



# Janco Holdings Limited 駿高控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8035

## 2018 Third Quarterly Report



## CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

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*This report, for which the directors (the "**Directors**" or individually a "**Director**") of Janco Holdings Limited (the "**Company**") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "**GEM Listing Rules**") for the purpose of giving information with regard to the Company and its subsidiaries (collectively referred to as the "**Group**", "**we**", "**our**" or "**us**"). The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.*

## THIRD QUARTERLY RESULTS

The board of Directors (the “**Board**”) of the Company is pleased to announce that the unaudited financial results of the Group for the nine months ended 30 September 2018, together with the corresponding comparative figures, are as follows. The financial results has been approved by the Board.

### UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months and nine months ended 30 September 2018

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
Revenue	3	91,930	95,639	269,606	205,735
Cost of sales		80,418	(83,976)	(236,950)	(174,223)
Gross Profit		11,512	11,663	32,656	31,512
Other income		3	5	3	11
Other gains or (losses)		(28)	(51)	88	19
Administrative expenses		(8,889)	(9,949)	(27,768)	(28,073)
Finance costs		(818)	(182)	(1,433)	(415)
Profit before taxation		1,780	1,486	3,546	3,054
Income tax expense	4	(818)	(456)	(1,424)	(1,126)
Profit and total comprehensive income for the period		962	1,030	2,122	1,928
Attributable to:					
Owners of the Company		962	1,030	2,122	1,928
Non-controlling interests		–	–	–	–
Earnings per share					
— basic (HK cents)	5	0.16	0.17	0.35	0.32

## UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 30 September 2018

	Share capital HK\$'000	Capital reserve HK\$'000 (Note i)	Retained profits HK\$'000	Total HK\$'000
At 1 January 2018 (audited)	6,000	17,659	12,582	36,241
Profit and total comprehensive income for the period	–	–	2,122	2,122
At 30 September 2018 (unaudited)	6,000	17,659	14,704	38,363
At 1 January 2017 (audited)	6,000	17,659	10,900	34,559
Profit and total comprehensive income for the period	–	–	1,928	1,928
At 30 September 2017 (unaudited)	6,000	17,659	12,828	36,487

Note:

- (i) Capital reserve comprises of (i) the profits derived from the provision of air and ocean freight forwarding services in Hong Kong prior to 1 July 2015 carried out by JFX Limited, a company previously wholly owned by Mr. Cheng Hon Yat ("Mr. Cheng") before the transfer of such business to Janco Global Logistics Limited ("Janco Global Logistics"), a wholly owned subsidiary of the Group, as they legally belonged to JFX Limited and are non-distributable profits of the Group; and (ii) the difference between the nominal value of the aggregate share capital of the subsidiaries acquired by the Company upon the group reorganisation completed on 29 December 2015 and the nominal value of the Company's shares issued.

# NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

*For the nine months ended 30 September 2018*

## 1. GENERAL INFORMATION AND BASIS OF PREPARATION

The Company was incorporated in the Cayman Islands on 12 November 2015 as an exempted company with limited liability. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The address of its principal place of business in Hong Kong is Unit 1608, 16th Floor, Tower A, Manulife Financial Centre, No. 223 Wai Yip Street, Kwun Tong, Kowloon, Hong Kong. The shares of the Company (the “**Shares**”) were listed on GEM of the Stock Exchange since 7 October 2016 (the “**Listing Date**”).

The Company is an investment holding company. The subsidiaries of the Company are principally engaged in (i) the provision of freight forwarding services through purchasing cargo space from airlines, shipping liners, other freight forwarders or general sales agents (“**GSAs**”) and either sell it to direct shippers or on-sell it to other freight forwarders who act on behalf of their shipper customers; (ii) the provision of ancillary logistics services which include customised value-added services for our direct customers; and (iii) the provision of e-commerce and fulfillment services for cross border e-commerce traffic from overseas as well as outbound traffic from China to worldwide.

The unaudited consolidated financial statements are presented in Hong Kong dollars (“**HK\$**”), which is the same as the functional currency of the Group.

## 2. SIGNIFICANT ACCOUNTING POLICIES

The unaudited consolidated financial statements of the Group have been prepared in accordance with the Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants. In addition, the unaudited consolidated financial statements include the applicable disclosures required by the GEM Listing Rules and the Hong Kong Companies Ordinance (Chapter 622 of the Laws of Hong Kong).

The accounting policies and method of computation used in the preparation of these results are consistent with those used in the annual report for the year ended 31 December 2017. The Group has adopted new or revised standards, amendments to standards and interpretations of HKFRSs which are effective for accounting periods commencing on or after 1 January 2018. The adoption of such new or revised standards, amendments to standards and interpretations does not have any material impact on the consolidated financial statements of the Group and does not result in substantial changes to the Group’s accounting policies.

The consolidated financial statements have not been audited by the Company’s independent auditor, but have been reviewed by the audit committee of the Company (the “**Audit Committee**”).

### 3. REVENUE

	Three months ended 30 September		Nine months ended 30 September	
	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
Air freight forwarding services income	28,576	24,933	96,802	63,365
Ocean freight forwarding services income	26,911	29,939	81,346	76,952
Logistics services income	18,358	13,974	50,075	35,827
E-commerce services income	18,085	26,793	41,383	29,591
	<b>91,930</b>	<b>95,639</b>	<b>269,606</b>	<b>205,735</b>

### 4. INCOME TAX EXPENSE

	Three months ended 30 September		Nine months ended 30 September	
	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
Hong Kong Profits Tax:				
Current tax	818	402	1,424	1,072
Deferred tax	–	54	–	54
	<b>818</b>	<b>456</b>	<b>1,424</b>	<b>1,126</b>

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for the relevant periods.

### 5. EARNINGS PER SHARE

The calculation of basic earnings per Share for the relevant periods is based on the unaudited profit attributable to owners of the Company for the relevant periods and on 600,000,000 (2017: 600,000,000) Shares, being the weighted average number of ordinary shares in issue during the relevant periods.

No diluted earnings per Share is presented for the relevant periods as there were no potential dilutive ordinary shares in issue.

### 6. DIVIDENDS

No dividends were paid, declared or proposed during the nine months ended 30 September 2018 (2017: Nil). The Directors resolved not to pay an interim dividend for the nine months ended 30 September 2018 (2017: Nil).

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

We are a well established freight forwarding and logistics one-stop service provider founded and based in Hong Kong with a strategic focus in Asia. Freight forwarding services form our core business. We purchase cargo space from airlines, shipping liners, other freight forwarders or GSAs and either sell it to direct shippers or on-sell it to other freight forwarders who act on behalf of their shipper customers. A majority of our customers are direct shipper customers. We offer air freight and ocean freight services and a majority of air and sea cargo space we sell are for goods exporting from Hong Kong to various destinations in Asia such as Bangladesh, Vietnam, Sri Lanka, Cambodia and Thailand.

On top of our core freight forwarding services, we strategically offer ancillary logistics services primarily at our warehouses located in Yau Tong and Tsing Yi in response to the rising demand from our customers who require customised value-added logistics services. The ancillary logistics services we offer include warehousing, repacking, labelling, palletising and local delivery within Hong Kong. We integrate our ancillary logistics services into our core freight forwarding services to strategically create a distinct corporate identity among our shipper customers.

During the period, we are expanding our e-commerce business to capture the growing opportunities arising from the increasing demand derived from the increasing e-commerce volume to United Kingdom, other European countries and cross-border logistics activities. In addition, we are also expanding our e-commerce and fulfillment services for cross border e-commerce traffic from overseas as well as outbound traffic from China to worldwide.

Our competitive strengths are key factors contributing to our success to date. The Directors believe that the competitive strengths as set out under the section headed "Business" in the prospectus of the Company dated 30 September 2016 will continue to enhance our presence and increase our market share in the freight forwarding and logistics industries.

## **FUTURE PLANS**

In the future, we will seek opportunity to expand our GSA business and logistics business in Asia by negotiating with different airlines and locating different warehouses, respectively.

Expecting significant growth in e-commerce revenue in the future, we are constantly improving our selection of solutions to our customers. Our intention is to become a major logistics service provider across the region. We are also enhancing our capability and strengthening our last mile delivery transit time as well as simplifying our e-commerce process to increase our efficiency. We will also continue to capture the growing opportunities arising from cross border e-commerce traffic from overseas as well as outbound traffic from China to worldwide.

## **FINANCIAL REVIEW**

### **Revenue**

Revenue of the Group increased by approximately 31.1% from approximately HK\$205.7 million for the nine months ended 30 September 2017 to approximately HK\$269.6 million for the nine months ended 30 September 2018. The increase in revenue was mainly contributed by the increase in revenue from air freight forwarding services and e-commerce services by approximately HK\$33.4 million and HK\$11.8 million respectively.

The increase in revenue from air freight forwarding services was mainly contributed by the increase in shipment volume under the orders placed by our existing and new customers during the nine months ended 30 September 2018.

We have started our e-commerce business since June 2017 which contributed to the revenue of approximately HK\$41.4 million for the nine months ended 30 September 2018 (2017: HK\$29.6 million).



## Cost of sales and gross profit

Cost of sales increased by approximately 36.1% from approximately HK\$174.2 million for the nine months ended 30 September 2017 to approximately HK\$237.0 million for the nine months ended 30 September 2018. The increase in cost of sales was mainly attributable to the incurrence of cost of sales for the newly established e-commerce business of approximately HK\$41.3 million for the nine months ended 30 September 2018 (2017: HK\$28.6 million) and increase in air freight costs. Such increase was in line with the increase in our revenue from air freight forwarding services and e-commerce services.

Gross profit increased by approximately 3.8% from approximately HK\$31.5 million for the nine months ended 30 September 2017 to approximately HK\$32.7 million for the nine months ended 30 September 2018. Gross profit margin decreased from approximately 15.3% for the nine months ended 30 September 2017 to approximately 12.1% for the nine months ended 30 September 2018. There was an increase in percentage revenue generated from e-commerce business for the nine months ended 30 September 2018. As the gross profit margin for e-commerce business was lower than freight forwarding and logistics business, it contributed to the decrease in gross profit margin of the Group for the nine months ended 30 September 2018.

## Administrative expenses

Administrative expenses decreased by approximately 1.1% from approximately HK\$28.1 million for the nine months ended 30 September 2017 to approximately HK\$27.8 million for the nine months ended 30 September 2018. The decrease in administrative expenses was mainly due to the decrease in legal and professional fees partially offset by increase in our staff costs for the nine months ended 30 September 2018.

## Income tax expense

Income tax expense represented the provision of Hong Kong profits tax calculated at 16.5% of the estimated assessable profits during the nine months ended 30 September 2017 and 2018, respectively.

## Profit and total comprehensive income attributable to owners

For the nine months ended 30 September 2018, the Group recorded a profit and total comprehensive income attributable to owners of the Company of approximately HK\$2.1 million as compared to that of approximately HK\$1.9 million for the corresponding period in 2017. The increase in profit and total comprehensive income attributable to owners of the Company was mainly due to the increase in revenue and net profit from freight forwarding business partially offset by the increase in finance costs.

## OTHER INFORMATION

### INTERIM DIVIDEND

The Directors resolved not to pay an interim dividend for the nine months ended 30 September 2018 (2017: Nil).

### CAPITAL COMMITMENT

As at 30 September 2018, the Group did not have any material capital commitments (2017: Nil).

### CHARGE ON THE GROUP'S ASSETS AND CONTINGENT LIABILITIES

As at 30 September 2018, the Group has pledged its bank deposits to banks for an amount of approximately HK\$42.0 million (2017: HK\$22.0 million) to secure the general banking facilities granted to the Group with an outstanding amount of indebtedness of approximately HK\$73.6 million as at 30 September 2018 (2017: HK\$20.5 million).

The Group has no material contingent liabilities as at 30 September 2018 (2017: Nil).

### MATERIAL ACQUISITIONS AND DISPOSAL

During the nine months ended 30 September 2018, the Group had no material acquisitions or disposals of subsidiaries, associates or joint ventures.

### PURCHASE, SALE OR REDEMPTION OF SHARES

During the nine months ended 30 September 2018, neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Shares.

### SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by the Directors on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules (the "**Model Code**"). The Company, having made specific enquiry of all the Directors, is not aware of any non-compliance with the required standard of dealings and its code of conduct regarding securities transactions by the Directors during the nine months ended 30 September 2018.

Pursuant to rule 5.66 of the Model Code, the Directors have also requested any employee of the Company or director or employee of a subsidiary of the Company who, because of his office or employment in the Company or a subsidiary, is likely to possess inside information in relation to the securities of the Company, not to deal in securities of the Company when he would be prohibited from dealings by the Model Code as if he was a Director.

## **DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ITS ASSOCIATED CORPORATIONS**

As at 30 September 2018, the interests or short positions of each of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO") (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

### **Interests in the Company**

#### *Long positions in the Shares*

<b>Name of Director/ chief executive</b>	<b>Capacity/Nature of interest</b>	<b>Number of Shares held</b>	<b>Percentage of the Company's issued share capital</b>
Mr. Cheng	Interest in a controlled corporation ( <i>Note</i> )	450,000,000	75%

*Note:*

These Shares are held by Million Venture Holdings Limited ("**Million Venture**"), which is wholly-owned by Mr. Cheng. By virtue of the SFO, Mr. Cheng is deemed to be interested in all the Shares held by Million Venture.

## Interests in associated corporation(s) of the Company

*Long positions in the shares of the associated corporation(s)*

Name of Director/ chief executive	Name of associated corporation	Capacity/ Nature of interest	Number of shares held	Percentage of shareholding
Mr. Cheng	Million Venture	Beneficial owner	1	100%

Save as disclosed above, as at 30 September 2018, none of the Directors nor the chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and/or short positions which they are taken or deemed to have under such provisions of the SFO); or (ii) which were required to be recorded in the register required to be kept by the Company under Section 352 of the SFO; or (iii) which were otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

## SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

As at 30 September 2018, so far as the Directors are aware, the following persons (other than a Director and the chief executive of the Company) or entities had or deemed or taken to have an interest and/or short position in the Shares, the underlying Shares or the debentures of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were required to be recorded in the register of interests required to be kept by the Company under Section 336 of the SFO:

### Long Positions in the Shares

Name of shareholder	Capacity/Nature of interest	Number of Shares held	Percentage of the Company's issued share capital
Million Venture	Beneficial owner	450,000,000	75%
Ms. Tai Choi Wan, Noel	Interest of spouse ( <i>Note</i> )	450,000,000	75%

*Note:*

Ms. Tai Choi Wan, Noel is the spouse of Mr. Cheng and is deemed, or taken to be, interested in all the Shares in which Mr. Cheng is interested under the SFO.

Save as disclosed above, as at 30 September 2018, the Company has not been notified of any other persons (other than a Director or a chief executive of the Company) or entities who had or deemed or taken to have an interest or a short position in the Shares or underlying Shares of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were required to be recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

## **SHARE OPTION SCHEME**

The Company conditionally adopted a share option scheme (the “**Share Option Scheme**”) on 23 September 2016. The terms of the Share Option Scheme are in accordance with the provisions of Chapter 23 of the GEM Listing Rules. The principal terms of the Share Option Scheme are summarised in the 2017 annual report of the Company. Since the Listing Date and up to the date of this report, no option has been granted, exercised, cancelled or lapsed under the Share Option Scheme.

## **ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES**

Other than the Share Option Scheme disclosed above, at no time during the nine months ended 30 September 2018 and up to the date of this report was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

## **DIRECTORS’ MATERIAL INTERESTS IN CONTRACTS OF SIGNIFICANCE**

No contract of significance, to which the Company or any of its subsidiaries was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of 30 September 2018 or at any time during the nine months ended 30 September 2018.

## COMPETING INTEREST

For the nine months ended 30 September 2018, the Directors were not aware of any business or interest of the Directors, the controlling shareholders of the Company and their respective close associates (as defined under the GEM Listing Rules) that compete or may compete with the business of the Group and any other conflict of interest which any such person has or may have with the Group.

## INTERESTS OF THE COMPLIANCE ADVISER

In accordance with Rule 6A.19 of the GEM Listing Rules, the Company has appointed Lego Corporate Finance Limited (the “**Compliance Adviser**”) to be the compliance adviser. As notified by the Compliance Adviser, as at the date of this report, save for the compliance adviser agreement dated 22 April 2016 entered into between the Company and the Compliance Adviser, neither the Compliance Adviser nor its directors, employees or close associates (as defined under the GEM Listing Rules) had any interests in relation to the Group which is required to be notified to the Group pursuant to Rule 6A.32 of the GEM Listing Rules.

## CORPORATE GOVERNANCE

The Company has complied with the code provisions set out in the Corporate Governance Code (the “**CG Code**”) contained in Appendix 15 to the GEM Listing Rules, other than the code provision A.2.1. CG Code provision A.2.1 stipulates that the roles of chairman and chief executive should be separated and should not be performed by the same individual. Mr. Cheng is the chairman and the chief executive officer of the Company. In view of Mr. Cheng being one of the co-founders of the Group and has been managing the Group’s business and supervising over all strategic planning since its establishment, the Board believes that it is in the best interest of the Group to have Mr. Cheng taking up both roles for effective management and business development. Therefore the Directors consider that the deviation from the CG Code provision A.2.1 is appropriate in such circumstance.

The Board believes that the balance of power and authority is adequately ensured by the operations of the Board which comprises experienced and high-caliber individuals, with four of them being independent non-executive Directors.

## IMPORTANT EVENTS AFTER THE REPORTING PERIOD

The Board is not aware of any significant event requiring disclosure that has been taken place subsequent to 30 September 2018 and up to the date of this report.

## AUDIT COMMITTEE

The Company has established the Audit Committee on 23 September 2016, with written terms of reference in compliance with Rules 5.28 and 5.33 of the GEM Listing Rules. The primary duties of the Audit Committee are to, among other things, review and supervise the financial reporting system, risk management and internal control system of the Group, nominate and monitor the external auditor and to be responsible for all matters relating to the continuing connected transactions of the Company. The Audit Committee currently comprises four independent non-executive Directors, namely Mr. Siu Wing Hay, Mr. Wong Yee Lut Eliot, Mr. Luk Kin Ting and Mr. Lau Chi Kit. Mr. Siu Wing Hay is the chairman of the Audit Committee.

The Audit Committee has reviewed the unaudited consolidated financial statements of the Group for the nine months ended 30 September 2018 and was of the opinion that the preparation of such statements complied with applicable accounting standards and that adequate disclosure has been made in respect thereof.

By Order of the Board  
**Janco Holdings Limited**  
**Cheng Hon Yat**  
*Chairman*

Hong Kong, 9 November 2018

*As at the date of this report, the executive Directors are Mr. Cheng Hon Yat, Mr. Chan Kwok Wai, Mr. Lo Wai Wah and Mr. Yau Sze Yeung; and the independent non-executive Directors are Mr. Siu Wing Hay, Mr. Wong Yee Lut Eliot, Mr. Luk Kin Ting and Mr. Lau Chi Kit.*

*This report will remain on GEM's website at [www.hkgem.com](http://www.hkgem.com) on the "Latest Company Announcements" page for at least 7 days from the date of its posting and on the website of the Company at [www.jancofreight.com](http://www.jancofreight.com).*