the Group and enables more effective and efficient overall strategic planning for the Group. The Board considers that the balance of power and authority for the present arrangement will not be impaired and this structure will enable the Company to make and implement decisions promptly and effectively. The Board will continue to review and consider splitting the roles of chairman of the Board and chief executive of the Company at a time when it is appropriate and suitable by taking into account the circumstances of the Group as a whole.

Audit Committee

The Company has established the audit committee for the purpose of monitoring the integrity of the financial statements and overseeing the financial reporting process and the internal control system of the Group. Currently, the audit committee is chaired by independent non-executive director Mr. 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 audited annual financial results for the year ended 31 December 2022 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 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 executive director Mr. Tam Kwok Pui and other members include the independent non-executive directors Mr. Woo Chun Fai and Mr. Mak King Sau.

Annual General Meeting

The annual general meeting of the shareholders of the Company will be held at 21/F, Grand Millennium Plaza, 183 Queen's Road Central, Sheung Wan, Hong Kong on Thursday, 8 June 2023 and the notice of annual general meeting will be published and dispatched to the shareholders in the manner as required by the Listing Rules in due course.

Closure of Register of Members

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

- (i) from Monday, 5 June 2023 to Thursday, 8 June 2023 both days inclusive, for the purpose of ascertaining shareholders' entitlement to attend and vote at the annual general meeting of the Company to be held on Thursday, 8 June 2023. In order to be eligible to attend and vote at the annual general meeting of the Company, all share certificates with completed transfer forms either overleaf or separately must be lodged for registration with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30pm on Friday, 2 June 2023; and
- (ii) on Tuesday, 20 June 2023, for the purpose of ascertaining shareholders' entitlement to the proposed final dividend. In order to establish entitlements to the proposed final dividend, all share certificates with completed transfer forms either overleaf or separately must be lodged for registration with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30pm on Monday, 19 June 2023. The final

dividend will be paid on or about Tuesday, 4 July 2023 to the shareholders whose names appear on the register of members as on Tuesday, 20 June 2023.

Scope of Work of HLB Hodgson Impey Cheng Limited

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the Year as set out in this announcement have been agreed by the Group's auditors, HLB Hodgson Impey Cheng Limited ("HLB"), to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by HLB in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by HLB on this preliminary announcement.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

The annual results announcement will be published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.justinallengroup.com) and the Company's 2022 Annual Report will be dispatched to Shareholders and published on the Company's and the Stock Exchange's websites in due course.

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

Hong Kong, 30 March 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.