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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)

2023 INTERIM RESULTS ANNOUNCEMENT

The board (the “**Board**”) of directors (the “**Directors**”) of Justin Allen Holdings Limited (the “**Company**”) is pleased to announce the unaudited condensed consolidated interim results for the six months ended 30 June 2023 of the Company and its subsidiaries (collectively the “**Group**”), together with comparative figures for the previous period as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the Six Months Ended 30 June 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

		Six months ended 30 June	
		2023	2022
<i>Note</i>		HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Other comprehensive income/(loss), net of income tax			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange difference on translation of foreign operations		<u>(9,132)</u>	<u>(6,805)</u>
Other comprehensive income/(loss) for the period, net of income tax		<u>(9,132)</u>	<u>(6,805)</u>
Total comprehensive income for the period, net of income tax		<u>32,216</u>	<u>26,457</u>
Profit/(loss) for the period attributable to:			
- Owners of the Company		40,226	34,194
- Non-controlling interests		<u>1,122</u>	<u>(932)</u>
		<u>41,348</u>	<u>33,262</u>
Total comprehensive income/(loss) for the period attributable to:			
- Owners of the Company		34,909	28,645
- Non-controlling interests		<u>(2,693)</u>	<u>(2,188)</u>
		<u>32,216</u>	<u>26,457</u>
Dividend	6	<u>-</u>	<u>-</u>
Earnings per share	7		
- Basic and diluted (HK cents)		<u>3.22</u>	<u>2.74</u>

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		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
		<u>183,087</u>	<u>188,258</u>
Current assets			
Inventories		235,407	84,702
Trade and other receivables	8	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
		<u>736,480</u>	<u>634,590</u>
Current liabilities			
Trade and other payables	9	219,010	151,182
Lease liabilities		3,014	3,574
Financial liabilities at fair value through profit or loss		-	508
Tax payable		17,935	19,376
		<u>239,959</u>	<u>174,640</u>
Net current assets		<u>496,521</u>	<u>459,950</u>
Total assets less current liabilities		<u>679,608</u>	<u>648,208</u>
Non-current liabilities			
Lease liabilities		4,606	5,422
		<u>4,606</u>	<u>5,422</u>
Net assets		<u>675,002</u>	<u>642,786</u>
Capital and reserves attributable to owners of the Company			
Share capital		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		<u>675,002</u>	<u>642,786</u>

Notes:

1. Basis of preparation

This consolidated interim financial results have been prepared in accordance with the applicable disclosure requirements of the Rules Governing the Listing of Securities on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

This consolidated interim financial results contain consolidated financial results and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the publication of the 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 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

In the current interim period, 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 of the Company who are also directors of the operating subsidiaries) (the “**CODM**”) for the purpose of resource allocation and performance assessment, which is the consolidated results of the Group. As a result, there is only one reporting segment of the Group. No analysis of segment assets or segment liabilities is presented as such information is not regularly provided to the CODM.

Revenue from major products and services

	Six months ended 30 June	
	2023 <i>HK\$'000</i> (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.

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 <i>HK\$'000</i> (Unaudited)	2022 <i>HK\$'000</i> (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 30 June 2023 (Unaudited)	As at 31 December 2022 (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	-
	<u>180,500</u>	<u>186,629</u>

Note: Non-current assets excluded deferred tax assets.

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 is as follows:

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

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
	<u>11,465</u>	<u>15,618</u>
Deferred tax credit	<u>(1,002)</u>	<u>(1,926)</u>
	<u>10,463</u>	<u>13,692</u>

(a) Cayman Islands

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

(b) British Virgin Islands Income Tax

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

(c) Hong Kong Profits Tax

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:		
Depreciation of property, plant and equipment	6,695	6,152
Depreciation of right-of-use assets	2,592	2,240
Expenses related to short-term leases	559	901
	<u>6,695</u>	<u>6,152</u>

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)	<u>40,226</u>	<u>34,194</u>

	'000 (Unaudited)	'000 (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. 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
Other 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

9. 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	<u>133</u>	<u>136</u>
	<u>108,210</u>	<u>31,992</u>

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

10. Contingent liabilities

The Group has no significant contingent liabilities as at 30 June 2023 (2022: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The Group primarily engages in the business of OEM garment manufacturing, specializing in the production of sleepwear and loungewear products. We have a vertically integrated business operation, which is comprised of (1) raw materials sourcing and greige fabric production, (2) raw materials and fabric development, (3) garment design, (4) customer consultation on product design and fabric use, (5) conducting key garment production processes with our production facilities, and (6) carrying out quality control at various key production stages and on finished garment products. As such, in addition to the individual services listed above, the Group offers our customers a one-stop solution, from apparel inception to finalized production and shipment. The Group owns production facilities in each of Henan Province, the People's Republic of China ("PRC"), 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.

Finance 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 shipment 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.

Capital Commitments

As at 30 June 2023, the Group had capital commitments of approximately HK\$2.5 million (31 December 2022: approximately HK\$0.14 million).

Material Acquisitions and Disposals

The Group did not have material acquisitions and disposals for the six months ended 30 June 2023.

Significant Investment

Other than those stated above, the Group did not have other significant investment for the six months ended 30 June 2023.

Contingent Liabilities

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

Events after the Reporting Period

No subsequent events occurred after 30 June 2023, which may have a significant effect, on the assets and liabilities or future operations of the Group.

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.

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.

Competing Interest

None of the Directors and 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 the 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 for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 of the Listing Rules as its own code of conduct for securities transactions by Directors. Having made specific enquiry of the Directors, all Directors have confirmed their compliance with all the relevant requirements as set out in the Model Code during the six months ended 30 June 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 considers that the balance of power and authority for the present arrangement will not be impaired and this structure will enable the Company to make and implement decisions promptly and effectively. The Board will continue to review and consider splitting the roles of chairman of the Board and chief executive of the Company at a time when it is appropriate and suitable by taking into account the circumstances of the Group as a whole.

Interim Dividend

The Directors did not recommend the payment of any interim dividend for the six months ended 30 June 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 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 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.

Publication of the Interim Results and Interim Report

The interim results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.justinallengroup.com). The Company's interim report for the six months ended 30 June 2023 will be dispatched to the Shareholders and published on the aforementioned websites in due course.

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

Hong Kong, 30 August 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.