Janco Holdings Limited
駿高控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8035

2018
Annual Report

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*This report, for which the directors (collectively the "**Directors**" or individually a "**Director**") of Janco Holdings Limited (the "**Company**", and together with its subsidiaries, the "**Group**", "**We**", "**our**" or "**us**") 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. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this annual 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 annual report misleading.*

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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Ng Chin Hung *(Chairman and Chief executive officer)*
Mr. Cheng Tak Yuen
Mr. Chan Chun Sing

Independent Non-executive Directors

Mr. Lee Kwong Chak, Bonnio
Mr. Pang Chung Fai, Benny
Mr. Chan Fei Fei

COMPANY SECRETARY

Mr. Chan Chun Sing, *CPA*

COMPLIANCE OFFICER

Mr. Ng Chin Hung

AUTHORISED REPRESENTATIVES

Mr. Ng Chin Hung
Mr. Chan Chun Sing

BOARD COMMITTEES

Audit Committee

Mr. Lee Kwong Chak, Bonnio *(Chairman)*
Mr. Pang Chung Fai, Benny
Mr. Chan Fei Fei

Remuneration Committee

Mr. Chan Fei Fei *(Chairman)*
Mr. Lee Kwong Chak, Bonnio
Mr. Pang Chung Fai, Benny

Nomination Committee

Mr. Pang Chung Fai, Benny *(Chairman)*
Mr. Lee Kwong Chak, Bonnio
Mr. Chan Fei Fei

REGISTERED OFFICE

Cricket Square
Hutchins Drive
PO Box 2681
Grand Cayman, KY1-1111
Cayman Islands

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 1608, 16th Floor
Tower A, Manulife Financial Centre
No. 223 Wai Yip Street
Kwun Tong, Kowloon
Hong Kong

HONG KONG LEGAL ADVISER

ONC Lawyers
19th Floor, Three Exchange Square
8 Connaught Place
Central
Hong Kong

COMPLIANCE ADVISER

Lego Corporate Finance Limited (terminated with effect from 12 April 2019)
Room 1601, 16th Floor, China Building
29 Queen's Road Central
Central
Hong Kong

Messis Capital Limited (appointed with effect from 12 April 2019)
Room 1606, 16/F, Tower 2
Admiralty Centre
18 Harcourt Road
Hong Kong

AUDITOR

ZHONGHUI ANDA CPA Limited
Certified Public Accountants
Unit 701, 7th floor, Citicorp Centre
18 Whitfield Road
Causeway Bay
Hong Kong

COMPANY'S WEBSITE

www.jancofreight.com

PRINCIPAL SHARE REGISTRAR

Conyers Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
PO Box 2681
Grand Cayman, KY1-1111
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR

Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL BANKERS

DBS Bank (Hong Kong) Limited
16th Floor, The Center
99 Queen's Road Central
Hong Kong

The Hong Kong and Shanghai Banking Corporation Limited
1 Queen's Road Central
Hong Kong

STOCK CODE

8035

Chairman's Statement

Dear Shareholders,

On behalf of the board of Directors ("**Board**") of the Company, I am pleased to present the annual report of the Group for the year ended 31 December 2018.

In 2018, the Group experienced a year full of challenges. The global freight forwarding industry was influenced by uncertain political and economic events, such as trade war between China and the United States and slowdown of China's economic growth rate. On the other hand, the Group experienced keen competition in the freight forwarding industry which also affected the profit margin of the Group. In addition, the Group executed warehouse integration during 2018 that affected the profit margin for the logistics business of the Group. Decrease in profit margin for both freight forwarding and logistics businesses led to significant operating losses was recognised during 2018.

In order to cope with keen competition and economic uncertainties, the Group has tried to diversify its business and expand its customer base. In 2018, the Group further expanded its e-commerce business in the United States in addition to European countries, which made significant contribution to the increase in revenue of the Group in 2018. In addition, the Group also expanded its logistics business through warehouses integration, upgrading the warehouse management system and renovating warehouses.

2019 OUTLOOK

Looking forward, we will continue to expand our core business for both freight forwarding and logistics businesses and we target to develop business relationships with some large scale and famous customers. In addition, we will also expand our logistics business by focusing more on e-commerce services in European countries and the United States, as well as cross border e-commerce traffic, inbound traffic and outbound traffic among Hong Kong, China and worldwide. We believe that the additional costs incurred for execution of warehouse integration and upgrading warehouse management system during 2018 will lead to rapid growth for the Group's warehouse capacity in the coming few years, which will benefit the Group in the long run.

APPRECIATION

On behalf of the Board, I would like to express my gratitude to our Shareholders, business partners and customers for their great and continuous support, and I also want to appreciate all employees of the Group for their hard work and contributions over the years. We will strive to achieve a better future through our joint efforts.

Ng Chin Hung
Chairman and Chief executive officer

Hong Kong, 31 October 2019

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 general sales agents (the "**GSA**") 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 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 year, 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 the United States, 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 (the "**Prospectus**") will continue to enhance our presence and increase our market share in the freight forwarding and logistics industries.

FINANCIAL REVIEW

Overview

Our revenue was predominately generated from our freight forwarding services, logistics services, e-commerce and fulfillment services. For the years ended 31 December 2017 ("**FY2017**") and 31 December 2018 ("**FY2018**"), our total revenue amounted to approximately HK$351.1 million and HK$366.8 million, respectively. Our loss attributable to the shareholders of the Company (the "**Shareholders**") amounted to approximately HK$25.0 million for FY2018, while our profit attributable to the Shareholders for FY2017 amounted to approximately HK$1.7 million.

Revenue

We generate revenue from the provision of our core freight forwarding services and our ancillary logistics services (including e-commerce business). The revenue recorded represents the fair value of the consideration received or receivable and represents amounts receivable for services provided in our normal course of business and net of discount. Our revenue amounted to approximately HK$351.1 million and HK$366.8 million for FY2017 and FY2018, respectively. Our growth in total revenue from FY2017 to FY2018 was primarily attributable to the growth in revenue from our air freight forwarding and ancillary logistics services.

Management Discussion and Analysis

The following table sets forth a breakdown of our revenue by business segment during FY2017 and FY2018:

Revenue by business segment

	Year ended 31 December			
	2018		2017 (restated)	
	HK$'000	**%**	HK$'000	%
Freight forwarding —	**228,993**	**62.4**	197,837	56.3
Air freight	**132,111**	**36.0**	88,885	25.3
Ocean freight	**96,882**	**26.4**	108,952	31.0
Logistics	**76,616**	**20.9**	52,789	15.0
E-commerce				
— trading	**24,490**	**6.7**	84,119	24.0
— courier	**36,703**	**10.0**	16,396	4.7
Total	**366,802**	**100.0**	351,141	100.0

Revenue of the Group increased by approximately 4.5% from approximately HK$351.1 million for the year ended 31 December 2017 ("**FY2017**") to approximately HK$366.8 million for the year ended 31 December 2018 ("**FY2018**"). The increase in revenue was mainly contributed by the increase in revenue from air freight forwarding services and logistics services by approximately HK$43.2 million and HK$23.8 million, respectively, partially offset by decrease in ocean freight forwarding services and E-commerce business by approximately HK$12.1 million and HK$39.3 million, respectively. The increase in revenue from air freight forwarding services was mainly attributable to the increase in shipment volume under the orders placed by our existing and new customers during FY2018. Revenue from our ancillary logistics services increased for FY2018 mainly due to the increase in sales of our ancillary logistics services to both our existing and new customers. The decrease in revenue from ocean freight forwarding services was mainly due to the decrease in freight charge to our customers and decrease in shipment volume in FY2018. On the other hand, we have established E-commerce business in FY2017, which contributed approximately HK$100.5 million to our revenue for FY2017 which comprised approximately HK$84.1 million from E-commerce trading business and approximately HK$16.4 million E-commerce fulfillment business, respectively. For FY2018, our E-commerce business contributed to our revenue by approximately HK$61.2 million which comprised approximately HK$24.5 million from E-commerce trading business and approximately HK$36.7 million E-commerce fulfillment business, respectively. For FY2018, we focused on E-commerce fulfillment business due to its higher profit margin when comparing with E-commerce trading business, which resulted in a decrease in revenue from overall E-commerce business.

Management Discussion and Analysis

Cost of Sales and Gross Profit

Cost of sales by business segment

	Year ended 31 December			
	2018		2017 (restated)	
	HK$'000	**%**	HK$'000	%
Freight forwarding —	**205,046**	**59.8**	162,632	53.5
Air freight	**120,460**	**35.1**	76,016	25.0
Ocean freight	**84,586**	**24.7**	86,616	28.5
Logistics	**76,936**	**22.5**	42,709	14.0
E-commerce				
— trading	**24,991**	**7.3**	83,104	27.3
— courier	**35,702**	**10.4**	15,811	5.2
Total	**342,675**	**100.0**	304,256	100.0

Cost of sales increased by approximately 12.6% from approximately HK$304.3 million for FY2017 to approximately HK$342.7 million for FY2018. The increase in cost of sales was mainly attributable to the increase in air freight costs of approximately HK$44.4 million and increase in cost of sales for the logistics services of approximately HK$34.2 million for FY2018. The increase in cost of sales for air freight forwarding services was mainly due to the increase in freight charges and local charges. The increase in cost of sales for ancillary logistic services was mainly attributable to the warehouse service charges payable under the warehouse service agreements in respect of three warehouses entered into during FY2018. Such increase was in line with the increase in our revenue from air freight forwarding services and logistics services. The increase in cost of sales was partially offset by decrease in cost of sales from ocean freight forwarding services and E-commerce trading business which was in line with decrease in our revenue from ocean freight forwarding services and E-commerce trading business.

Gross profit and gross profit margin by business segment

	Year ended 31 December			
	2018		2017 (restated)	
	HK$'000	**%**	HK$'000	%
Freight forwarding —	**23,947**	**10.5**	35,205	17.8
Air freight	**11,651**	**8.8**	12,869	14.5
Ocean freight	**12,296**	**12.7**	22,336	20.5
Logistics	**(320)**	**(0.4)**	10,080	19.1
E-commerce				
— trading	**(501)**	**(2.0)**	1,015	1.2
— courier	**1,001**	**2.7**	585	3.6
Total	**24,127**	**6.6**	46,885	13.4

Management Discussion and Analysis

Gross profit decreased by approximately 48.5% from approximately HK$46.9 million for FY2017 to approximately HK$24.1 million for FY2018. Gross profit margin decreased from approximately 13.4% for FY2017 to approximately 6.6% for FY2018. As the increase in the costs such as freight charges and local charges outweighed the increase in the revenue, there was a decrease in the gross profit for freight forwarding business. In addition, there was significant increase in the warehouse service charges when comparing with FY2017, which was mainly due to the warehouse service agreements entered into during FY2018.

Other income

Our other income decreased by around 93.8% from approximately HK$64,000 for FY2017 to approximately HK$4,000 for FY2018, which mainly consisted of other sundry income.

Other gains and losses, net

Our other gains and losses, net increased by around 1,058.4% from a loss approximately HK$281,000 for FY2017 to a loss of approximately HK$3.3 million for FY2018, which mainly consisted of allowance provision for trade receivables of approximately HK$3.3 million (2017: Nil).

Administrative expenses

Administrative expenses increased slightly by approximately 3.5% from approximately HK$42.9 million for FY2017 to approximately HK$44.4 million for FY2018. The increase in administrative expenses was mainly due to the increase in our staff costs as a result of the increase in salary paid to our staff for FY2018.

Finance costs

Our finance costs represent interest expenses on bank borrowings and finance lease. Our bank borrowings carry variable interest rate at Hong Kong Interbank Offered Rate plus a spread ranging from 2.0% to 2.5%. The range of effective interest rate on our bank borrowings is from 3.26% to 3.83%. Interest rates underlying all obligations under our finance lease were fixed at respective contract rates ranging from 3.30% to 6.12% per annum during FY2018 (FY2017: 3.28% to 6.12%).

Income tax expense

Income tax expense represented the provision of Hong Kong profits tax calculated at 16.5% of the estimated assessable profits during FY2017 and FY2018, respectively.

(Loss) profit and total comprehensive (expenses) income attributable to owners

For FY2018, the Group recorded a loss attributable to owners of the Company of approximately HK$25.0 million as compared to the profit attributable to owners of the Company of approximately HK$1.7 million for FY2017. The loss and total comprehensive expenses attributable to owners of the Company for FY2018 was mainly due to the decrease in profit margin for both freight forwarding and ancillary logistics business and increase in finance costs.

DIVIDEND

No final dividend for FY2018 was proposed by the Board (2017: HK$Nil).

Management Discussion and Analysis

LIQUIDITY AND FINANCIAL RESOURCES

The current ratio of the Group as at 31 December 2018 was 0.7 times as compared to that of 2.1 times as at 31 December 2017. The decrease was mainly due to decrease in cash at bank and increase in bank borrowings which had been used for operation and business development. As at 31 December 2018, the Group had total bank balances and cash of approximately HK$6.3 million (2017: HK$7.0 million). In addition, the Group had approximately HK$1.9 million obligations under finance lease as at 31 December 2018 (2017: HK$2.0 million). The gearing ratio, calculated based on the total obligations under finance lease and bank borrowings divided by total equity at the end of the year and multiplied by 100%, stood at approximately 258.7% as at 31 December 2018 (2017: approximately 46.8%). The Group's financial position is sound and strong. With available bank balances and cash and bank credit facilities, the Group has sufficient liquidity to satisfy its funding requirements.

COMMITMENTS

The operating lease commitments of the Group were primarily related to the leases of its office premises and warehouses. The Group's operating lease commitments amounted to approximately HK$46.7 million as at 31 December 2018 (2017: approximately HK$22.9 million).

As at 31 December 2018, the Group did not have any material capital commitments (2017: HK$Nil).

CAPITAL STRUCTURE

The shares of the Company (the "**Shares**") were listed on GEM of the Stock Exchange on 7 October 2016 (the "**Listing**" and the "**Listing Date**", respectively). There has been no change in the Company's capital structure since the Listing. The capital structure of the Group consists of equity attributable to the owners of the Company which comprises of issued share capital and reserves. The Directors review the Group's capital structure regularly. As part of this review, the Directors consider the cost of capital and the risks associated with each class of capital. The Group will adjust its overall capital structure through the payment of dividends, issuance of new shares as well as the repayment of borrowings.

SEGMENTAL INFORMATION

Segmental information is presented for the Group as disclosed in note 7 to the consolidated financial statements.

CHARGE ON THE GROUP'S ASSETS AND CONTINGENT LIABILITIES

The Group has no charge on the Group's assets and the Group has no material contingent liabilities as at 31 December 2018.

MATERIAL ACQUISITIONS AND DISPOSAL

During FY2018, the Group had no material acquisitions and disposals of subsidiaries, associates or joint ventures.

Management Discussion and Analysis

UPDATE ON LISTING STATUS

Trading in the shares of the Company has been suspended at the request of the Company since 1 April 2019 as a result of the delay in publication of the financial results of the Group for FY2018 and will remain suspended until further notice.

The Company received a letter (the "**Letter**") from the Stock Exchange dated 9 May 2019, in which the Stock Exchange set out the following resumption guidance for the Company:

- publish all outstanding financial results required under the GEM Listing Rules and address any audit modifications;
- announce the findings of an independent review of the Group's internal control system and the issues causing the delay in publication of the financial results of the Group (the "**Independent Review**") and take appropriate remedial actions; and
- announce all material information for shareholders and investors to appraise its position.

The Letter also states that the Company must remedy the issue(s) causing its trading suspension and fully comply with the GEM Listing Rules to the Stock Exchange's satisfaction before trading in its securities is allowed to resume.

As disclosed in the announcement of the Company dated 13 September 2019 (the "**Independent Review Announcement**"), the Company has disclosed the key findings of a draft report of the Independent Review conducted by Ernst & Young Advisory Services Limited ("**EY**"). The key findings and recommendations set out in the subsequent final report of the Independent Review dated 17 September 2019 are substantially identical to the key findings as stated in the Independent Review Announcement and there are no new findings or further recommendations in the final report. As potential deficiencies in the policies, procedures and controls of the Company were identified in the Independent Review, the Company has commenced the implementation of the necessary remedial measures as recommended by EY to address the issues identified. The Company and the Audit Committee agree with the key findings of the Independent Review and they are satisfied that the findings and recommendations of the Independent Review are sufficient and proper in addressing the issues causing the delay in publication of the financial results of the Group for FY2018.

In this regard, the Company has engaged EY to conduct follow-up review of the remedial measures taken or to be taken by the Company. As at the date hereof, the follow-up review is still in progress. The Audit Committee will closely monitor the implementation of the recommendations and remedial actions as well as the follow-up review and the Company will make an announcement of the results of the follow-up review when it is completed.

In addition, to address the issues causing the delay in publication of the financial results of the Group for FY2018, the Group's auditor has performed a number of audit procedures as disclosed under the paragraph headed "Audit procedures relating to the issues causing the trading suspension of the Company" of this section.

The Company is taking appropriate steps to remedy the issues causing its trading suspension and will use its best endeavours to resume trading as soon as practicable. Further announcement(s) will be made by the Company as and when appropriate to keep the Shareholders and potential investors informed.

For details, please refer to the announcements of the Company dated 27 March 2019, 29 March 2019, 10 May 2019, 16 May 2019, 28 June 2019, 9 August 2019, 13 September 2019 and 30 September 2019, respectively (the "**Announcements**").

AUDIT PROCEDURES RELATING TO THE ISSUES CAUSING THE TRADING SUSPENSION OF THE COMPANY

Unless otherwise defined, the capitalised terms used under this paragraph shall have the same meanings as defined in the Announcements.

To address the issues causing the trading suspension of the Company (the "**Issues**"), the Group's auditor ZHONGHUI ANDA CPA Limited ("**Zhonghui**") performed the following audit procedures:

— based on the human resources records of the Group provided to Zhonghui, Zhonghui has identified and held discussions with the personnel from the Group in order to understand and obtain information relevant to the Issues;

— obtained and analysed the documents of revenue cycle, financial reporting and freight cost, and policies and procedures in connection with the Issues;

— studied the results of electronic data review performed by EY;

— obtained the transaction data relevant to revenues and accounts receivables/payables relating to the Issues from the accounting ledgers;

— obtained and reviewed the underlying supporting documents relating to the Commission Transactions. In addition, Zhonghui have also re-performed the sample of 25 transactions with JFX and its affiliates which is selected by EY for detailed review, including but not limited to identifying the relevant parties who are responsible for the preparation, review and approvals of the selected samples, reasons for any related issuance and/or reversal of debit notes to JFX and its affiliates etc.;

— conducted face-to-face interviews with certain staff members including former staff members of the Group and staff member of Freight Concept Limited; and telephone interview with former staff member of the Group;

— performed background check for public source information of the relevant personnel and studied the results of background check performed by EY;

— reviewed the certified copy of register of directors and register of members of JFX;

— obtained the audit confirmations of JFX Holding Limited, Freight Concept Limited and its subsidiaries ("**JFX's Group**") to verify the balances due from/to JFX's Group as at 31 December 2018 and 2017 and the revenue and cost incurred by JFX's Group for the year ended 31 December 2018; and

— reviewed the Independent Review Report prepared by EY and check whether the Independent Review Report is consistent with the results of Zhonghui's audit procedures.

After performing the above audit procedures, Zhonghui concluded that there were no supporting documents to verify the commercial substance of the Commission Transactions and the corresponding accounts receivables. There were no valid underlying supporting documents relating to the Commission Transactions. Besides, JFX's Group rejected to recognise the Commission Transactions and the corresponding accounts receivables. The results were supported by the interview with staff member of Freight Concept Limited and the audit confirmations from JFX's Group.

Therefore, Zhonghui concluded there was no commercial substance of the Commission Transactions and agreed with the reversal of such transactions.

To ensure the true and fair view of the consolidated statement of financial position, Zhonghui have performed additional audit procedures as follows:

— performed analysis to identify any unusual transactions and patterns for the years ended 31 December 2017 and 2018. In particular, Zhonghui have considered whether there are any other unusual revenue transactions other than the Commission Transactions with no associated direct costs incurred; and

— increased the sample size with reference to the guidelines of the Hong Kong Institute of Certified Public Accountants for test of details including checking the supporting documents and public source information and audit confirmations on revenues and costs.

With the completion of the above with satisfactory results, Zhonghui are of the view that the consolidated statement of financial position was not misstated in respect of the Commission Transactions, and that the Commission Transactions do not affect the true and fair view of the consolidated statement of financial position.

The Company and the Audit Committee are both of the view that Zhonghui performed comprehensive and in-depth audit procedures in order to address the Issues. Other than information obtained from the Company, Zhonghui also obtained information provided by JFX's Group and information from public source when conducting its audit procedures. Based on the above, the Company and the Audit Committee agree with the procedures performed by Zhonghui above and consider these procedures to be sufficient to address the Issues.

FUTURE PLANS

In the future, we will continue to expand our e-commerce and fulfillment business. In addition, we are also seeking opportunities to expand our logistics business in Asia by locating different warehouses.

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.

EXPOSURE TO EXCHANGE RATE FLUCTUATION

As the Group's revenue generating operations are mainly transacted in HK$ and USD, the Directors consider the impact of foreign exchange exposure to the Group is minimal. The management will consider hedging significant currency exposure should the need arise.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2018, the Group employed 129 (2017: 128) full time employees. We determine the employee's remuneration based on factors such as their performance, qualification, position, duty, contributions, years of experience and local market conditions.

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

An analysis comparing the business objectives as set out in the Prospectus with the Group's actual business progress for the period from the Listing Date to 31 December 2018 is set out below:

Business objectives	Actual progress
Further developing the Group's freight forwarding business	The Group has used HK$15.7 million to further develop the Group's freight forwarding business by gaining new customers and new services for existing customers such as logistics service or freight forwarding services with new destinations.
Further developing the Group's logistics business	The Group has used HK$15.7 million for recruiting 33 relevant staff, purchase of computer equipments, warehouse renovation and to further developing the Group's logistics business including e-commerce business by gaining new customers.
Further enhancing the Group sales and marketing effort	The Group has used HK$4.1 million for recruiting 16 senior level staff to cope with the business development.

SIGNIFICANT INVESTMENTS AND PLAN FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save for investment in its subsidiaries by the Company, the Group did not have any significant investments held as at 31 December 2018. Save as disclosed in the Prospectus or otherwise in this annual report, the Group does not have any plans for material investments or capital assets as at 31 December 2018.

Management Discussion and Analysis

USE OF PROCEEDS

The actual net proceeds from the Listing, after deducting the listing-related expenses, were approximately HK$37.4 million. The amount was lower than the estimated net proceeds of approximately HK$39.0 million as disclosed in the Prospectus. In the light of the difference between the actual and estimated amount of the net proceeds, the Group has adjusted the use of net proceeds in the same manner and in the same proportion as shown in the Prospectus. After the Listing, the net proceeds were fully used for the purposes in accordance with the future plans and use of proceeds as set out in the Prospectus.

An analysis of the planned amount utilised up to 31 December 2018 is set out below:

	Adjusted use of actual net proceeds in the same manner and proportion as stated in the Prospectus up to 31 December 2018	Actual utilised amount as at 31 December 2018	Unutilised amount out of the planned amount as at 31 December 2018
	HK$ million	HK$ million	HK$ million
Further developing the Group's freight forwarding business	15.7	15.7	–
Further developing the Group's logistics business	15.7	15.7	–
Further enhancing the Group's sales and marketing effort	4.1	4.1	–
General working capital or other corporate purposes	1.9	1.9	–
	37.4	37.4	–

Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Ng Chin Hung, aged 55, has over 35 years of experience in freight forwarding, logistics and supply chain industries. He joined the Group on 2 January 2019 as General Manager. He is responsible for overseeing the overall corporate development, strategic planning and management of the Group. Prior to joining the Group, he worked in Maersk Line (Hong Kong) Limited from 1983 to 1985, being a company engaging in the provision of container shipping and terminals, freight forwarding services and logistics services. From 1985 to 1990, he worked in United Distribution Services (Far East) Limited, being a company engaging in the provision of logistics services. In 1990, he co-founded Cargo Services (Far East) Limited, being a company engaging in the provision of freight forwarding services and served as the Deputy Managing Director when he left the company in 2018. Mr. Ng is currently a District Member of Chinese People's Political Consultative Conference in Guangzhou of the People's Republic of China.

Mr. Ng received a Master of Business Administration (a distance learning course) at Adam Smith University of America in the United States and a Diploma in Business Administration, Certified Professional Manager (a distance learning course) certified by The Society of Business Practitioners in England.

Mr. Cheng Tak Yuen, aged 43, is currently a director of air-freight operation, Mr. Cheng has over 25 years of experience in freight forwarding and logistics industries. He joined the Group on 14 April 2000 as Operation Supervisor. He is responsible for overseeing the airfreight forwarding business of the Group. Prior to joining the Group, he worked in various freight forwarding companies.

Mr. Chan Chun Sing, aged 40, joined the Group as company secretary and authorised representative on 4 October 2019. He is responsible for company secretarial matters of the Group. Prior to joining the Group, Mr. Chan worked for Deloitte Touche Tohmatsu from September 2001 to July 2011 and his last position held was senior manager in the audit department. Mr. Chan also served as an independent non-executive director of Zhonghua Gas Holdings Limited (formerly known as Noble House (China) Holdings Limited) from December 2011 to October 2013 (stock code: 8246). He joined a private company as chief financial officer from July 2013 to February 2014 and was appointed as executive director from March 2014 to April 2015. He was designated as non-executive director from May 2015 to March 2017.

Mr. Chan has been a chief financial officer and company secretary of Lap Kei Engineering (Holdings) Limited (a company listed on the Stock Exchange, previous stock code: 8369, current stock code: 1690) since February 2015 and January 2018 respectively, an independent non-executive director of Lai Si Enterprise Holding Limited (stock code: 2266) and Winson Holdings Hong Kong Limited (stock code: 8421) since 18 January 2017 and 21 February 2017, respectively.

Mr. Chan has over 18 years of experience in the fields of accounting, auditing and compliance matters of listed companies in Hong Kong. He obtained a bachelor's degree of arts in accountancy from the Hong Kong Polytechnic University in 2001. Mr. Chan further obtained a degree of Executive Master of Business Administration from the Chinese University of Hong Kong in November 2015. Mr. Chan has been a certified public accountant of the Hong Kong Institute of Certified Public Accountants since April 2006. He is also an associate member of the Hong Kong Institute of Directors since March 2013.

Directors and Senior Management

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Lee Kwong Chak, Bonnio, aged 56, is currently the director and the founder of Keystones Investment Limited, a company principally engaging in property investment in Cambodia. Mr. Lee was the deputy chief financial officer of Cargo Services Far East Limited, a Hong Kong subsidiary of the Cargo Services Group, which is a global logistics solutions provider, from June 2016 to November 2018. From November 2012 to November 2015, Mr. Lee worked as the director of Asia operating costs and controls in the group companies of TTM Technologies, Inc, the common stock of which is listed on NASDAQ (stock code: TTMI). Mr. Lee was the financial director of Shakespeare (Hong Kong) Limited, a Hong Kong subsidiary of Jarden Corporation, a company listed on the New York Stock Exchange (stock code: JAH), from March 2010 to October 2011. Mr. Lee worked as a senior manager of KPMG from October 2008 to February 2010 and was responsible for business advisory work. From April 1994 to October 2008, Mr. Lee worked in various posts in Nortel Networks Inc. and his last position was Asia operation finance leader.

Mr. Lee obtained a master's degree of business administration (a distance learning course) at Deakin University of Australia in 2005 and was awarded a bachelor of commence (accounting) from Macquarie University of Australia in 1996. Mr. Lee also obtained a higher diploma in building technology and management from the Hong Kong Polytechnic (currently The Hong Kong Polytechnic University) in 1986. He became a member of the Hong Kong Institute of Certified Public Accountants in 1997 and a member of CPA Australia in 1997.

Mr. Pang Chung Fai, Benny, aged 46, is currently the sole proprietor of Benny Pang & Co and a partner of F. Zimmern & Co. in association with Grandall Legal Group (Hong Kong). Between 2012 to 2017, Mr. Pang was the managing partner of Loeb & Loeb LLP (formerly known as Pang & Co. in association with Loeb & Loeb LLP), a firm of solicitors in Hong Kong. Between 1997 and 2012, Mr. Pang practised as a lawyer with several international law firms in Hong Kong and Sydney. Mr. Pang received his bachelor's degree in laws (honors) from Bond University, Australia, in 1996. In 1997, Mr. Pang obtained his Graduate Diploma in Legal Practice and master's degree in laws from The College of Law, Sydney and the University of New South Wales, Australia, respectively. He was admitted as a legal practitioner of the Supreme Court of New South Wales, Australia in 1997 and as a solicitor of the High Court of Hong Kong in 2009. He is a member of both the Law Society of New South Wales, Australia and the Law Society of Hong Kong.

Mr. Pang is currently the non-executive director of Huabang Financial Holdings Limited (stock code: 3638), a company listed on the Main Board of the Stock Exchange. He is also the independent non-executive director of Sanbase Corporation Limited (stock code: 8501), a company listed on GEM of the Stock Exchange, and the independent non-executive director of Yuanda China Holdings Limited (stock code: 2789), a company listed on the Main Board of the Stock Exchange. Mr. Pang was an independent non-executive director of China Regenerative Medicine International Limited (stock code: 8158), a company listed on GEM of the Stock Exchange, from 20 September 2012 to 1 June 2018.

Mr. Chan Fei Fei, aged 37, is currently the company secretary and financial controller of Reach New Holdings Limited (stock code: 8471), a company listed on GEM of the Stock Exchange. Mr. Chan has over 15 years of experience in auditing, accounting and financial management. Prior to joining the Group, he worked for Deloitte Touche Tohmatsu from August 2005 to December 2010, and his last position held was senior in the audit department. During the period between December 2010 and May 2011, he joined Casablanca International Limited as finance manager. From May 2011 to July 2012, he worked as financial controller of Interior Contract International Limited. He then worked as financial control director of Toneluck Industrial Limited from August 2012 to September 2014. From January 2015 to June 2015, he worked as finance manager of Sin Tin Lun (H.K.) Garment Accessories Company Limited.

Mr. Chan graduated from the Hong Kong Polytechnic University with a bachelor's degree of arts in accountancy in December 2005. He passed the third level in accounting examined by London Chamber of Commerce and Industry Examinations Board with credit in 2001. He became a certified public accountant of the Hong Kong Institute of Certified Public Accountants in February 2009.

COMPANY SECRETARY

Mr. Chan Chun Sing is the company secretary of our Company. Details of his qualifications and experience are set out in the paragraph headed "Executive Directors" in this section.

Environmental, Social and Governance Report

The environmental, social and governance report (the "**ESG Report**") is released by the Group pursuant to the Environmental, Social and Governance Reporting Guide (the "**ESG Reporting Guide**") under Appendix 20 to the GEM Listing Rules, which sets out the Company's policies and practices in various aspects relating to environmental protection, working environment and community involvement for FY2018.

Scope of this Report

This ESG Report covers the Group's business activities in Hong Kong, representing the Group's major operations. Data collection and disclosures mainly focused on the operations of the Group at its principal places of businesses, including warehouses and offices in Hong Kong. The Company has complied with the "comply or explain" provisions set out in the ESG Guide for the Year.

Reporting Period

The Report describes the ESG activities, challenges and measures taken by the Group during the year ended 31 December 2018.

Stakeholder Engagement

The Group welcomes stakeholders' feedback on its ESG approach and performance. For any suggestions or opinions, questions or comments, please kindly send to the Company through the communication channels as stated in our Company's website.

Relevant Stakeholders Channels	Communication
Investors and shareholders	General meetings Annual and interim reports Announcements and circulars Company website
Government and regulatory institutes	Regulatory newsletters
Suppliers and contractors	Regular meetings
Employees	Regular performance reviews Trainings and seminars Emails and notice boards
Customers and business partners	Customer service team Regular meetings
Community and the public	Media conference Public welfare events

Environmental, Social and Governance Report

Materiality Assessment

The management and staff of the Group have participated in the preparation of this ESG Report to assist the Group in reviewing its operations and identifying relevant ESG issues and assess the importance of related matters to its businesses and stakeholders. Summarising the results, the following environmental and social aspects from the ESG Reporting Guide have been selected as the key focuses of this ESG Report.

- Resource consumption
- Occupational health and safety
- Employee development

As at the year ended 31 December 2018, the Group confirmed that it has established appropriate and effective management policies and internal control systems for ESG issues and confirmed that the disclosed contents are in compliance with the requirements of the ESG Reporting Guide.

ENVIRONMENTAL PROTECTION

The Group undertakes environmental protection as part of its corporate responsibilities, and it is fully aware of the importance of sustainable environmental development in achieving sustainability in its operations. The Group has implemented a number of measures such as reducing carbon emission, increasing energy efficiency and conserving water resources in order to deliver our commitment to environmental protection. For FY2018, the Group is not aware of any material non-compliance with applicable standards, rules and regulations relating to the aspects discussed in this report.

Exhaust Gas Emissions

Exhaust gas emissions generated from business operations of the Group mainly include nitrogen oxides ("NOx"), sulphur oxides ("SOx") and particulate matter ("PM"), the major source of which is vehicle exhaust gas. To reduce the exhaust gas emissions from the abovementioned source, the Group has formulated related policies and implemented various reduction measures.

During the Reporting Period, the Group's exhaust gas emissions were as follows:

Types of exhaust gas[1]	Unit	Emission amount
Sulphur Oxides (SOx)	tonnes	15.0
Nitrogen Oxides (NOx)	tonnes	3,014.3
Particulate Matter (PM)	tonnes	0.1

The Group adopts the following measures to deal with the above exhaust gas emissions:

- Selecting environmentally-friendly vehicles for our logistics business;
- Any vehicle which has reached the vehicle service life will be promptly scrapped;
- Strengthening the regular examination of exhaust gases from business vehicles; and
- Monitoring vehicles with heavy emissions

GHG Emissions

The Group's GHG emissions are mainly generated from direct GHG emissions resulted from the combustion of petrol and diesel consumption (Scope 1), indirect GHG emissions resulted from purchased electricity (Scope 2), and other indirect GHG emissions resulted from paper disposal (Scope 3).

Indicator[1]	Unit	GHG emissions amount
Direct GHG emissions (Scope 1) — petrol and diesel consumption	tonnes	232.5
Indirect GHG emissions (Scope 2) — purchased electricity	tonnes	339.3
Other indirect GHG emissions (Scope 3) — paper disposal	tonnes	126.2
Total GHG emissions (Scope 1, 2 and 3)	tonnes	698.0
Intensity[2]	tonnes/square feet	0.0022

Notes:

1. GHG emission data is presented in terms of carbon dioxide equivalent and are based on, including but not limited to, "The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standards" issued by the World Resources Institute and the World Business Council for Sustainable Development, "Greenhouse Gas Inventory Guidance Direct Emissions from Mobile Combustion Sources" issued by the United States Environmental Protection Agency, the latest released emission factors of CLP, "How to prepare an ESG Report? — Appendix II: Reporting Guidance on Environmental KPIs" issued by the HKEX, "Global Warming Potential Values" from the IPCC Fifth Assessment Report, 2014 (AR5).

2. As at 31 December 2018, the Group's total floor area was 320,032 square feet. The data is also used for calculating other intensity data.

The Group adopts the following measures to deal with the above GHG emissions:

- Reducing the emissions of vehicles, detailed measures are described in the section "Exhaust Gas Emissions" above
- Actively adopting environmental conservation and energy and water saving measures. Relevant measures are described in the section "Energy Consumption" and "Water Management" in Section A2 below; and
- Actively adopting paper-saving measures, the relevant measures are described in the section "Waste Management" below.

Hazardous waste from the Group's operation were mainly waste computer monitor, desktop computer and laptop computer. Hazardous waste is not a material area for our business and the impact of the Group on water resources is not significant.

Non-hazardous waste

Non-hazardous waste from the Group's operation were mainly waste carton box and waste paper. During FY2018, the Group's non-hazardous wastes discharge and the intensity were as follows:

Type of non-hazardous waste	Unit	Total discharge
Carton box	kg	20,017
Paper	kg	6,278
Intensity	kg/square feet	0.08

The Group adopts the following measures to deal with the above waste:

- Promoting recycling and the use of recycled paper or other environmentally friendly materials;
- Utilising electronic communication where applicable such as e-cards for festival greetings and e-brochures for distribution to customers; and
- Encouraging our staff to fully utilise the space of each carton box. The Group also ensures that all carton boxes are reused

USE OF RESOURCES

General Disclosure and KPIs

The Group promotes the principle of high efficiency, reasonable utilisation of resources and prevention of wastage of resources. The Group actively promotes green office and operation environment to minimise the adverse environmental impacts of the Group. The employees of the Group have followed these principles, and have reduced the consumption of electricity, paper and water resources.

Energy Consumption

The major energy consumption of the Group in daily operation is electricity consumption and petrol/diesel consumption via transportation. During FY2018, the Group's electricity and other energy consumption were as follow:

Type of Energy	Unit	Consumption amount
Electricity	kWh	538,519
Petrol	Litre	7,247
Diesel	Litre	76,771

The Group adopts the following measures to deal with the above energy consumption:

- Adjusting and controlling the temperature of air conditioners according to working conditions, and the air-conditioned temperature in the office shall not be lower than 25°C;
- Using LED or other energy efficient luminaire in newly renovated offices and warehouses and adjusting the operating schedule of the air-conditioning and lighting system in warehouses; and
- Lights should be turned off when staff leave the premises to reduce electricity wastage

Water Consumption

Water consumption of the Group is mainly for basic business operation, cleaning and sanitation. We encourage all employees to develop the habit of water conservation. High efficiency equipment and streamlined procedures have been introduced to our operations to reduce water consumption and increase the efficiency in the use of resources. We have been strengthening our water-saving promotion and guiding employees to use water reasonably.

Water management is not a material area for our business and the impact of the Group on water resources is not significant.

Use of Packaging Materials

During FY2018, the Group's use of packaging materials was as follow:

Types of packaging materials	Unit	Amount
Plastic films	kg	8,105

THE ENVIRONMENT AND NATURAL RESOURCES

General Disclosure and KPIs

The Group aims to promote environmental protection and efficient use of resources. The Group works tirelessly to mitigate the adverse environmental impacts of our activities through adopting industry best practices targeted at reducing natural resources consumption and effective emission management. We assess the environmental risks on regular basis, and adopt preventive measures to reduce the risks and ensure the compliance with relevant laws and regulations.

Environmental Education

Other than the measures mentioned in the previous sections, we have also implemented the following measures to minimize our impacts on the environment and natural resources:

- Encourage our staff to participate in campaign and activities relating to the promotion of green environment; and
- Provide environmental protection messages to our staff on the notice board or emails regularly

SOCIAL

The Group aims to build a harmonious and prosperous community environment. Focusing on areas such as employment and labour regulations, operational practices and social participation, the Group sets out to build a mutually beneficial relationship with relevant social organisations and individuals, including the Group's investors, staff members, clients, suppliers, communities as well as the public and governing authorities. The Group remains committed to maximising corporate benefits, which form a part of comprehensive benefits for the society.

Employment

The Group believes that our long-term growth depends on the expertise, experience and development of the Group's employees. The salaries and benefits of the Group's employees depend primarily on their duty, position, contributions, length of service with the Group and local market conditions. In order to improve our employees' skills and technical expertise, the Group provides regular training to our employees.

The Group mainly recruits through recruitment advertisements. The Group aims to attract, motivate and retain the best people for the Group's business operations. To achieve this, the Group provides a market competitive employment package consisting of monetary and non-monetary rewards for all the Group's employees. The Group's comprehensive reward system offers discretionary incentive bonus scheme, sales commission and group medical insurance protection. Share options may also be offered to eligible employees.

The Group has established and implemented the employee handbook, which contains our policies relating to human resources, covering areas such as compensation and dismissal, recruitment and promotion, working days and hours, rest periods, and other benefits as well as welfare for our employees in accordance with the applicable laws. The Group strictly complies with the above said relevant standards, rules and regulations. In FY2018, the Group was not aware of any material non-compliance with the relevant standards, rules and regulations that have a significant impact on the Group relating to the above-mentioned areas.

As at 31 December 2018, the Group had a total of 129 employees (2017: 128) all located in Hong Kong, and the staff turnover rate is 4.54% (2017: 4.18%). The following table sets forth the number and breakdown of the Group's full-time employees as at 31 December 2018:

Workforce	Staff size	Total number of persons (percentage)
By Gender		
Male	Person	76 (58.9%)
Female	Person	53 (41.1%)
Total	Person	129 (100%)
By Age Group		
Under 30 years old	Person	27 (20.9%)
30–50 years old	Person	85 (65.9%)
Over 50 years old	Person	17 (13.2%)
Total	Person	129 (100%)

Workforce	Staff size	Total number of persons (percentage)
BY Staff Category		
Management	Person	2 (1.6%)
Finance and administrative	Person	18 (13.9%)
Sales	Person	10 (7.8%)
Operations	Person	99 (76.7%)
Total	Person	129 (100%)

Health and Safety

The Group constantly complies with the internal safety policy to ensure the Group's safe operations and it contains a series of safety measures required to be taken relating to providing a safe working environment and protecting employees from occupational hazards.

In 2018, the Group implemented the procedures, rules and regulations under the Group's safety policy throughout the year, and the Group did not encounter any case about work-related fatality nor record any lost day due to work injury. The process of the safety measures implementation will be reviewed regularly and supervised by spot checks by the supervisors designated by the senior management.

The Group strictly adheres to all applicable labour legislations, including those relating to providing a safe working environment and protecting employees from occupational hazards. No violation of labor laws was recorded during FY2018.

Development and Training

The Group attaches great importance to the improvement of staff quality and their relevant expertise, and works out training programs in a scientific manner for the employees of each position based on their business needs. In 2018, training activities provided by the Group to employees include:

— induction training for new staff;
— in-service and transferred staff skills training;
— professional job skills enhancement and technical backbone staff training;
— learning exchange opportunities like academic seminars and external specialized training organized by professional institutions; as well as training seminars organized by professionals;
— training by in-house trainers.

Environmental, Social and Governance Report

The Group's statistics of staff training by staff gender, age and category during FY2018 is set out below:

Workforce	Staff size	Total number of persons trained (percentage)
By Gender		
Male	Person	76 (58.9%)
Female	Person	53 (41.4%)
Total	Person	129 (100%)
By Age Group		
Under 30 years old	Person	27 (20.9%)
30–50 years old	Person	85 (65.9%)
Over 50 years old	Person	17 (13.2%)
Total	Person	129 (100%)
By Staff Category		
Management	Person	2 (1.6%)
Finance and administrative	Person	18 (13.9%)
Sales	Person	10 (7.8%)
Operations	Person	99 (76.7%)
Total	Person	129 (100%)

In FY2018, the average training hour completed per staff was 3 hours.

Equal Opportunities, Diversity and Anti-discrimination

The Group is an equal opportunities employer. The Group's employment practices encourage diversity and do not discriminate on grounds of gender, disability, pregnancy, family status, race, colour, religion, age, sexual orientation, national origin, trade union membership or other conditions recognised in law. In FY2018, the Group was not aware of any material non-compliance with the relevant standards, rules and regulations that have a significant impact on the Group relating to the above-mentioned areas.

Labour Standards

The Group complies with the relevant requirements of national laws and regulations in its recruitment activities and clarify the relationship of work allocation between employers and employees from the perspective of system and mechanism. All employees are trained to comply with Personal Data (Privacy) Ordinance to ensure all personal data is protected against unauthorised access. Moreover, the Group safeguards its employees' legal rights and interests and rigorously forbids child and forced labor.

The Group will conduct comprehensive self-examination in relation to employment matters from time to time to prevent any potential non-compliance. During FY2018, the Group had not identified any non-compliance case involving child or forced labour.

OPERATIONAL PRACTICES

The Group provides its customers with freight forwarding and logistics services in accordance with operational practices based on local and international laws. All staff members of the Group are required to abide by internal and external codes of integrity and conduct; any form of bribery, fraud, competitive conduct and corruption is strictly prohibited. Corporate reputation and product liability are of great importance to the Group, which is why the Group insists on purchasing from its shortlisted suppliers.

Supply Chain Management

Due to the Group's business nature, its supply chain has no significant adverse impact on the environment or society. The Group will continuously assess its business operations to reduce any possible negative impact on the environment and society. The Group has established and operated a material procurement management system and a supplier management system. Based on the material requirement plans developed by the respective production departments and the categories of materials required, the Group usually purchases materials through price rationing and sentinel procurement; the Group will shortlist and handpick suppliers through a screening and evaluation process based on quality and price.

Product Responsibility

The Group is open to supervision from its customers and the public and is committed to offer quality services to its customers in accordance with applicable local and international laws. The Group sets out to deliver its commitment to quality services, and undertakes not to profiteer through fraudulent or deceitful actions targeting on consumers. In FY2018, the Group did not have any products shipped subject to recalls for safety or health reasons.

The Group has formed a customer service team to handle customers' enquiries to ensure customers' satisfaction, and our management level staff will handle customers' complaints. During FY2018, the Group received less than 10 complaints and most of them have been resolved. Once we received a complaint, our customer service staff would handle the case to understand the customers's concerns and deal with the requests.

The Group exercises caution in its daily operations to safeguard client information, protect client information from unauthorised access, usage and leakage through various safety technologies and procedures. Usage of personal data is only permitted as legally prescribed under the Personal Data (Privacy) Ordinance (Chapter 486 of Laws of Hong Kong), and only for related purposes. The Group makes sure that the personal and business data of our customers are properly applied for authorised business purposes only, and accessible only by staff members to whom such information is deemed necessary. Furthermore, the Group adopts client management measures while appointing designated staff to be in charge of client data maintenance.

During FY2018, the Group was not aware of any material non-compliance with the relevant standards, rules and regulations relating to health and safety, advertising, labelling and privacy matters relating to products and services provided.

Bribery, corruption and other misconduct

The Group's employee handbook regulates the Group's employees' conduct with respect to conflicts of interest, bribery, corruption and other misconduct. The Group provides regular training for our employees to emphasise the importance of employees' conduct and refresh their knowledge on the reporting system on employees' misconduct. An effective whistle blowing policy is also in place to minimise the risk of fraudulent acts, criminal offences or wrongdoings occurring in the workplace. The Group's employees can lodge complaints and report any suspicious activities to the management of the Company either verbally or in writing. The Group advocates a confidentiality mechanism to protect the whistle-blowers. The Group will take further actions for any suspected cases after investigation, including termination of employment and reporting to the relevant authorities. The Group is not aware of any material non-compliance with the relevant laws and regulations that has a significant impact on the Group relating to bribery, extortion, fraud and money laundering in FY2018. There was no legal case concerning corruption brought against the Group or its employees in FY2018.

OUR COMMUNITY

The Group strives to build a corporate-community relationship that promotes harmony and prosperity; not only does the Group try to understand the needs of the community in which it operates by actively participating in community activities, it also takes concrete actions to ensure that community interests are considered when carrying out operational activities of the Group.

Community involvement

The Group has been playing an active role in taking up its social responsibilities and it takes promoting the harmonious social development as an important direction for the corporate's long-term development. The Group also devotes sustained efforts to public welfare charity activities so as to serve the communities; these efforts include, but are not limited to, establishing relief fund for the needy in the surrounding communities where the Group's subsidiaries are located and the provision of educational assistance funds. In FY2018, the Group's "Janco Volunteering Team" continued to organise community activities and services, such as selling flags and visiting the elderly. Furthermore, the Group provided financial assistance to the sick and retired employees who have contributed to the enterprise, and their close relatives.

Corporate Governance Report

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Directors consider that incorporating the core elements of good corporate governance in the management structure and internal control procedures of the Group would help to balance the interests of the Shareholders, customers and employees of the Company. The Board has adopted the principles and the code provisions of the Corporate Governance Code (the "**CG Code**") contained in Appendix 15 to the GEM Listing Rules to ensure that the Group's business activities and decision making processes are regulated in a proper and prudent manner in accordance with the requirements of the GEM Listing Rules. The Board has established an audit committee (the "**Audit Committee**"), a nomination committee (the "**Nomination Committee**") and a remuneration committee (the "**Remuneration Committee**") with specific written terms of reference. During the period from 1 January 2018 to 31 December 2018 (the "**Reporting Period**"), the Company has complied with all the code provisions (other than provision A.2.1) of the CG Code.

CG Code provision A.2.1 stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. Ng Chin Hung ("**Mr. Ng**") is the chairman of the Board and the chief executive officer of the Company. In view of Mr. Ng has been working in freight forwarding, logistics and supply chain industries for more than 35 years, the Board believes that it is in the best interest of the Group to have Mr. Ng 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 three of them being independent non-executive Directors.

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 Reporting Period.

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 the securities of the Company when he would be prohibited from dealing by the Model Code as if he were a Director.

Corporate Governance Report

THE BOARD OF DIRECTORS

The business and affairs of the Group is governed by the Board which has the responsibility of leading and monitoring the business and affairs of the Group. The Directors are collectively responsible for promoting the success of the Group by directing and supervising the Group's business and affairs. As at the date of this annual report, the Board comprises six Directors including three executive Directors and three independent non-executive Directors. The Board's composition during the Reporting Period and up to the date of this annual report is as follows:

Executive Directors

Mr. Cheng Hon Yat (resigned on 4 October 2019)
Mr. Chan Kwok Wai (resigned on 4 October 2019)
Mr. Lo Wai Wah (resigned on 4 October 2019)
Mr. Yau Sze Yeung (resigned on 4 October 2019)
Mr. Ng Chin Hung *(Chairman and Chief executive officer)* (appointed on 4 October 2019)
Mr. Cheng Tak Yuen (appointed on 4 October 2019)
Mr. Chan Chun Sing (appointed on 4 October 2019)

Independent non-executive Directors

Mr. Siu Wing Hay (resigned on 13 September 2019)
Mr. Wong Yee Lut, Eliot (resigned on 13 September 2019)
Mr. Luk Kin Ting (resigned on 13 September 2019)
Mr. Lau Chi Kit (resigned on 13 September 2019)
Mr. Lee Kwong Chak, Bonnio (appointed on 27 September 2019)
Mr. Pang Chung Fai, Benny (appointed on 27 September 2019)
Mr. Chan Fei Fei (appointed on 27 September 2019)

Details of the current chairman and the other current Directors are set out in the section headed "Directors and Senior Management" of this annual report.

In compliance with rules 5.05(1), (2) and 5.05A of the GEM Listing Rules, during the Reporting Period up to the date of this annual report, the Company has appointed at least three independent non-executive Directors representing more than one-third of the Board and at least one of whom has appropriate professional qualifications, or accounting or related financial management expertise. The Company has received from each independent non-executive Director an annual confirmation of his independence, and the Company considers them to be independent in accordance with the various guidelines set out in rule 5.09 of the GEM Listing Rules.

With the various experience of both the executive Directors and the independent non-executive Directors, the Board considers that the Directors have a balance of skills and experience for the business of the Group.

Save as disclosed in the section headed "Directors and Senior Management" of this annual report, there is no financial, business, family or other material or relevant relationships among members of the Board and senior management.

Corporate Governance Report

BOARD MEETINGS

The Board is scheduled to meet regularly at least four times a year, and the Directors will receive at least 14 days' prior written notice of such meetings in compliance with provisions A.1.1 and A.1.3, respectively, of the CG Code. Agendas and accompanying papers shall be sent not less than 3 days before the date of Board meetings to ensure that the Directors are given sufficient time to review the documents.

During the Reporting Period, 12 Board meetings were held. The attendance record of each Director at the Board meetings is set out in the table below:

Name of Directors	Number of attendance/ number of Board meetings
Executive Directors	
Mr. Cheng Hon Yat (resigned on 4 October 2019)	11/11
Mr. Chan Kwok Wai (resigned on 4 October 2019)	11/11
Mr. Lo Wai Wah (resigned on 4 October 2019)	11/11
Mr. Yau Sze Yeung (resigned on 4 October 2019)	11/11
Mr. Ng Chin Hung (appointed on 4 October 2019)	2/2
Mr. Cheng Tak Yuen (appointed on 4 October 2019)	2/2
Mr. Chan Chun Sing (appointed on 4 October 2019)	2/2
Independent non-executive Directors	
Mr. Siu Wing Hay (resigned on 13 September 2019)	9/9
Mr. Wong Yee Lut, Eliot (resigned on 13 September 2019)	9/9
Mr. Luk Kin Ting (resigned on 13 September 2019)	9/9
Mr. Lau Chi Kit (resigned on 13 September 2019)	9/9
Mr. Lee Kwong Chak, Bonnio (appointed on 27 September 2019)	3/3
Mr. Pang Chung Fai, Benny (appointed on 27 September 2019)	3/3
Mr. Chan Fei Fei (appointed on 27 September 2019)	3/3

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the corporate governance functions as set out in provision D.3.1 of the CG Code, such as developing and reviewing the Company's policies and practices on corporate governance, training and continuous professional development of the Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, etc. The Board will hold meetings from time to time whenever necessary. At least 14 days' notice of regular Board meetings will be given to all the Directors and they can include matters for discussion in the agenda as they think fit. The agenda accompanying Board papers are sent to all the Directors at least 3 days before the date of every Board meeting in order to allow sufficient time for the Directors to review the documents.

Minutes of every Board meeting are circulated to all Directors for their perusal and comments prior to confirmation of the minutes. The Board also ensures that the Directors are supplied in a timely manner with all necessary information in a form and of a quality appropriate to enable them to discharge their duties.

Every Board member has full access to the advices and services of the company secretary with a view to ensuring that the Board procedures, and all applicable rules and regulations are followed and they are also entitled to have full access to Board papers and related materials so that they are able to make an informed decision and to discharge their duties and responsibilities.

The Board and individual Directors also have separate and independent access to the Company's senior management.

FUNCTIONS OF THE BOARD

The principal functions of the Board include:

— reviewing, approving and monitoring fundamental financial and business strategies and major corporate actions;

— approving major acquisitions or disposals, corporate or financial restructuring, issuance of the Shares and other equity or debt instruments, considering payment of dividends and other distribution to the Shareholders;

— assessing the risks facing the Group and reviewing and implementing appropriate measures to manage such risks;

— selecting and evaluating the performance and compensation of key management executives;

— approving nominations to the Board;

— reviewing and endorsing the recommended framework of remuneration of the Directors and key management executives by the Remuneration Committee; and

— assuming overall responsibility for corporate governance.

According to provision C.1.2 of the CG Code, the management shall provide all members of the Board with monthly updates. During the Reporting Period, the management have provided to all the Directors with updates on the position and prospects of the Group, which are considered to be sufficient to allow them to have a balanced and understandable assessment of the Group's performance, position and prospects to serve the purpose required by provision C.1.2.

TERMS OF APPOINTMENT AND RE-ELECTION OF DIRECTORS

Each of the executive Directors has entered into a service agreement with the Company for an initial term of three years commencing from the Listing Date subject to renewal and termination by either party in accordance with the terms thereof and retirement and re-election provisions in accordance with the articles of association of the Company (the "**Articles**").

Under provision A.4.1 of the CG Code, the independent non-executive Directors should be appointed for a specific term subject to re-election. Each of the independent non-executive Directors has entered into an appointment letter with the Company for an initial term of one year commencing from their respective date of appointment and subject to renewal and termination by either party in accordance with the terms thereof and retirement and re-election provisions in the Articles.

Article 84 of the Articles provides that at each annual general meeting, one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation and that every Director shall be subject to retirement by rotation at least once every three years. A retiring Director shall be eligible for re-election.

CONTINUOUS PROFESSIONAL DEVELOPMENT

According to the provision A.6.5 of the CG Code, all the Directors shall participate in continuous professional development to develop and refresh their knowledge and skills to ensure their contribution to the Board remains informed and relevant.

During the Reporting Period, all the Directors have participated in continuous professional development and the relevant details are set out below:

Name of Directors	Attending seminar(s)/ Reading relevant materials in relation to the business or directors' duties Yes/No
Executive Directors	
Mr. Chan Chun Sing (appointed on 4 October 2019)	Yes
Mr. Cheng Tak Yuen (appointed on 4 October 2019)	Yes
Mr. Ng Chin Hung *(Chairman and chief executive officer)* (appointed on 4 October 2019)	Yes
Independent non-executive Directors	
Mr. Chan Fei Fei (appointed on 27 September 2019)	Yes
Mr. Lee Kwong Chak, Bonnio (appointed on 27 September 2019)	Yes
Mr. Pang Chung Fai, Benny (appointed on 27 September 2019)	Yes

Corporate Governance Report

Up to the date of this annual report, all the current Directors have participated in continuous professional development and the relevant details are let out below:

Name of Directors	Attending seminar(s)/ Reading relevant materials in relation to the business or directors' duties Yes/No
Executive Directors	
Mr. Cheng Hon Yat (resigned on 4 October 2019)	Yes
Mr. Chan Kwok Wai (resigned on 4 October 2019)	Yes
Mr. Lo Wai Wah (resigned on 4 October 2019)	Yes
Mr. Yau Sze Yeung (resigned on 4 October 2019)	Yes
Independent non-executive Directors	
Mr. Siu Wing Hay (resigned on 13 September 2019)	Yes
Mr. Wong Yee Lut, Eliot (resigned on 13 September 2019)	Yes
Mr. Luk Kin Ting (resigned on 13 September 2019)	Yes
Mr. Lau Chi Kit (resigned on 13 September 2019)	Yes
Executive Directors	
Mr. Chan Chun Sing (appointed on 4 October 2019)	Yes
Mr. Cheng Tak Yuen (appointed on 4 October 2019)	Yes
Mr. Ng Chin Hung *(Chairman and chief executive officer)* (appointed on 4 October 2019)	Yes
Independent non-executive Directors	
Mr. Chan Fei Fei (appointed on 27 September 2019)	Yes
Mr. Lee Kwong Chak, Bonnio (appointed on 27 September 2019)	Yes
Mr. Pang Chung Fai, Benny (appointed on 27 September 2019)	Yes

BOARD COMMITTEES

During the Reporting Period, to assist the Board in its work, the Board is assisted by three Board committees, namely the Audit Committee, the Remuneration Committee and the Nomination Committee, which are sufficiently resourced to fulfil their roles and their terms of reference have been approved by the Board and are available for review on the Company's website (http://www.jancofreight.com) and the Stock Exchange's website (www.hkexnews.hk).

Audit Committee

The Company has established the Audit Committee on 23 September 2016 in compliance with rule 5.28 of the GEM Listing Rules. As at the date of this annual report, the Audit Committee comprises all the independent non-executive Directors, namely Mr. Lee Kwong Chak, Bonnio, Mr. Pang Chung Fai, Benny and Mr. Chan Fei Fei. Mr. Lee Kwong Chak, Bonnio is the chairman of the Audit Committee. Written terms of reference in compliance with provision C.3.3 of the CG Code have been adopted. The primary duties of the Audit Committee are, among other things, to make recommendations to the Board on the appointment, re-appointment are removal of external auditor and to review and supervise the financial reporting process and internal control and risk management systems of the Group.

During the Reporting Period and up to the date of this annual report, 5 Audit Committee meetings were held whereat the Audit Committee, among other matters, reviewed the Group's annual consolidated financial statements, interim and quarterly reports; discussed the risk management and internal control systems of the Group; met with the independent external auditors and reviewed report from the independent external auditors regarding their audit on the Group's annual consolidated financial statements. The attendance record of each Audit Committee member at the Audit Committee meeting is set out in the table below:

Name of Directors	Number of attendance/ number of Audit Committee meetings
Independent non-executive Directors	
Mr. Siu Wing Hay *(former Chairman)* (resigned on 13 September 2019)	4/4
Mr. Wong Yee Lut, Eliot (resigned on 13 September 2019)	4/4
Mr. Luk Kin Ting (resigned on 13 September 2019)	4/4
Mr. Lau Chi Kit (resigned on 13 September 2019)	4/4
Mr. Chan Fei Fei (appointed on 27 September 2019)	1/1
Mr. Lee Kwong Chak, Bonnio *(Chairman)* (appointed on 27 September 2019)	1/1
Mr. Pang Chung Fai, Benny (appointed on 27 September 2019)	1/1

Remuneration Committee

The Company established the Remuneration Committee which comprises Mr. Chan Fei Fei, Mr. Lee Kwong Chak, Bonnio and Mr. Pang Chung Fai, Benny, with Mr. Chan Fei Fei being the chairman. Written terms of reference in compliance with provision B.1.2 of the CG Code have been adopted. The primary duties of the Remuneration Committee are, among other things, to make recommendations to the Board on the remuneration packages of individual executive Directors and senior management and make recommendations to the Board of the remuneration of independent non-executive Directors.

During the Reporting Period and up to the date of this annual report, 1 Remuneration Committee meeting was held whereat the Remuneration Committee, among other matters, determined the policy and made recommendations to the Board in relation to remuneration-related matters of the executive Directors; assessed the performance of the executive Directors and approved terms of service agreement of executive Directors. The attendance record of each Remuneration Committee member at the Remuneration Committee meeting is set out in the table below:

Name of Directors	Number of attendance/ number of Remuneration Committee meetings
Independent non-executive Directors	
Mr. Chan Fei Fei *(Chairman)* (appointed on 27 September 2019)	1/1
Mr. Lee Kwong Chak, Bonnio (appointed on 27 September 2019)	1/1
Mr. Pang Chung Fai, Benny (appointed on 27 September 2019)	1/1

Nomination Committee

The Company has established the Nomination Committee with written terms of reference. The Nomination Committee comprises Mr. Pang Chung Fai, Benny, Mr. Lee Kwong Chak, Bonnio and Chan Fei Fei, with Mr. Pang Chung Fai, Benny being the chairman. Written terms of reference in compliance with provision A.5.2 of the CG Code have been adopted. The Nomination Committee is mainly responsible for making recommendations to the Board on appointment of Directors and succession planning for our Directors, and to assess the independence of the independent non-executive Directors.

During the Reporting Period and up to the date of this annual report, 2 Nomination Committee meeting were held whereat the Nomination Committee, among other matters, reviewed the structure, size and composition of the Board, reviewed the Board nomination policy, reviewed the Board diversity policy, assessed the independence of the independent non-executive Directors and made recommendations to the Board for considering the re-appointment of the retiring Directors at the 2019 AGM. The attendance record of each Nomination Committee member at the Nomination Committee meeting is set out in the table below:

Name of Directors	Number of attendance/ number of Nomination Committee meetings
Independent non-executive Directors	
Mr. Pang Chung Fai, Benny *(Chairman)* (appointed on 27 September 2019)	2/2
Mr. Lee Kwong Chak, Bonnio (appointed on 27 September 2019)	2/2
Mr. Chan Fei Fei (appointed on 27 September 2019)	2/2

Board Nomination Policy

The Company adopted a nomination policy on 9 November 2018 in compliance with the CG Code with effect from 1 January 2019, which establishes written guidelines to the Nomination Committee to identify individuals suitably qualified to become Board members and make recommendations to the Board on the selection of individuals nominated for directorships with reference to the formulated criteria. The Board is ultimately responsible for selection and appointment of new Directors.

The Board, through the delegation of its authority to the Nomination Committee, has used its best efforts to ensure that Directors appointed to the Board possess the relevant background, experience and knowledge in business, finance and management skills critical to the Group's business to enable the Board to make sound and well considered decisions. Collectively, they have competencies in areas which are relevant and valuable to the Group.

Corporate Governance Report

Board Diversity Policy

The composition of the Board is reviewed on an annual basis by the Nomination Committee to ensure that the Board has the appropriate mix of expertise and experience, and collectively possesses the necessary core competence for informed decision-making and effective functioning. The Company adopted its own board diversity policy and recognises the benefits of having diversity in the composition of the Board.

The Company noted that that people from different backgrounds and with different professional and life experience are likely to approach problems in different ways and accordingly, members of the Board with diverse backgrounds will bring different concerns and questions to the table, and allow the Board to consider a wider range of options and solutions when deciding on corporate issues and formulating policies for the Group. In determining the Board's composition and selection of candidates to the Board, the Nomination Committee will consider factors including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, industry knowledge and length of service.

All Board appointments will be based on meritocracy, and candidates will be considered against the selection criteria, having regard for the benefits of diversity on the Board, the business model and specific needs of the Group. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

ACCOUNTABILITY AND AUDIT

Directors' and auditor's responsibilities for the consolidated financial statements

All the Directors acknowledge their responsibility to prepare the Group's consolidated financial statements for each financial period to give a true and fair view of the state of affairs of the Group and of the results and cash flows for that period. In preparing the consolidated financial statements for FY2018, the Board has selected suitable accounting policies and applied them consistently, made judgments and estimates that are prudent, fair and reasonable and prepared the consolidated financial statements of the Group on a going concern basis.

The Directors are responsible for taking all reasonable and necessary steps to safeguard the assets of the Group and to prevent and detect fraud and other irregularities. The Directors continue to adopt the going concern approach in preparing the consolidated financial statements and are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The responsibilities of the Group's auditor, Messrs. ZHONGHUI ANDA CPA Limited, with respect to financial reporting are set out in the section headed "Independent Auditor's Report" of this annual report.

Auditor's remuneration

The remuneration paid or payable to the Group's auditor, Messrs. ZHONGHUI ANDA CPA Limited, in respect of their audit and non-audit services for FY2018 was as follows:

	HK$'000
Audit services	700

Internal Control and Risk Management

The Board has overall responsibility for the establishment, maintenance and review of the Group's internal control system to safeguard the Shareholders' investments and the assets of the Group. The internal control system of the Group aims to facilitate effective and efficient operation which in turn minimises the risks to which the Group is exposed. The system can only provide reasonable but not absolute assurance against misstatement or losses.

The Board keeps monitoring the risk management system on an ongoing basis, ensuring a review of the effectiveness of the Group's risk management system is conducted regularly. During FY2018, the Board conducted a review of the implemented system and procedures, covering financial, operational and legal compliance controls and risk management system. Internal audit function has also been carried out under the leadership of the Board and the Audit Committee. In addition to the Board and the Audit Committee's work, as disclosed in the Company's announcement dated 30 September 2019, the Company has engaged Ernst & Young Advisory Services Limited ("EY") to conduct an independent review and EY has identified some potential deficiencies in the policies, procedures and controls. With the assistance of the independent external consultant for the independent review, the Directors will continue to monitor and review the Group's risk management and internal control systems such that they are adequate and effective.

Company secretary

Mr. Chan Chun Sing was appointed as the company secretary of the Company on 4 October 2019. Mr. Chan has taken no less than 15 hours of relevant professional training. Please refer to the paragraph headed "Executive Directors" in the section headed "Directors and Senior Management" of this annual report for his profile.

SHAREHOLDERS' RIGHTS

As one of the measures to safeguard Shareholders' interests and rights, the Shareholders are encouraged to participate at the general meetings of the Company and to vote thereat. All resolutions put forward at Shareholders' meeting will be voted by poll pursuant to the GEM Listing Rules except where the chairman decides to allow a resolution which relates purely to a procedural or administrative matter to be voted by a show of hands, and the poll voting results will be posted on the websites of the Stock Exchange and the Company after the relevant Shareholders' meeting.

PROCEDURES FOR SHAREHOLDERS TO CONVENE EXTRAORDINARY GENERAL MEETING

The following procedures for Shareholders to convene an extraordinary general meeting are subject to the Articles (as amended from time to time), and the applicable legislation and regulation, in particular the GEM Listing Rules (as amended from time to time):

(a) any one or more Shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company (the "**Eligible Shareholder(s)**") shall at all times have the right, by written requisition to the Board or the company secretary of the Company (the "**Company Secretary**"), to require an extraordinary general meeting ("**EGM**") to be called by the Board for the transaction of any business specified in such requisition;

(b) Eligible Shareholders who wish to convene an EGM must deposit a written requisition (the "**Requisition**") signed by the Eligible Shareholder(s) concerned to the head office and principal place of business of the Company in Hong Kong at Unit 1608, 16th Floor, Tower A, Manulife Financial Centre, No. 223 Wai Yip Street, Kwun Tong, Kowloon, Hong Kong, or the Hong Kong branch share registrar and transfer office of the Company, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for the attention of the Board and/or the Company Secretary;

(c) if within 21 days of the deposit of the Requisition the Board fails to proceed to convene such EGM, the Eligible Shareholder(s) himself/herself/themselves may do so in the same manner, and all reasonable expenses incurred by the Eligible Shareholder(s) concerned as a result of the failure of the Board shall be reimbursed to the Eligible Shareholder(s) concerned by the Company.

PROCEDURES FOR SHAREHOLDERS TO PUT FORWARD PROPOSALS AT SHAREHOLDERS' MEETINGS

There are no provisions allowing the Shareholders to move new resolutions at the general meetings under the Companies Law (Revised) of Cayman Islands. However, pursuant to the Articles, the Shareholders who wish to move a resolution may by means of the Requisition convene an EGM following the procedures set out above.

PROCEDURES FOR NOMINATION OF DIRECTOR

For any Shareholder who wishes to nominate a person to stand for election as a director at any general meeting of the Company, the following documents must be validly served on the company secretary at the Company's head office and principal place of business in Hong Kong at Unit 1608, 16th Floor, Tower A, Manulife Financial Centre, No. 223 Wai Yip Street, Kwun Tong, Kowloon, Hong Kong, or sent to the Hong Kong branch share registrar and transfer office of the Company, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, provided that the minimum length of the period, during which such documents are given, shall be at least seven days and that (if such documents are submitted after the despatch of the notice of the general meeting appointed for such election) the period for lodgement of such documents shall commence on the day after the despatch of the notice of the general meeting appointed for election of director and end no later than seven days prior to the date of such general meeting:

(a) notice in writing signed by the Shareholder of his/her intention to propose such person for election (the "**Nominated Candidate**");

(b) letter of consent signed by the Nominated Candidate of his/her willingness to be elected; and

(c) the biographical details of the Nominated Candidate as required under rule 17.50(2) of the GEM Listing Rules for publication by the Company.

PROCEDURES FOR RAISING ENQUIRIES

Shareholders could direct their questions about their shareholdings, share transfer, registration and payment of dividend to the Company's Hong Kong branch share registrar (details of which are set out in the section headed "Corporate Information" of this annual report).

Should there be any enquiries and concerns from the Shareholders, they may send written enquiries addressed to the headquarters and principal place of business of the Company in Hong Kong at Unit 1608, 16th Floor, Tower A, Manulife Financial Centre, No. 223 Wai Yip Street, Kwun Tong, Kowloon, Hong Kong for the attention of the Board and/or the Company Secretary.

Shareholders are reminded to lodge their questions together with their detailed contact information for the prompt response from the Company if it deems appropriate.

INVESTORS RELATIONS

The Company has established a range of communication channels among itself, the Shareholders and investors. These include answering questions through the general meetings, the publication of annual, interim and quarterly reports, notices, announcements and circulars on the Company's website at www.jancofreight.com and meetings with investors and the Shareholders. News update of the Group's business development and operation are also available on the Company's website.

Since the Listing and up to the date of this annual report, there had been no change in the Company's constitutional documents.

Policy on Payment of Dividends

The Company adopted a policy on payment of dividends (the "**Dividend Policy**") on 9 November 2018 in compliance with E.1.5 of the CG Code with effect from 1 January 2019, which establishes an appropriate procedure on declaring and recommending the dividend payment of the Company.

The Company will declare and/or recommend the payment of dividends to Shareholders after considering the Company's ability to pay dividends, which will depend upon, among other things, its actual and expected financial results, cash flow, general business conditions and strategies, current and future operations, statutory, contractual and regulatory restrictions and so on. The Board has complete discretion on whether to pay a dividend, subject to Shareholders' approval, where applicable. Even if the Board decides to recommend and pay dividends, the form, frequency and amount will depend upon the operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors of and affecting the Group. The Board may also consider declaring special dividends from time to time, in addition to the interim and/or final dividends.

The Company shall review and reassess the Dividend Policy and its effectiveness on a regular basis or as required.

COMPLIANCE OFFICER

Mr. Ng Chin Hung was appointed as the compliance officer of the Company on 4 October 2019. Please refer to the paragraph headed "Executive Directors" in the section headed "Directors and Senior Management" of this annual report for his profile.

Report of the Directors

The Directors are pleased to present the annual report and the audited consolidated financial statements of the Group for FY2018.

CORPORATE REORGANISATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability in the Cayman Islands. 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 headquarters and 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 were listed on GEM of the Stock Exchange on 7 October 2016.

In the preparation for the Listing, the Company became the holding company of the companies now comprising the Group. Details of the reorganisation of the Group are set out in the paragraph headed "Reorganisation" in the section headed "History, Development and Reorganisation" of the Prospectus.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The activities of its principal subsidiaries are set out in note 31 to the consolidated financial statements. There were no significant changes in the nature of the Group's principal activities during FY2018.

BUSINESS REVIEW

Detailed business review is set out in the section headed "Management Discussion and Analysis" ("**MD&A**") of this annual report from pages 5 to 11. Future development of the company's business is set out in the MD&A and the section headed "Chairman's Statement" in this annual report on page 4.

KEY RISKS AND UNCERTAINTIES

The Group believes that the risk management practices are important and uses its best effort to ensure it is sufficient to mitigate the risks present in our operations and financial position as efficiently and effectively as possible. Operational risk may arise when the Group has loss of (i) our customers; and (ii) senior management employed by the Group which may adversely affect the Group's operations. In the event that the Group fails to identify suitable replacements for senior managements in a timely manner and at reasonable cost, the Group's competitiveness may be impaired and performance could be adversely affected. To retain our customers, we are trying to maintain stable business relationship with our suppliers in order to obtain cargo space at favourable prices, so that we can offer cargo space to our customers at competitive prices.

An analysis of the Group's financial risk management (including market risk, credit risk, and liquidity risk) objectives and policies are provided in note 6 to the consolidated financial statements. Other risks faced by the Group are set out in the section headed "Risk Factors" in the Prospectus.

ENVIRONMENTAL POLICIES AND PERFORMANCE

A fundamental task of the senior management of the Group have always been leading the management to concern about environmental protection, performing social responsibility as an enterprise citizen, strengthening corporate governance, promoting healthy and orderly development of the Group, and creating more economic value and social utility for stakeholders such as consumers, upstream suppliers, downstream distributors, shareholders, potential investors, management, employees, communities and even the environment.

More disclosures regarding our environmental policies and performance are set out in the ESG Report forming part of this annual report.

COMPLIANCE WITH LAWS AND REGULATIONS

As far as the Board is aware, the Group has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Group.

KEY RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

During FY2018, the Group has maintained good relationships with its stakeholders, including employees, customers, suppliers, banks, regulators and shareholders. The Group will continue to ensure effective communication and maintain good relationship with each of its key stakeholders.

KEY PERFORMANCE INDICATORS ("KPIS") WITH THE STRATEGY OF THE GROUP

The key financial performance indicators of the Group for FY2018 are set out below:

Strategy	KPIs
Maximise value for the Shareholders	Gross profit margin = 6.6% (2017: 13.4%)
	Return on equity = -39.2% (2017: 1.9%)
Improve the Group's liquidity	Net cash used in operating activities = HK$9.1 million (2017: HK$18.2 million)
	Cash and cash equivalents = HK$5.6 million (2017: HK$7.0 million)

RESULTS

The results of the Group for FY2018 are set out in the consolidated statement of profit or loss and other comprehensive income on page 53.

No final dividend for FY2018 was recommended by the Board.

ANNUAL GENERAL MEETING

The forthcoming annual general meeting (the "**2019 AGM**") of the Company is scheduled to be held on Monday, 9 December 2019. A notice convening the 2019 AGM will be issued and despatched to the Shareholders.

The register of members of the Company will be closed from Wednesday, 4 December 2019 to Monday, 9 December 2019 (both dates inclusive) during which period no transfer of Shares will be registered. In order to be eligible to attend and vote at the 2019 AGM, all completed share transfer instruments accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 3 December 2019.

RESERVES

Details of movements in the reserves of the Group during FY2018 are set out in the consolidated statement of changes in equity on page 58 of this annual report.

FINANCIAL SUMMARY

A summary of the results, assets and liabilities of the Group for the last five financial years is set out on page 100.

MAJOR CUSTOMERS AND SUPPLIERS

The Group's largest customer contributed 10.8% (2017: 12.7%) of the total revenue for FY2018 while the Group's five largest customers accounted for 33.3% (2017: 35.9%) of the total revenue for FY2018.

Since the Group has a very wide base of suppliers, the aggregate purchase attributable to the Group's five largest suppliers were 32.7% (2017: 28.6%) of the Group's total purchases for FY2018 with the largest supplier accounted for 10.9% (2017: 10.3%) of the total purchases.

To the best of the knowledge of the Directors, none of the Directors, their respective close associates (as defined in the GEM Listing Rules) or any Shareholders (which to the best knowledge of the Directors owns more than 5% of the number of Company's issued Shares) had any interests in any of the Group's five largest customers or suppliers referred to above.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the Reporting Period, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

SUFFICIENCY OF PUBLIC FLOAT

Throughout FY2018 and up to the date of this annual report, based on the information that is publicly available to the Company and within the knowledge of the Directors, the Directors confirm that the Company maintained the prescribed minimum amount of public float as required under the GEM Listing Rules.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Articles, or the laws of Cayman Islands, which would oblige the Company to offer new Shares on a pro-rata basis to existing Shareholders.

SHARE CAPITAL

Details of the Company's share capital are set out in note 26 to the consolidated financial statements.

SHARE OPTION SCHEME

The share option scheme of the Company (the "**Scheme**") is a share incentive scheme prepared in accordance with Chapter 23 of the GEM Listing Rules and is established to recognise and acknowledge the contribution of the Directors and other employees and other eligible parties who have made valuable contribution to the Group. The Scheme was adopted on 23 September 2016 (the "**Adoption Date**"). There was no share options granted or agreed to be granted under the Scheme from the Adoption Date and up to the date of this annual report.

The following is a summary of the principal terms of the Scheme but it does not form part of, nor was it intended to be part of the Scheme nor should it be taken as affecting the interpretation of the rules of the Scheme:

(a) Purpose

The Scheme is a share incentive scheme prepared in accordance with Chapter 23 of the GEM Listing Rules and is established to enable the Group to grant options to the eligible participants as incentives or rewards for their contribution to the Group and/or to enable the Group to recruit and retain high-caliber employees and attract human resources that are valuable to the Group or any entity in which any member of the Group holds any equity interest (the "**Invested Entity**").

(b) The Participants of the Scheme

The Board may, at its discretion, offer to grant an option to the following parties (collectively the "**Eligible Participants**") to subscribe for such number of new Shares as the Board may determine at an exercise price determined in accordance with paragraph (e) below:

(i) any employee (whether full time or part time), including the Directors (including any non-executive Director and independent non-executive Director) of the Company, its subsidiaries or any Invested Entity (an "**eligible employee**");

(ii) any supplier of goods or services to any member of the Group or any Invested Entity;

(iii) any customer of any member of the Group or any Invested Entity;

(iv) any person or entity that provides research, development or other technological support to any member of the Group or any Invested Entity;

(v) any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity;

(vi) any adviser (professional or otherwise), consultant, individual or entity who in the opinion of the Directors has contributed or will contribute to the growth and development of the Group;

(vii) any other groups or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement to the development and growth of the Group,

and, for the purpose of the Scheme, the offer for the grant of an option may be made to any company wholly owned by one or more of Eligible Participants.

(c) Maximum number of Shares available for issuance

(a) The maximum number of the Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other share option schemes adopted by the Group shall not exceed 30% of the share capital of the company in issue from time to time. No option may be granted under the Scheme or any other share option scheme adopted by the Group if the grant of such option will result in such limit being exceeded.

(b) The total number of the Shares which may be issued upon exercise of all the options (excluding, for this purpose, shares which would have lapsed in accordance with the terms of the Scheme or any other share option schemes of the Group) to be granted under the Scheme and any other share option schemes of the Group must not in aggregate exceed 10% of the total number of the Shares in issue as at the Listing Date, being 60,000,000 Shares (the "**General Scheme Limit**") provided that:

i. subject to paragraph (a) above and without prejudice to sub-paragraph (ii) below, the Company may seek approval of the Shareholders in general meeting to refresh the General Scheme Limit provided that the total number of the Shares which may be allotted and issued upon exercise of all the options to be granted under the Scheme and any other share option schemes of the Group must not exceed 10% of the Shares in issue as at the date of approval of the limit and for the purpose of calculating the limit, options (including those outstanding, cancelled, lapsed or exercised in accordance with the Scheme and any other share option schemes of the Group will not be counted; and

ii. subject to paragraph (a) above and without prejudice to sub-paragraph (i) above, the Company may seek separate Shareholders' approval in general meeting to grant options under the Scheme beyond the General Scheme Limit or, if applicable, the extended limit referred to in paragraph (i) above to Eligible Participants specifically identified by the Company before such approval is sought.

(d) Maximum number of options to any one individual

The total number of Shares issued and which may fall to be issued upon exercise of the options granted under the Scheme and any other share option schemes of the Group (including both exercised and outstanding options) to each Eligible Participant in any 12-month period shall not exceed 1% of the issued shares of the Company for the time being.

(e) Price of Shares

The subscription price of a share in respect of any particular option granted under the Scheme shall be such price as the Board in its discretion shall determine, save that such price shall not be less than the highest of:

(i) the closing price of the Shares as stated in the Stock Exchange's daily quotation sheets for trade in one or more board lots of the Shares on the offer date, being the date on which an offer for the grant of an option is made to an Eligible Participant, which must be a business day, being a day on which the Stock Exchange is open for the business of dealing in securities;

(ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the offer date; and

(iii) the nominal value of a Share.

(f) Time of exercise of option and duration of the share option scheme

An option may be exercised in accordance with the terms of the Scheme at any time or times during the option period, being a period (which may not expire later than 10 years from the offer date of the Option) to be determined and notified by the Directors to the grantee thereof, and in the absence of such determination, from the date of acceptance of the offer of such option to the earlier of (i) the date on which such option lapses in accordance with the relevant provisions of the Scheme; and (ii) the date falling ten years from the offer date of such option. No option may be granted more than 10 years after the Adoption date. Subject to earlier termination by the Company in general meeting or by the Board, the Scheme shall be valid and effective for a period of 10 years from the Adoption date.

(g) Acceptance and payment on acceptance

The options granted under the Scheme shall remain open for acceptance by the Eligible Participants concerned (and by no other person) for a period of up to 21 days from the date on which the options are offered to an Eligible Participant. Upon acceptance of the option, the Eligible Participant shall pay HK$1 to the Company as consideration for the grant.

(h) Remaining life of the Scheme

The Scheme will remain in force for a period of 10 years commencing from the Adoption date.

DISTRIBUTABLE RESERVES OF THE COMPANY

Share premium and retained profit of the Company may be available for distribution to ordinary Shareholders provided that the Company will be able to pay its debts as they fall due in the ordinary course of business immediately following the date on which any such distribution is proposed to be paid. The Company's reserves available for distribution to Shareholders at 31 December 2018 amounted to approximately HK$27.7 million.

DIRECTORS

During FY2018 and up to the date of this annual report, the Board's composition is as follows:

Executive Directors

Mr. Ng Chin Hung *(Chairman and chief executive officer)* (appointed on 4 October 2019)
Mr. Cheng Tak Yuen (appointed on 4 October 2019)
Mr. Chan Chun Sing (appointed on 4 October 2019)
Mr. Cheng Hon Yat (resigned on 4 October 2019)
Mr. Chan Kwok Wai (resigned on 4 October 2019)
Mr. Lo Wai Wah (resigned on 4 October 2019)
Mr. Yau Sze Yeung (resigned on 4 October 2019)

Independent non-executive Directors

Mr. Lee Kwong Chak, Bonnio (appointed on 27 September 2019)
Mr. Pang Chung Fai, Benny (appointed on 27 September 2019)
Mr. Chan Fei Fei (appointed on 27 September 2019)
Mr. Siu Wing Hay (resigned on 13 September 2019)
Mr. Wong Yee Lut, Eliot (resigned on 13 September 2019)
Mr. Luk Kin Ting (resigned on 13 September 2019)
Mr. Lau Chi Kit (resigned on 13 September 2019)

Retirement and re-election of Directors

In accordance with article 84 of the Articles, one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation at each annual general meeting of the Company, provided that every Director shall be subject to retirement by rotation at least once every three years. A retiring Director shall be eligible for re-election and shall continue to act as a Director throughout the meeting at which he retires. The Directors to retire by rotation every year shall include (as far as necessary to ascertain the number of the Directors to retire by rotation) any Director who wishes to retire and not to offer himself for re-election. Any further Directors so to retire shall be those of the other Directors subject to retirement by rotation who have been longest in office since their last re-election or appointment and so that as between persons who became or were last re-elected Directors on the same day those to retire shall (unless they otherwise agree among themselves) be determined by lot. Any Director appointed by the Board pursuant article 83(3) of the Articles shall not be taken into account in determining which particular Directors or the number of the Directors who are to retire by rotation.

According to article 83(3) of the Articles, the Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the Board or as an addition to the existing Board. Any Director appointed by the Board to fill a casual vacancy shall hold office until the first general meeting of the Shareholders after his appointment and be subject to re-election at such meeting and any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

Mr. Ng Chin Hung, Mr. Cheng Tak Yuen, Mr. Chan Chun Sing, Mr. Lee Kwong Chak, Bonnio, Mr. Pang Chung Fai, Benny and Mr. Chan Fei Fei will retire and, being eligible, offer themselves for re-election at the 2019 AGM pursuant to article 84 of the Articles.

DIRECTORS' SERVICE AGREEMENTS

Each of the executive Directors has entered into a service agreement with the Company for an initial term of three years commencing from the Listing Date subject to renewal and termination by either party in accordance with the terms thereof, and retirement and re-election provisions in the Articles.

Each of the independent non-executive Directors has entered into an appointment letter with the Company for an initial term of one year commencing from their respective date of appointment and subject to renewal and termination by either party in accordance with the terms thereof, and retirement and re-election provisions in the Articles.

None of the Directors proposed for re-election at the 2019 AGM has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

INDEPENDENT NON-EXECUTIVE DIRECTORS' CONFIRMATION OF INDEPENDENCE

The Company has received from each of the independent non-executive Directors an annual confirmation of their independence pursuant to rule 5.09 of the GEM Listing Rules. The Nomination Committee has assessed the independence of the independent non-executive Directors and affirmed that all independent non-executive Directors remained independent.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 31 December 2018, the interests or short positions of the Directors or chief executive of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of Laws of Hong Kong) (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 ordinary Shares

Name of Director/ chief executive	Capacity/Nature of interest	Number of Shares held	Percentage of the Company's issued share capital
Mr. Cheng Hon Yat ("**Mr. Cheng**")	Interest in a controlled corporation *(Note)*	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 the Shares held by Million Venture.

Interests in associated corporation(s) of the Company

Long positions in the ordinary 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 31 December 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 AND UNDERLYING SHARES

As at 31 December 2018, so far as the Directors are aware, the following persons (other than the Director and the chief executive of the Company) had or deemed or taken to have an interest and/or short position in the Shares or underlying Shares 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 Ordinary 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 *(Note)*	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 the Shares in which Mr. Cheng is interested under the SFO.

Save as disclosed above, as at 31 December 2018, the Company has not been notified of any other persons (other than the Director or the 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 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.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Save and except for the Scheme, at no time during the Reporting Period 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' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No transaction, arrangement or contract of significance in relation to the Group's business to which the Company or any of its subsidiaries or its parent company was a party and in which a Director of the Company or an entity connected with any of them had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the Reporting Period.

CONTRACTS OF SIGNIFICANCE WITH CONTROLLING SHAREHOLDERS

During the Reporting Period, there had been no contract of significance between the Company or any of its subsidiaries and a controlling Shareholder (as defined in the GEM Listing Rules) or any of its subsidiaries, nor any contract of significance for the provision of services to the Company or any of its subsidiaries by a controlling Shareholder or any of its subsidiaries.

COMPETING INTEREST

For FY2018, the Directors were not aware of any business or interest of the Directors, the controlling Shareholders, 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.

A deed of non-competition (the "**Deed of Non-competition**") dated 30 September 2016 was executed in favour of the Company (for itself and as trustee for each of its subsidiaries) by Mr. Cheng and Million Venture (collectively the "**Controlling Shareholders**") regarding certain non-competition undertakings. The details of the Deed of Non-competition have been disclosed in the Prospectus under the section headed "Relationship with Controlling Shareholders".

Each of the Controlling Shareholders has given an annual declaration to the Company confirming that he/it has complied with the non-compete undertakings to the Company under the Deed of Non-competition. The independent non-executive Directors have reviewed the compliance with the Deed of Non-competition and are satisfied that the Controlling Shareholders have complied with the provisions of the Deed of Non-competition during the Reporting Period.

MANAGEMENT CONTRACTS

During FY2018, there is no contract entered into by the Company relating to the management and administration of the entire or any substantial part of the business of the Group.

EMOLUMENT POLICY

The remuneration policy of the Group is to reward its employees and executives based on, among other things, their performance, qualification, competence displayed and market comparables. Remuneration package typically comprises of salaries, contribution to pension schemes and discretionary bonuses.

The Remuneration Committee will review annually the remuneration of all the Directors to ensure that it is attractive enough to attract and retain a competent team of executive members. The Director's fee for each of the Directors is subject to the Board's review from time to time in its discretion after taking into account the recommendation of the Remuneration Committee. The remuneration package of each of the Directors is determined by reference to market terms, seniority, experiences, duties and responsibilities of that Director within the Group.

COMPLIANCE ADVISER'S INTEREST

The Company and Lego Corporate Finance Limited ("**Lego**") have mutually agreed to terminate the compliance adviser agreement and Lego has ceased to be the compliance adviser of the Company with effect from 12 April 2019. The Company has appointed Messis Capital Limited ("**Messis**") as the new compliance adviser of the Company pursuant to the requirements of Rule 6A.27 of the GEM Listing Rules with effect from 12 April 2019 until the date, on which the Company complies with Rule 18.03 of the GEM Listing Rules in respect of the financial results of the Company to be published for the second full financial year commencing after the date of the Company's initial listing (being the financial year ended 31 December 2018), or until the compliance adviser agreement entered into between the Company and Messis is terminated in accordance with its terms, whichever is earlier. Pursuant to the compliance adviser agreement entered into between Messis and the Company, Messis will receive fees for acting as the Company's compliance adviser.

Neither Messis nor any of their directors, employees or close associate (as defined under the GEM Listing Rules) who have been involved in providing advice to the Company, has or may have any interest in any securities of the Company or which is required to be notified to the Group pursuant to Rule 6A.32 of the GEM Listing Rules.

As at 31 December 2018, as notified by the Company's then compliance adviser, Lego, save for the compliance adviser agreement entered into between the Company and the compliance adviser dated 22 April 2016, neither Lego nor any of its directors, employees or close associates had any interest in relation to the Company which were required to be notified to the Company pursuant to rule 6A.32 of the GEM Listing Rules.

CONNECTED TRANSACTION AND CONTINUING CONNECTED TRANSACTION

Significant related party transactions entered into by the Group during FY2018 and FY2017 are set out in note 30 to the consolidated financial statements.

The Directors consider that these significant related party transactions disclosed in note 30 to the consolidated financial statements did not fall under the definition of "connected transactions" or "continuing connected transactions" (as the case may be) under Chapter 20 of the GEM Listing Rules requiring compliance with any of the reporting, announcement or independent Shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

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. Details of the role and work performed by the Audit Committee are set out in the section headed "Corporate Governance Report" of this annual report. The Audit Committee has reviewed the audited consolidated financial statements of the Group for FY2018 and is of the view that the preparation of such statements complied with the applicable accounting standards, the GEM Listing Rules and other applicable legal requirements, and that adequate disclosure has been made.

PERMITTED INDEMNITY PROVISIONS

At no time during FY2018 and up to the date of this Directors' Report was there any permitted indemnity provision being in force for the benefit of any of the Directors (whether made by the Company or otherwise), or an associated company (if made by the Company).

An associated company is defined in Section 2(1) of the Hong Kong Companies Ordinance.

REMUNERATION OF DIRECTORS AND FIVE INDIVIDUALS WITH HIGHEST EMOLUMENTS

Details of the remuneration of the Directors and the five highest paid individuals for the year are set out in note 12 to the consolidated financial statements respectively.

CORPORATE GOVERNANCE

The Company has complied with all code provisions (other than provision A.2.1 of the CG code) as set out in the CG Code throughout the Reporting Period.

Further information on the Company's corporate governance practices is set out in the section headed "Corporate Governance Report" of this annual report from pages 22 to 31.

ENVIRONMENTAL, SOCIETY AND CORPORATE RESPONSIBILITY

The Group is committed to support environmental protection to ensure business development and sustainability. We implement green office practices to reduce the consumption of energy and natural resources. These practices include the use of energy-saving lightings and recycled paper, reduce energy consumption by switching off idle lightings, computers and electrical appliances and the use of environmentally friendly products whenever possible.

AUDITOR

Zhonghui Anda CPA Limited was appointed as the auditors of the Company in place of Deloitte Touche Tohmatsu immediately following its removal on 10 June 2019 and to hold office until the conclusion of the 2019 AGM.

The consolidated financial statements of the Group for FY2018 have been audited by Zhonghui Anda CPA Limited, who will retire and, being eligible, offer themselves for re-appointment at the 2019 AGM. A resolution for their re-appointment as auditors of the Company will be proposed at the 2019 AGM.

EVENTS AFTER THE REPORTING PERIOD

The Company and Lego have mutually agreed to terminate the compliance adviser agreement and Lego has ceased to be the compliance adviser of the Company with effect from 12 April 2019. The Company has appointed Messis as the new compliance adviser of the Company with effect from 12 April 2019.

On 13 September 2019, Mr. Siu Wing Hay, Mr. Wong Yee Lut, Eliot, Mr. Luk Kin Ting and Mr. Lau Chi Kit resigned as independent non-executive Directors. On 27 September 2019, Mr. Lee Kwong Chak, Bonnio, Mr. Pang Chung Fai, Benny and Mr. Chan Fei Fei have been appointed as independent non-executive Directors.

On 4 October 2019, Mr. Cheng Hon Yat, Mr. Chan Kwok Wai, Mr. Lo Wai Wah and Mr. Yau Sze Yeung resigned as executive Directors, and Mr. Ng Chin Hung, Mr. Cheng Tak Yuen and Mr. Chan Chun Sing have been appointed as executive Directors.

Save as disclosed above, under the paragraph headed "Auditors" of this section and under the paragraphs headed "update on listing status" and "audit procedures relating to the issues causing the trading suspension of the Company" of the section headed "Management Discussion and Analysis", the Board is not aware of any significant event requiring disclosure that has been taken place subsequent to 31 December 2018 and up to the date of this annual report.

On behalf of the Board
Mr. Ng Chin Hung
Chairman

Hong Kong, 31 October 2019

Independent Auditor's Report

TO THE SHAREHOLDERS OF JANCO HOLDINGS LIMITED
駿高控股有限公司
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Janco Holdings Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") set out on pages 55 to 99, which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("**HKSAs**") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "**Code**"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to note 2 to the consolidated financial statements which states that the Group incurred a loss of approximately HK$25,004,000 for the year ended 31 December 2018 and as at 31 December 2018, the Group had net current liabilities of approximately HK$57,917,000. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matter described below to be the key audit matters to be communicated in our report.

KEY AUDIT MATTERS (Continued)

Trade receivables

Refer to Note 19 to the consolidated financial statements

The Group tested the amount of trade receivables for impairment. This impairment test is significant to our audit because the balance of trade receivables of approximately HK$107,115,000 as at 31 December 2018 is material to the consolidated financial statements. In addition, the Group's impairment test involves application of judgement and is based on estimates.

Our audit procedures included, among others:

— Assessing the Group's procedures on granting credit limits and credit periods to customers;

— Assessing the Group's relationship and transaction history with the customers;

— Evaluating the Group's impairment assessment;

— Assessing ageing of the debts;

— Assessing creditworthiness of the customers;

— Checking subsequent settlements from the customers; and

— Assessing the disclosure of the Group's exposure to credit risk in the consolidated financial statements.

We consider that the Group's impairment test for trade receivables is supported by the available evidence.

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises all the information in the Company's annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is located at the HKICPA's website at:

http://www.hkicpa.org.hk/en/standards-and-regulations/standards/auditing-assurance/auditre/

This description forms part of our auditor's report.

ZHONGHUI ANDA CPA Limited
Certified Public Accountants
Ngan Hing Hon
Audit Engagement Director
Practising Certificate Number P05294
Hong Kong, 31 October 2019

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
Revenue	7	**366,802**	351,141
Cost of sales		**(342,675)**	(304,256)
Gross profit		**24,127**	46,885
Interest revenue		**1,524**	15
Other income		**4**	64
Other gains and losses, net	8	**(3,255)**	(281)
Administrative expenses		**(44,419)**	(42,934)
(Loss)/profit from operations		**(22,019)**	3,749
Finance costs	9	**(3,181)**	(482)
(Loss)/profit before tax		**(25,200)**	3,267
Income tax credit/(expense)	10	**196**	(1,585)
(Loss)/profit for the year	11	**(25,004)**	1,682
Other comprehensive income after tax:			
Items that may be reclassified to profit or loss:			
Exchange differences on translating foreign operations		**113**	–
Total comprehensive (expenses)/income for the year		**(24,891)**	1,682
(Loss)/earnings per share			
Basic and diluted (HK cents)	14	**(4.17)**	0.28

Consolidated Statement of Financial Position

At 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
Non-current assets			
Property, plant and equipment	15(a)	**10,786**	8,041
Computer software	15(b)	**278**	330
Deposits placed in life insurance policies	16	**106,468**	–
Interest in an associate	17	**–**	–
Rental deposits	19	**5,860**	4,663
		123,392	13,034
Current assets			
Inventories	18	**–**	10,595
Trade receivables	19	**107,115**	93,100
Other receivables, deposit and prepayments	19	**12,859**	13,903
Tax recoverable		**1,429**	–
Pledged bank deposits	20	**28,115**	27,000
Bank balance and cash	20	**6,338**	6,979
		155,856	151,577
Current liabilities			
Trade payables	21	**42,925**	25,338
Other payables and accruals	21	**6,524**	2,963
Contract liabilities	22	**472**	–
Bank borrowings and overdrafts	23	**163,045**	39,518
Tax payable		**–**	5,347
Obligations under finance leases	24	**807**	728
		213,773	73,894
Net current (liabilities)/assets		**(57,917)**	77,683
Total assets less current liabilities		**65,475**	90,717

Consolidated Statement of Financial Position

At 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
Non-current liabilities			
Obligations under finance leases	24	**1,084**	1,252
Deferred tax liabilities	25	**628**	811
		1,712	2,063
NET ASSETS		**63,763**	88,654
Capital and reserves			
Share capital	26	**6,000**	6,000
Reserves	28	**57,763**	82,654
TOTAL EQUITY		**63,763**	88,654

The consolidated financial statements on pages 55 to 99 were approved and authorised for issue by the Board of Directors on 31 October 2019 and are signed on its be half by:

NG CHIN HUNG
Director

CHAN CHUN SING
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2018

	Share capital HK$'000	Share premium HK$'000	Capital reserve HK$'000 (note i)	Other reserve HK$'000 (note ii)	Translation reserve HK$'000	Retained profits/ (Accumulated loss) HK$'000	Total HK$'000
At 1 January 2017	6,000	47,755	17,659	4,658	–	10,900	86,972
Profit and total comprehensive income for the year	–	–	–	–	–	1,682	1,682
At 31 December 2017	6,000	47,755	17,659	4,658	–	12,582	88,654
At 1 January 2018	6,000	47,755	17,659	4,658	–	12,582	88,654
Loss and total comprehensive expense for the year	–	–	–	–	113	(25,004)	(24,891)
At 31 December 2018	6,000	47,755	17,659	4,658	113	(12,422)	63,763

Notes:

(i) Capital reserve is comprised 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 Hor 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.

(ii) Other reserve represented an amount due to Mr. Cheng, being the controlling shareholder of the Group and a former director of the Company, amounting to approximately HK$4,658,000 which was settled by capitalisation of the same amount as deemed contribution in the year ended 31 December 2016.

Consolidated Statement of Cash Flows

For the year ended 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
Cash flows from operating activities			
(Loss)/profit before tax		**(25,200)**	3,267
Adjustments for:			
Depreciation and amortisation		**3,240**	2,629
Finance costs		**3,181**	482
Gain on disposal of property, plant and equipment		**–**	(228)
Loss allowance provision for trade receivables		**3,272**	–
Interest income		**(1,524)**	(15)
Operating profit before working capital changes		**(17,031)**	6,135
Change in inventories		**10,595**	(10,595)
Change in trade receivables		**(17,287)**	(34,658)
Change in rental deposits		**(1,197)**	(444)
Change in other receivables, deposit and prepayments		**928**	(6,001)
Change in trade payables		**17,587**	26,707
Change in other payables and accruals		**3,595**	389
Change in contract liabilities		**472**	–
Cash used in operations		**(2,338)**	(18,467)
Income tax (paid)/refunded		**(6,763)**	233
Net cash used in operating activities		**(9,101)**	(18,234)
Cash flows from investing activities			
Interest received		**56**	–
Purchase of property, plant and equipment and computer software		**(5,158)**	(1,746)
Proceeds from disposal of property, plant and equipment		**–**	23
Withdrawal of pledged bank deposits		**5,000**	–
Placement of pledged bank deposits		**(6,115)**	(27,000)
Placement of deposits placed in life insurance policies		**(105,000)**	–
Net cash used in investing activities		**(111,217)**	(28,723)

Consolidated Statement of Cash Flows

For the year ended 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
Cash flows from financing activities			
New borrowings raised		**178,040**	33,000
Repayment of bank borrowings		**(55,251)**	(5,732)
Interest paid		**(3,099)**	(448)
Repayment of obligations under finance leases		**(864)**	(569)
Net cash generated from financing activities		**118,826**	26,251
Net decrease in cash and cash equivalents		**(1,492)**	(20,706)
Effect of foreign exchange rate changes		**113**	–
Cash and cash equivalents at beginning of year		**6,979**	27,685
Cash and cash equivalents at end of year		**5,600**	6,979
Analysis of cash and cash equivalents			
Bank and cash balances		**6,338**	6,979
Bank overdrafts	23	**(738)**	–
		5,600	6,979

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands and its shares are listed on the GEM of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). 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 is Unit 1608, 16th Floor, Tower A, Manulife Financial Centre, No. 223 Wai Yip Street, Kwun Tong, Kowloon, Hong Kong. Its immediate and ultimate holding company is Million Venture Holdings Limited ("**Million Venture**"), a company incorporated in the British Virgin Islands (the "**BVI**") and wholly owned by Mr. Cheng, the controlling shareholder of the Company (the "**Controlling Shareholder**").

The Company is an investment holding company. The principal activities of its subsidiaries are set out in note 31.

2. GOING CONCERN BASIS

The Group incurred a loss of approximately HK$25,004,000 for the year ended 31 December 2018 and as at 31 December 2018 the Group had net current liabilities of approximately HK$57,917,000. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. Therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

These financial statements have been prepared on a going concern basis, the validity of which depends upon the financial support of the Controlling Shareholder, at a level sufficient to finance the working capital requirements of the Group. The Controlling Shareholder has agreed to provide adequate funds for the Group to meet its liabilities as they fall due. The directors are therefore of the opinion that it is appropriate to prepare the financial statements on a going concern basis. Should the Group be unable to continue as a going concern, adjustments would have to be made to the financial statements to adjust the value of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities, respectively.

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") that are relevant to its operations and effective for its accounting year beginning on 1 January 2018. HKFRSs comprise Hong Kong Financial Reporting Standards ("**HKFRS**"); Hong Kong Accounting Standards ("**HKAS**"); and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's financial statements and amounts reported for the current year and prior years.

The Group has not applied the new and revised HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new and revised HKFRSs but is not yet in a position to state whether these new and revised HKFRSs would have a material impact on its results of operations and financial position.

4. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA and the applicable disclosures required by the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

These consolidated financial statements have been prepared under the historical cost convention.

The preparation of consolidated financial statements in conformity with HKFRSs requires the use of certain key assumptions and estimates. It also requires the directors to exercise its judgments in the process of applying the accounting policies. The areas involving critical judgements and areas where assumptions and estimates are significant to these financial statements, are disclosed in note 5 to the consolidated financial statements.

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below.

Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 December. Subsidiaries are entities over which the Group has control. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group has power over an entity when the Group has existing rights that give it the current ability to direct the relevant activities, i.e. activities that significantly affect the entity's returns.

When assessing control, the Group considers its potential voting rights as well as potential voting rights held by other parties, to determine whether it has control. A potential voting right is considered only if the holder has the practical ability to exercise that right.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date the control ceases.

Intragroup transactions, balances and unrealised profits are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to the Company. Non-controlling interests are presented in the consolidated statement of financial position and consolidated statement of changes in equity within equity. Non-controlling interests are presented in the consolidated statement of profit or loss and other comprehensive income as an allocation of profit or loss and total comprehensive income for the year between the non-controlling interests and owners of the Company.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currency translation

(a) *Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "**functional currency**"). The consolidated financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency.

(b) *Transactions and balances in each entity's financial statements*

Transactions in foreign currencies are translated into the functional currency on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognised in profit or loss.

Non-monetary items that are measured at fair values in foreign currencies are translated using the exchange rates at the dates when the fair values are determined.

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

(c) *Translation on consolidation*

The results and financial position of all the Group entities that have a functional currency different from the Company's presentation currency are translated into the Company's presentation currency as follows:

(i) Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

(ii) Income and expenses are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and

(iii) All resulting exchange differences are recognised in the foreign currency translation reserve.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities and of borrowings are recognised in the foreign currency translation reserve. When a foreign operation is sold, such exchange differences are recognised in consolidated profit or loss as part of the gain or loss on disposal.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised in profit or loss during the period in which they are incurred.

Depreciation of property, plant and equipment is calculated at rates sufficient to write off their cost less their residual values over the estimated useful lives on a straight-line basis. The principal annual rates are as follows:

Leasehold improvements	Over the shorter of term of the lease, or 20%
Office equipment	20%
Furniture and fixtures	20%
Motor vehicles	20%

The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at the end of each reporting period.

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in profit or loss.

Computer software

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimates being accounted for on a prospective basis.

Computer software is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of computer software, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Computer software is amortised over its estimated useful life of 5 years using the straight-line method.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases

Operating leases

Leases that do not substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as operating leases. Lease payments (net of any incentives received from the lessor) are recognised as an expense on a straight-line basis over the lease term.

Finance leases

Leases that substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as finance leases. At the commencement of the lease term, a finance lease is capitalised at the lower of the fair value of the leased asset and the present value of the minimum lease payments, each determined at the inception of the lease.

The corresponding liability to the lessor is included in the statement of financial position as finance lease payable. Lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Assets under finance leases are depreciated the same as owned assets.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average basis. The cost of finished goods and work in progress comprises raw materials, direct labour and an appropriate proportion of all production overhead expenditure, and where appropriate, subcontracting charges. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the statement of financial position when the Group becomes a party to the contractual provisions of the instruments.

Financial assets are derecognised when the contractual rights to receive cash flows from the assets expire; the Group transfers substantially all the risks and rewards of ownership of the assets; or the Group neither transfers nor retains substantially all the risks and rewards of ownership of the assets but has not retained control on the assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial assets

Financial assets are recognised and derecognised on a trade date basis where the purchase or sale of an asset is under a contract whose terms require delivery of the asset within the time frame established by the market concerned, and are initially recognised at fair value, plus directly attributable transaction costs except in the case of investments at fair value through profit or loss. Transaction costs directly attributable to the acquisition of investments at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets of the Group are classified as financial assets at amortised cost;

Financial assets at amortised cost

Financial assets (including trade and other receivables) are classified under this category if they satisfy both of the following conditions:

— the assets are held within a business model whose objective is to hold assets in order to collect contractual cash flows; and

— the contractual terms of the assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

They are subsequently measured at amortised cost using the effective interest method less loss allowance for expected credit losses.

Loss allowances for expected credit losses

The Group recognises loss allowances for expected credit losses on financial assets at amortised cost. Expected credit losses are the weighted average of credit losses with the respective risks of a default occurring as the weights.

At the end of each reporting period, the Group measures the loss allowance for a financial instrument at an amount equal to the expected credit losses that result from all possible default events over the expected life of that financial instrument ("**lifetime expected credit losses**") for trade receivables, or if the credit risk on that financial instrument has increased significantly since initial recognition.

If, at the end of the reporting period, the credit risk on a financial instrument (other than trade receivables) has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to the portion of lifetime expected credit losses that represents the expected credit losses that result from default events on that financial instrument that are possible within 12 months after the reporting period.

The amount of expected credit losses or reversal to adjust the loss allowance at the end of the reporting period to the required amount is recognised in profit or loss as an impairment gain or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value. Bank overdrafts which are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents.

Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under HKFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

Trade and other payables

Trade and other payables are initially at their fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue from contracts with customers

Revenue is measured based on the consideration specified in a contract with a customer with reference to the customary business practices and excludes amounts collected on behalf of third parties. For a contract where the period between the payment by the customer and the transfer of the promised product or service exceeds one year, the consideration is adjusted for the effect of a significant financing component.

The Group recognises revenue when it satisfies a performance obligation by transferring control over a product or service to a customer. Depending on the terms of a contract and the laws that apply to that contract, a performance obligation can be satisfied over time or at a point in time. A performance obligation is satisfied over time if:

— the customer simultaneously receives and consumes the benefits provided by the Group's performance;

— the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or

— the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If a performance obligation is satisfied over time, revenue is recognised by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the product or service.

Other revenue

Interest income is recognised using the effective interest method.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Employee benefits

(a) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the end of the reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(b) Pension obligations

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme ("**MPF Scheme**") under the Hong Kong Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the MPF Scheme in Hong Kong. Contributions are made based on 5% of the employees' relevant income, subject to a ceiling of monthly relevant income of HK$30,000 and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

(c) Termination benefits

Termination benefits are recognised at the earlier of the dates when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs and involves the payment of termination benefits.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation

Income tax represents the sum of the current tax and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit recognised in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses or unused tax credits can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Related parties

A related party is a person or entity that is related to the Group.

(A) A person or a close member of that person's family is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Company or of a parent of the Company.

(B) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (A).

(vii) A person identified in (A)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Company or to a parent of the Company.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets except investments, inventories and receivables to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow is remote.

Events after the reporting period

Events after the reporting period that provide additional information about the Group' s position at the end of the reporting period or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the consolidated financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES

Critical judgements in applying accounting policies

In the process of applying the accounting policies, the directors have made the following judgements that have the most significant effect on the amounts recognised in the financial statements

(a) *Going concern basis*

These financial statements have been prepared on a going concern basis, the validity of which depends upon the financial support of the controlling shareholder at a level sufficient to finance the working capital requirements of the Group. Details are explained in note 2 to the consolidated financial statements.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

(a) *Impairment loss for bad and doubtful debts*

The Group makes impairment loss for bad and doubtful debts based on assessments of the recoverability of the trade and other receivables, including the current creditworthiness and the past collection history of each debtor. Impairments arise where events or changes in circumstances indicate that the balances may not be collectible. The identification of bad and doubtful debts requires the use of judgement and estimates. Where the actual result is different from the original estimate, such difference will impact the carrying value of the trade and other receivables and doubtful debt expenses in the year in which such estimate has been changed.

6. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: foreign currency risk, credit risk, liquidity risk and interest rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Foreign currency risk

Transactions entered into by the Group with certain trade customers and suppliers are denominated in United States Dollar ("**US$**"), Renminbi ("**RMB**"), Euro dollar ("**EUR**"), Japanese Yen ("**JPY**"), Bangladeshi Taka ("**BDT**") and British Pound ("**GBP**") and these foreign currencies expose the Group to market risk arising from changes in foreign exchange rates. Management closely monitors foreign currency exposure and will consider hedging any significant exposures should the need arise.

The carrying amounts of the Group's monetary assets and monetary liabilities at the end of the reporting period that are denominated in above foreign currencies are as follows:

	Assets		**Liabilities**	
	2018	2017	**2018**	2017
	HK$'000	HK$'000	**HK$'000**	HK$'000
US$	**38,992**	28,973	**(12,472)**	(14,060)
RMB	**1,150**	1,990	**(803)**	(7)
EUR	**134**	10,572	**(80)**	(161)
JPY	**–**	–	**(13)**	(7)
BDT	**–**	–	**–**	(1,606)
GBP	**–**	1,084	**(9)**	(1,118)

Since HK$ is pegged to US$, the risk of volatility between US$ and HK$ is limited and the directors of the Company consider that the risk is minimal at current stage. Accordingly, no sensitivity analysis for such currency risk is presented.

6. FINANCIAL RISK MANAGEMENT (Continued)

(a) Foreign currency risk (Continued)

The following table details the Group's sensitivity to a 5% increase or decrease in the exchange rate of HK$ against RMB, BDT, EUR, GBP and JPY. The percentage is the sensitivity rate used which represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis adjusts their translation at the year end for a 5% change in foreign currency rates. A positive/negative number below indicates a decrease/an increase in post-tax loss for 2018 or a decrease/an increase in post-tax profit for 2017 where RMB, BDT, EUR, GBP and JPY strengthen 5% against HK$. For a 5% weakening of RMB, BDT, EUR, GBP and JPY against HK$, there would be an equal and opposite impact on the post-tax profit or loss.

	Increase (decrease) in post-tax loss/decrease (increase) in post-tax profit	
	2018	2017
	HK$'000	HK$'000
RMB impact	**14**	83
EUR impact	**2**	(435)
JPY impact	**(1)**	–
BDT impact	**–**	(67)
GBP impact	**–**	(2)

(b) Credit risk

The carrying amount of the deposits placed for life insurance policies, pledged bank deposits, bank balances and cash and trade and other receivables included in the statement of financial position represents the Group's maximum exposure to credit risk in relation to the Group's financial assets.

The Group has no significant concentrations of credit risk.

It has policies in place to ensure that sales are made to customers with an appropriate credit history.

The credit risk on deposits placed for life insurance policies, pledged bank deposits and bank balances and cash is limited because the counterparties are financial institutions and banks with high credit-ratings assigned by international credit-rating agencies.

The Group's maximum exposure to credit risk in the event that counterparties fail to perform their obligations at 31 December 2018 in relation to each class of recognised financial assets is the carrying amounts of those assets as stated in the consolidated statement of financial position. The Group's credit risk is primarily attributable to its trade receivables. In order to minimise the credit risk, management of the Group has credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group' s credit risk is significantly reduced.

6. FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit risk (Continued)

The Group has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

The Group considers whether there has been a significant increase in credit risk of financial assets on an ongoing basis throughout each reporting period by comparing the risk of a default occurring as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information. Especially the following information is used:

— internal credit rating;

— external credit rating (if available);

— actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations;

— actual or expected significant changes in the operating results of the borrower;

— significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrowers.

A significant increase in credit risk is presumed if a debtor is more than 30 days past due in making a contractual payment. A default on a financial asset is when the counterparty fails to make contractual payments within 60 days of when they fall due.

Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. The Group normally categorises a receivable for write off when a debtor fails to make contractual payments greater than 365 days past due. Where receivables have been written off, the Group, if practicable and economical, continues to engage in enforcement activity to attempt to recover the receivable due.

The Company uses two categories for non-trade loan receivables which reflect their credit risk and how the loan loss provision is determined for each of the categories. In calculating the expected credit loss rates, the Company considers historical loss rates for each category and adjusts for forward looking data.

Category	Definition	Loss provision
Performing	Low risk of default and strong capacity to pay	12 month expected losses
Non-performing	Significant increase in credit risk	Lifetime expected losses

6. FINANCIAL RISK MANAGEMENT (Continued)

(c) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

The maturity analysis of the Group's financial liabilities is as follows:

	On demand or Less than 1 years HK$'000	Between 1 and 2 years HK$'000	Carrying amount HK$'000
At 31 December 2018			
Trade payables	**42,925**	**–**	**42,925**
Other payables and accruals	**6,524**	**–**	**6,524**
Bank borrowings	**163,045**	**–**	**163,045**
Obligations under finance leases	**869**	**1,128**	**1,891**
	213,363	**1,128**	**214,385**
At 31 December 2017			
Trade payables	25,338	–	25,338
Other payables and accruals	2,963	–	2,963
Bank borrowings	39,518	–	39,518
Obligations under finance leases	800	1,281	1,539
	68,619	1,281	69,358

(d) Interest rate risk

The Group's deposit placed in a life insurance policy bear interests at fixed interest rates and therefore are subject to fair value interest rate risks.

The Group's exposure to interest-rate risk arises from its bank deposits and bank borrowings and overdrafts. These deposits and borrowings bear interests at variable rates varied with the then prevailing market condition.

At 31 December 2018, if interest rates at that date had been 50 basis points lower with all other variables held constant, consolidated loss (2017: profit) after tax for the year would have been HK$681,000 lower (2017: HK$173,000 higher), arising mainly as a result of lower interest expense on bank borrowings. If interest rates had been 50 basis points higher, with all other variables held constant, consolidated loss (2017: profit) after tax for the year would have been HK$681,000 higher (2017: HK$173,000 lower), arising mainly as a result of higher interest expense on bank borrowings and overdrafts.

6. FINANCIAL RISK MANAGEMENT (Continued)

(e) Categories of financial instruments

	2018 **HK$'000**	2017 HK$'000
Financial assets:		
Financial assets at amortised cost (including cash and cash equivalents)	**248,036**	127,109
Financial liabilities:		
Financial liabilities at amortised cost	**214,385**	66,981

(f) Fair values

The carrying amounts of the Group's financial assets and financial liabilities as reflected in the consolidated statements of financial position approximate their fair values.

7. REVENUE AND SEGMENT INFORMATION

Operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker (the "**CODM**"), being the executive directors of the Company, for the purposes of allocating resources and assessing performance.

Specifically, the Group's reportable and operating segments under HKFRS 8 "Operating Segments" are as follows:

(i) Freight forwarding — provision of air and sea freight forwarding services

(ii) Logistics — provision of warehousing and other ancillary logistics services

(iii) E-Commerce — trading of electronic products through online platform and provision of fulfillment services

The CODM makes decisions according to the operating results of each segment. No analysis of segment asset and segment liability is presented as the CODM does not regularly review such information for the purposes of resources allocation and performance assessment. Therefore, only segment revenue and segment results are presented.

Segment revenue and results

The following is an analysis of the Group's revenue and results by operating and reportable segments:

Disaggregation of revenue from contracts with customers

	Freight Forwarding			E-Commerce			
	Air Freight	Ocean Freight	Logistics	Trading	Fulfillment	Elimination	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
For the year ended 31 December 2018							
Segment revenue							
External sales	132,111	96,882	76,616	24,490	36,703	–	366,802
Inter-segment sales	8,724	4,085	3,175	–	–	(15,984)	–
	140,835	100,967	79,791	24,490	36,703	(15,984)	366,802
Segment results	11,651	12,296	(320)	(501)	1,001	–	24,127
Interest revenue							1,524
Other income							4
Other gains and losses, net							(3,255)
Administrative expenses							(44,419)
Finance costs							(3,181)
Loss before tax							(25,200)

7. REVENUE AND SEGMENT INFORMATION (Continued)

Segment revenue and results (Continued)

Disaggregation of revenue from contracts with customers (Continued)

	Freight Forwarding			E-Commerce			
	Air Freight	Ocean Freight	Logistics	Trading	Fulfillment	Elimination	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
For the year ended 31 December 2017							
Segment revenue							
External sales	88,885	108,952	52,789	84,119	16,396	–	351,141
Inter-segment sales	1,036	3,030	5,929	–	–	(9,995)	–
	89,921	111,982	58,718	84,119	16,396	(9,995)	351,141
Segment results	12,869	22,336	10,080	1,015	585	–	46,885
Interest revenue							15
Other income							64
Other gains and losses, net							(281)
Administrative expenses							(42,934)
Finance costs							(482)
Profit before tax							3,267

Segment results mainly represented profit before taxation earned by each segment without allocation of other income, other gains and losses, net, certain administrative expenses, listing expenses and finance costs. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

Timing of revenue recognition

	Freight Forwarding			**E-Commerce**		
	Air Freight	**Ocean Freight**	**Logistics**	**Trading**	**Fulfillment**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
For the year ended 31 December 2018						
At a point in time	**–**	**–**	**–**	**24,490**	**–**	**24,490**
Overtime	**132,111**	**96,882**	**76,616**	**–**	**36,703**	**342,312**
	132,111	**96,882**	**76,616**	**24,490**	**36,703**	**366,802**
For the year ended 31 December 2017						
At a point in time	–	–	–	84,119	–	84,119
Overtime	88,885	108,952	52,789	–	16,396	267,022
	88,885	108,952	52,789	84,119	16,396	351,141

7. REVENUE AND SEGMENT INFORMATION (Continued)

Segment revenue and results (Continued)

Geographical information

The Group's operations are substantially located in Hong Kong.

Information about major customers

Revenue from customers of the corresponding years contributing over 10% of the Group's revenue are as follows:

	2018	2017
	HK$'000	HK$'000
Customer A		
— revenue generated in air freight, ocean freight and logistics segment	***17,185**	38,311
Customer B		
— revenue generated in air freight, ocean freight and logistics segment	***31,959**	44,598
Customer C		
— revenue generated in air freight, ocean freight and logistics segment	**39,578**	*26,721

* Revenue from the customer did not exceed 10% of total revenue in the respective year. The amount was shown for comparative purpose.

Air freight, ocean freight, logistics service and fulfillment services income

The Group provides air freight, ocean freight, logistics service and fulfillment services to the customers. Air freight, ocean freight, logistics service and fulfillment service incomes are recognised when the air freight, ocean freight, logistics services and fulfillment services income are rendered and there is .no unfulfilled obligation that could affect the customer's acceptance of the service.

E-commerce — trading of electronic products through online platform

The Group sells electronic products to the customers. Sales are recognised when control of the products has transferred, being when the products are delivered to a customer, there is no unfulfilled obligation that could affect the customer's acceptance of the products and the customer has obtained legal titles to the products.

Sales to customers are normally made with credit terms of 30 days.

A receivable is recognised when the products are delivered to the customers as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

8. OTHER GAINS AND LOSSES, NET

	2018 HK$'000	2017 HK$'000
Net exchange gain/(losses)	**17**	(509)
Gain on disposal of property, plant and equipment	**–**	228
Loss allowance provision for trade receivables	**(3,272)**	–
	(3,255)	(281)

9. FINANCE COSTS

	2018 HK$'000	2017 HK$'000
Interest expenses on:		
Bank borrowings	**3,065**	406
Obligations under finance leases	**116**	76
	3,181	482

10. INCOME TAX (CREDIT)/EXPENSE

	2018 HK$'000	2017 HK$'000
Hong Kong Profits Tax		
— current tax	**–**	1,552
— over provision for the previous year	**(13)**	–
	(13)	1,552
Deferred tax (note 25)	**(183)**	33
	(196)	1,585

No provision for Hong Kong Profits Tax is required since the Group has no assessable profit for the year. The amount provided for the year ended 31 December 2017 was calculated at 16.5% based on the assessable profit for that year.

Under the Law of People's Republic of China ("**PRC**") on Enterprise Income Tax (the "**EIT Law**") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25%. No provision for taxation in the PRC has been made as all the Group's income arises in Hong Kong.

10. INCOME TAX (CREDIT)/EXPENSE (Continued)

The reconciliation between the income tax (credit)/expense and the product of loss before tax multiplied by the Hong Kong Profits Tax rate is as follows:

	2018 HK$'000	2017 HK$'000
(Loss)/profit before tax	(25,200)	3,267
Tax at Hong Kong Profits Tax rate of 16.5%	(4,158)	539
Tax effect of income not taxable and expenses not deductible	(212)	735
Tax effect of tax loss not recognised	4,228	637
Tax effect of different rates of group entities operating in jurisdiction other than Hong Kong	–	(76)
Over-provision in prior years	(13)	–
Utilisation of tax losses previously not recognised	(41)	(190)
Tax relief	–	(60)
Income tax (credit)/expense	(196)	1,585

11. (LOSS)/PROFIT FOR THE YEAR

The Group's (loss)/profit for the year has been arrived at after charging the following:

	2018 HK$'000	2017 HK$'000
Auditor's remuneration	700	1,200
Depreciation and amortisation	3,240	2,629
Cost of inventories sold	24,991	77,325
Operating lease charges	32,733	23,389
Directors' remuneration (Note 12)	5,546	5,447
Other staff costs		
Salaries, bonus and allowances	38,998	36,955
Retirement benefits scheme contributions	1,391	1,183
Total staff costs	45,935	43,585

12. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

(a) Directors' and chief executive's emoluments

Details of the emoluments paid or payable to the Directors and the chief executive were as follows :

	Fees HK$'000	Salaries and allowances HK$'000	Discretionary bonus HK$'000	Retirement benefit contributions HK$'000	Total HK$'000
For the year ended 31 December 2018					
Executive directors					
Mr. Cheng (note i)	–	1,800	300	18	2,118
Mr. Chan Kwok Wai (note i)	–	396	605	18	1,019
Mr. Lo Wai Wah (note i)	–	558	132	18	708
Mr. Yau Sze Yeung (note i)	–	828	135	18	981
	–	3,582	1,172	72	4,826
Independent non-executive directors					
Mr. Siu Wing Hay (note ii)	180	–	–	–	180
Mr. Wong Yee Lut, Eliot (note ii)	180	–	–	–	180
Mr. Luk Kin Ting (note ii)	180	–	–	–	180
Mr. Lau Chi Kit (note ii)	180	–	–	–	180
	720	–	–	–	720
	720	3,582	1,172	72	5,546

12. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS (Continued)

(a) Directors' and chief executive's emoluments (Continued)

	Fees HK$'000	Salaries and allowances HK$'000	Discretionary bonus HK$'000	Retirement benefit contributions HK$'000	Total HK$'000
For the year ended 31 December 2017					
Executive directors					
Mr. Cheng (note i)	–	1,800	300	18	2,118
Mr. Chan Kwok Wai (note i)	–	792	166	18	976
Mr. Lo Wai Wah (note i)	–	546	160	18	724
Mr. Yau Sze Yeung (note i)	–	792	129	18	939
	–	3,930	755	72	4,757
Independent non-executive directors					
Mr. Siu Wing Hay (note ii)	180	–	–	–	180
Mr. Wong Yee Lut, Eliot (note ii)	180	–	–	–	180
Mr. Luk Kin Ting (note ii)	180	–	–	–	180
Mr. Lau Chi Kit (note ii)	150	–	–	–	150
	690	–	–	–	690
	690	3,930	755	72	5,447

Note:

(i) Mr. Cheng, Mr. Chan Kwok Wai, Mr. Lo Wai Wah and Mr. Yau Sze Yeung resigned as executive directors of the Company on 4 October 2019.

(ii) Mr. Siu Wing Hay, Mr. Wong Yee Lut, Eliot, Mr. Luk Kin Ting and Mr. Lau Chi Kit resigned as independent non-executive directors of the Company on 13 September 2019.

(iii) Mr. Ng Chin Hung, Mr. Cheng Tak Yuen and Mr. Chan Chun Sing were appointed as executive directors of the Company on 4 October 2019.

(iv) Mr. Lee Kwong Chak, Bonnie, Mr. Pang Chung Fai, Benny and Mr. Chan Fei Fei were appointed as independent non-executive directors of the Company on 27 September 2019.

(v) Discretionary bonus is determined based on individual performance.

(vi) The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group.

(vii) The independent non-executive directors' emoluments shown above were for their services as directors of the Company.

12. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS (Continued)

(a) Directors' and chief executive's emoluments (Continued)

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during both years.

No emoluments were paid by the Group to any of the directors or the chief executive of the Company as an inducement to join or upon joining the Group or as compensation for loss of office.

(b) Five highest paid individuals

The five highest paid employees of the Group during the year include three (2017: three) executive directors of the Company. Details of the remuneration for the current year of the remaining two (2017: two) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2018	2017
	HK$'000	HK$'000
Basic salaries and allowances	**1,536**	1,488
Discretionary bonus	**252**	188
Retirement benefits contributions	**36**	36
	1,824	1,712

The emolument of each of them is not exceeding HK$1,000,000.

During both years, no emoluments were paid by the Group to any of the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

13. DIVIDENDS

No dividend was paid or proposed for ordinary shareholders of the Company for both years, nor has any dividend been proposed since the end of the reporting period.

14. (LOSS)/EARNINGS PER SHARE

Basic (loss)/earnings per share

The calculation of basic loss (2017: earnings) per share attributable to owners of the Company is based on the loss for the year attributable to owners of the Company of approximately HK$25,004,000 (2017: profit attributable to owners of the Company of approximately HK$1,682,000) and the weighted average number of ordinary shares of 600,000,000 (2017: 600,000,000) in issue during the year.

Diluted (loss)/earnings per share

No diluted (loss)/earnings per share are presented as the Company did not have any dilutive potential ordinary sharing during the two years ended 31 December 2018.

15. PROPERTY, PLANT AND EQUIPMENT

(a) Property, plant and equipment

	Leasehold improvements HK$'000	Office equipment HK$'000	Furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
COST					
At 1 January 2017	1,147	6,768	5,067	6,941	19,923
Additions	–	1,369	500	1,584	3,453
Disposals	–	–	–	(355)	(355)
At 31 December 2017 and 1 January 2018	1,147	8,137	5,567	8,170	23,021
Additions	1,048	1,487	2,529	775	5,839
At 31 December 2018	2,195	9,624	8,096	8,945	28,860
ACCUMULATED DEPRECIATION					
At 1 January 2017	1,131	4,953	2,426	4,337	12,847
Charge for the year	6	623	697	1,162	2,488
Eliminated on disposals	–	–	–	(355)	(355)
At 31 December 2017 and 1 January 2018	1,137	5,576	3,123	5,144	14,980
Charge for the year	160	760	960	1,214	3,094
At 31 December 2018	1,297	6,336	4,083	6,358	18,074
CARRYING AMOUNTS					
At 31 December 2018	898	3,288	4,013	2,587	10,786
At 31 December 2017	10	2,561	2,444	3,026	8,041

As at 31 December 2018 and 2017, the Group's motor vehicles were held under finance leases.

15. PROPERTY, PLANT AND EQUIPMENT (Continued)

(b) Computer software

	Total HK$'000
COST	
At 1 January 2017	712
Additions	82
At 31 December 2017 and 1 January 2018	794
Additions	94
At 31 December 2018	888
AMORTISATION	
At 1 January 2017	323
Charge for the year	141
At 31 December 2017 and 1 January 2018	464
Charge for the year	146
At 31 December 2018	610
CARRYING AMOUNTS	
At 31 December 2018	278
At 31 December 2017	330

16. DEPOSITS PLACED IN LIFE INSURANCE POLICIES

	2018 **HK$'000**	2017 HK$'000
Deposits placed for life insurance policies	**106,468**	–

Two deposits placed in life insurances policies amounting to approximately HK$100,000,000 and approximately US$644,000 respectively. The Group can terminate the policies at any time and receive cash refund based on the cash value of the policies at the date of withdrawal, which is determined by the upfront payment plus accumulated interest earned and minus the expense charged at inception, the accumulated insurance charge and policy expense charge. A surrender charge would also be required if the withdrawal is made before the 5th policy year for HK$ policy and 15th policy year for US$ policy respectively.

17. INTEREST IN AN ASSOCIATE

During the year ended 31 December 2017, the Group subscribed for 20 ordinary shares in a newly incorporated company in Hong Kong, which represents 20% of equity interest in that company, at a cash consideration of HK$20 for the purpose of expanding the Group's freight forwarding business. This investment is accounted for as an associate given the Group has a board seat in the company. At the end of the reporting period and up to the date of issue of these consolidated financial statements, the associate remains inactive.

18. INVENTORIES

	2018 **HK$'000**	2017 HK$'000
Finished goods — electronic products	**–**	5,484
Goods-in-transit — electronic products	**–**	5,111
	–	10,595

19. TRADE AND OTHER RECEIVABLES

	2018 **HK$'000**	2017 HK$'000
Trade receivables	**107,115**	93,100
Rental deposits	**11,023**	6,662
Other prepayments and deposits	**7,696**	11,904
Total trade and other receivables	**125,834**	111,666
Analysed as:		
Current assets:		
Trade receivables	**107,115**	93,100
Other receivables, prepayments and deposits	**12,859**	13,903
	119,974	107,003
Non-current assets:		
Rental deposits	**5,860**	4,663
	125,834	111,666

The Group allows a credit period ranging from 15 to 90 days (2017: 15 to 90 days) to its air and ocean freight forwarding and logistics customers and a credit period of 30 days (2017: 30 days) to its E-Commerce customers for its trade receivables.

19. TRADE AND OTHER RECEIVABLES (Continued)

The following is an aged analysis of trade receivables presented based on invoice dates, which approximate the revenue recognition dates, at the end of each reporting period:

	2018 **HK$'000**	2017 HK$'000
0 to 30 days	**35,564**	32,403
31 to 60 days	**32,432**	29,413
61 to 90 days	**15,301**	11,993
Over 90 days	**23,818**	19,291
	107,115	93,100

Reconciliation of loss allowance for trade receivables

	2018 **HK$'000**	2017 HK$'000
At 1 January	**–**	–
Increase in loss allowance for the year	**3,272**	–
At 31 December	**3,272**	–

The Group applies the simplified approach under HKFRS 9 to provide for expected credit losses using the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected credit losses also incorporate forward looking information.

	Current	**1–30 days past due**	**31–60 days past due**	**61–90 days past due**	**Over 90 days past due**	**Total**
At 31 December 2018						
Weighted average expected loss rate	**0%**	**0%**	**0%**	**0%**	**30%**	
Receivable amount (HK$'000)	**67,679**	**20,005**	**8,839**	**3,087**	**10,777**	**110,387**
Loss allowance (HK$'000)	**–**	**–**	**–**	**–**	**(3,272)**	**(3,272)**
At 31 December 2017						
Weighted average expected loss rate	0%	0%	0%	0%	0%	
Receivable amount (HK$'000)	61,385	815	6,212	5,397	19,291	93,100
Loss allowance (HK$'000)	–	–	–	–	–	–

20. PLEDGED BANK DEPOSITS/BANK BALANCE AND CASH

As at 31 December 2018, the pledged bank deposits represented deposits pledged to banks to secure certain short-term banking facilities granted to the Group and were therefore classified as current assets. The pledged bank deposits would be released upon settlement of the relevant bank borrowings. The pledged bank deposits carry fixed interest at rates of 0.01% and 2.0% (2017: 0.01% and 1.1%) per annum.

As at 31 December 2018, bank balances and cash are comprised of cash on hand and bank balances and the bank balances carry interest at prevailing market interest rates which range from 0.01% to 0.25% (2017: 0.01% to 0.25%) per annum.

21. TRADE PAYABLES/OTHER PAYABLES AND ACCRUALS

	2018 HK$'000	2017 HK$'000
Trade payables	**42,925**	25,338
Other payables	**2,872**	145
Accruals	**3,652**	2,818
Total trade payables and other payables and accruals	**49,449**	28,301

The credit period on trade payables is 15 to 30 days.

The following is an aged analysis of trade payables based on the invoice date at the end of the reporting period.

	2018 HK$'000	2017 HK$'000
0 to 30 days	**31,518**	8,324
31 to 60 days	**9,378**	9,721
61 to 90 days	**505**	946
Over 90 days	**1,524**	6,347
	42,925	25,338

As at 31 December 2018 and 2017, certain banks have given performance guarantees covering the Group for payment to their major suppliers.

22. CONTRACT LIABILITIES

Disclosures of revenue-related items:

	As at 31 December		As at 1 January
	2018	2017	2017
	HK$'000	HK$'000	HK$'000
Contract liabilities	**472**	–	–
Contract receivables (included in trade receivables)	**107,115**	93,100	58,442

Transaction prices allocated to performance obligations unsatisfied at end of year and expected to be recognised as revenue in:

	2018	2017
	HK$'000	HK$'000
— 2018	**N/A**	–
— 2019	**472**	–
	472	–

	2018	2017
	HK$'000	HK$'000
Revenue recognised in the year that was included in contract liabilities at beginning of year	**–**	–

Significant changes in contract liabilities during the year:

	2018	2017
	HK$'000	HK$'000
Increase due to operations in the year	**472**	–
Transfer of contract liabilities to revenue	**–**	–

A contract liability represents the Group's obligation to transfer products or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

23. BANK BORROWINGS AND OVERDRAFTS

	2018 HK$'000	2017 HK$'000
Variable-rate bank borrowings		
Secured	**152,724**	27,703
Unsecured	**9,583**	11,815
	162,307	39,518
Bank overdraft	**738**	–
Total borrowings and overdraft	**163,045**	39,518
The carrying amounts of bank borrowings that contain a repayment on demand clause but repayable:		
Within one year	**155,047**	29,953
Within a period of more than one year but not exceeding two years	**2,405**	2,326
Within a period of more than two years but not exceeding five years	**4,855**	7,239
	162,307	39,518
Less: Amount shown under current liabilities	**(162,307)**	(39,518)
Amount shown under non-current liabilities	**–**	–

The Group's borrowings are denominated in HK$ and carry variable interest rate at Hong Kong Interbank Offered Rate ("**HIBOR**") plus a spread ranging from 2% to 2.5%. The range of effective interest rate on the Group's bank borrowings is from 3.26% to 3.83%.

At 31 December 2018, the banking borrowings are secured by:

(i) the pledged bank balances of HK$28,115,000 (2017: HK$27,000,000);

(ii) a deposit placed in a life insurance policy as disclosed in note 16;

(iii) corporate guarantee by the Company.

24. OBLIGATIONS UNDER FINANCE LEASES

Analysed for reporting purpose as:

	2018 **HK$'000**	2017 HK$'000
Current liabilities	**807**	728
Non-current liabilities	**1,084**	1,252
	1,891	1,980

The Group leased its motor vehicles under finance leases. The lease terms are three to five years (2017: three to five years) and interest rates underlying all obligations under finance leases are fixed at respective contract dates ranging from 3.30% to 6.12% (2017: 3.28% to 6.12%) per annum during the year ended 31 December 2018.

	Minimum lease payments		**Present value of minimum lease payments**	
	2018 **HK$'000**	2017 HK$'000	**2018** **HK$'000**	2017 HK$'000
Amounts payable under finance leases:				
Within one year	**869**	800	**807**	728
Within a period of more than one year but not more than two years	**638**	660	**606**	619
Within a period of more than two years but not more than five years	**490**	621	**478**	633
	1,997	2,081	**1,891**	1,980
Less: future finance charges	**(106)**	(101)	**N/A**	N/A
Present value of lease obligations	**1,891**	1,980	**1,891**	1,980
Less: Amounts due for settlement within twelve months (shown under current liabilities)			**(807)**	(728)
Amounts due for settlement after twelve months			**1,084**	1,252

The Group's obligations under finance leases are secured by the lessors' titles to the leased assets. The finance lease obligations are all denominated in HK$, which is the functional currency of the relevant group entity.

25. DEFERRED TAX LIABILITIES

	Accelerated tax depreciation HK$'000
At 1 January 2017	778
Charge to profit or loss (note 10)	33
At 31 December 2017	811
Credit to profit or loss (note 10)	(183)
At 31 December 2018	628

At 31 December 2018, the Group had unused tax losses of approximately HK$29,886,000 (2017: approximately HK$4,511,000), available to offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams. The tax losses may be carried forward indefinitely.

26. SHARE CAPITAL

	Number of Share	shares capital HK$'000
Authorised:		
Ordinary shares of HK$0.01 (2017: HK$0.01) each		
At 31 December 2017 and 2018	1,500,000,000	15,000
Issued and fully paid:		
Ordinary shares of HK$0.01 (2017: HK$0.01) each		
At 31 December 2017 and 2018	600,000,000	6,000

The Group manages its capital to ensure it will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior years.

The capital structure of the Group consists of net debt, which includes bank borrowings and overdrafts and obligations under finance leases as disclosed in notes 23 and 24, respectively, net of cash and cash equivalents, and equity attributable to owners of the Company, comprising issued share capital and reserves.

The management of the Group reviews the capital structure regularly. As part of this review, the management of the Group considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the management of the Group, the Group will balance its overall capital structure through the payment of dividends, issue of new shares, issue of new debts or redemption of existing debts.

27. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2018 HK$'000	2017 HK$'000
Non-current assets		
Investment in a subsidiary — cost (note i)	**1**	1
Investment in a subsidiary — deemed contribution (note ii)	**42,394**	42,394
	42,395	42,395
Current assets		
Other receivables	**31**	–
Current liabilities		
Other payables and accruals	**100**	50
Amounts due to subsidiaries	**3,925**	3,827
	4,025	3,877
Net current liabilities	**(3,994)**	(3,877)
NET ASSETS	**38,401**	38,518
Capital and reserves		
Share capital	**6,000**	6,000
Reserves	**32,401**	32,518
TOTAL EQUITY	**38,401**	38,518

Notes:

(i) The amount of HK$1,000 represents the difference between the nominal value of the share capital of Janco (BVI) of US$100 acquired by the Company and the nominal value of the Company's shares issued at HK$0.99.

(ii) The amount of HK$42,394,000 represents the loan advanced to Janco (BVI) and such amount was capitalised as part of the interest in a subsidiary during the year ended 31 December 2016.

28. RESERVES

(a) Group

The amounts of the Group's reserves and movements therein are presented in the consolidated statement of profit or loss and other comprehensive income and consolidated statement of changes in equity.

(b) Company

	Share premium HK$'000	Capital reserve HK$'000	Other reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2017	47,755	1	4,658	(17,237)	35,177
Loss and total comprehensive expense for the year	–	–	–	(2,659)	(2,659)
At 31 December 2017 and 1 January 2018	**47,755**	**1**	**4,658**	**(19,896)**	**32,518**
Loss and total comprehensive expense for the year	**–**	**–**	**–**	**(117)**	**(117)**
At 31 December 2018	**47,755**	**1**	**4,658**	**(20,013)**	**32,401**

29. OPERATING LEASE COMMITMENTS

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2018 HK$'000	2017 HK$'000
Within one year	**30,787**	17,837
In the second to fifth year inclusive	**15,909**	5,061
	46,696	22,898

These leases are negotiated for lease terms ranging from one to four years (2017: one to four years) with fixed monthly rentals.

30. RELATED-PARTY TRANSACTIONS

Compensation of key management personnel

	2018 HK$'000	2017 HK$'000
Fees	**720**	690
Salaries and other allowances	**3,582**	3,930
Discretionary bonus	**1,172**	755
Retirement benefit scheme contributions	**72**	72
	5,546	5,447

The remuneration of key management personnel is determined with regard to the performance of the individuals and market trends.

31. PARTICULARS OF MAJOR SUBSIDIARIES OF THE COMPANY

Details of the Company's major subsidiaries as at 31 December 2018 and 2017 are as follows:

Name of subsidiaries	Place of incorporation and operation/ date of incorporation	Issued and fully paid share capital	Equity interest attributable to the Group as at 2018	2017	Principal activities
Janco Global Logistics Limited	Hong Kong/ 23 June 2015	HK$500,000 ordinary shares	**100%**	100%	Provision of air and ocean freight forwarding services
Janco Logistics (HK) Limited	Hong Kong/ 21 March 2005	HK$1,000,000 ordinary shares	**100%**	100%	Provision of warehousing and ancillary logistics services
Transpeed Hong Kong Limited	Hong Kong/ 21 December 2012	HK$10,000 ordinary shares	**100%**	100%	Provision of air freight forwarding services
Janco E-Commerce Solutions Limited	Hong Kong/ 1 February 2017	HK$10,000 ordinary shares	**100%**	100%	Trading of electronic products through online platform and provision of fulfillment services

32. EQUITY-SETTLED SHARE OPTION SCHEME OF THE COMPANY

Pursuant to the written resolution of the sole shareholder of the Company dated 23 September 2016, the share option scheme (the "**Scheme**") was approved and adopted conditionally. The Scheme was established for the purpose of providing incentives or rewards for the contribution of directors of the Company and eligible persons, and will expire on 22 September 2026. Under the Scheme, the directors of the Company may at their discretion grant options to the eligible persons. The adoption of the Scheme became unconditional upon the success of the Listing on 7 October 2016.

Options granted must be taken up within 21 days of the date of grant. The maximum number of shares of the Company in respect of which options may be granted under the Scheme shall not exceed 30% of the issued share capital of the Company at any point in time. The total number of shares of the Company in respect of which options may be granted under the Scheme must not in aggregate exceed 10% of the total nominal value of the share capital of the Company in issue immediately following completion of the Placing. The maximum number of shares in respect of which options may be granted to any individual in any 12-month period shall not exceed 1% of the shares in issue on the last date of such 12-month period unless approval of the shareholders of the Company has been obtained in accordance with the Listing Rules.

Options may be exercised during such period (including the minimum period, if any, for which an option must be held before it can be exercised) as may be determined by the directors of the Company (which shall be less than ten years from the date of issue of the relevant option). Upon acceptance of the option, the grantee shall pay HK$1.00 to the Company as consideration for the grant. The exercise price is determined by the directors of the Company, and will not be less than the higher of (i) the closing price of the Company's shares on the date of grant, (ii) the average closing price of the shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's share.

As at 31 December 2018 and 2017 and up to the date of approval of these consolidated financial statements for issuance, no share option has been granted, expired, lapsed or exercised.

33. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Changes in liabilities arising from financing activities

The following table shows the Group's changes in liabilities arising from financing activities during the year:

	Interest payables	Obligations under finance leases	Bank borrowings	Total
	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2017	–	965	–	965
Changes in cash flows	(448)	(569)	27,268	26,251
Non-cash changes				
— new finance leases	–	1,584	–	1,584
— transfer from trade payables	–	–	12,250	12,250
— finance costs recognised	482	–	–	482
At 31 December 2017 and 1 January 2018	**34**	**1,980**	**39,518**	**41,532**
Changes in cash flows	**(3,099)**	**(864)**	**122,789**	**118,826**
Non-cash changes				
— new finance leases	**–**	**775**	**–**	**775**
— finance costs recognised	**3,181**	**–**	**–**	**3,181**
At 31 December 2018	**116**	**1,891**	**162,307**	**164,314**

34. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 31 October 2019.

Financial Summary

	For the year ended 31 December				
	2014 HK$'000	2015 HK$'000	2016 HK$'000	2017 HK$'000	**2018** **HK$'000**
Revenue	178,938	209,316	220,928	351,141	**366,802**
Profit/(loss) before taxation	11,119	16,330	691	3,267	**(25,200)**
Income tax (expense)/credit	(1,840)	(2,744)	(3,214)	(1,585)	**196**
Profit/(loss) for the year	9,279	13,586	(2,523)	1,682	**(25,004)**
Profit/(loss) for the year attributable to:					
Owners of the Company	9,251	13,623	(2,523)	1,682	**(25,004)**
Non-controlling interests	28	(37)	–	–	**–**
	9,279	13,586	(2,523)	1,682	**(25,004)**

	As at 31 December				
	2014 HK$'000	2015 HK$'000	2016 HK$'000	2017 HK$'000	**2018** **HK$'000**
Total assets	73,622	76,772	105,931	164,611	**279,248**
Total liabilities	(57,299)	(45,690)	(18,959)	(75,957)	**(215,485)**
	16,323	31,082	86,972	88,654	**63,763**
Equity attributable to:					
Owners of the Company	16,321	31,082	86,972	88,654	**63,763**
Non-controlling interests	2	–	–	–	**–**
	16,323	31,082	86,972	88,654	**63,763**