



Janco Holdings Limited 駿高控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8035

2019

First Quarterly Report



CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

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

FIRST QUARTERLY RESULTS

The board of Directors (the “**Board**”) of the Company is pleased to announce that the unaudited financial results of the Group for the three months ended 31 March 2019, together with the corresponding comparative figures, are as follows. The financial results has been approved by the Board.

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

For the three months ended 31 March 2019

		Three months ended 31 March	
		2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited) (restated)
	Notes		
Revenue	5	110,950	76,625
Cost of sales		(107,990)	(68,905)
Gross Profit		2,960	7,720
Other income		845	336
Other (losses)/gains		(70)	65
Administrative expenses		(10,242)	(12,376)
Finance costs		(1,638)	(606)
Loss before taxation		(8,145)	(4,861)
Income tax expense	6	(2)	(416)
Loss for the period		(8,147)	(5,277)
Other comprehensive income after tax:			
Items that may be reclassified to profit or loss:			
Exchange differences on translating foreign operations		(42)	–
Total comprehensive expenses for the period		(8,189)	(5,277)
Loss per share — basic (HK cents)	7	(1.36)	(0.88)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 31 March 2019

	Share capital	Share premium	Capital reserve	Other reserve	Translation reserve	Retained profits/ (Accumulated losses)	Total
	HK\$'000	HK\$'000	HK\$'000 (Note i)	HK\$'000 (Note ii)	HK\$'000	HK\$'000	HK\$'000
At 1 January 2019 as restated (audited)	6,000	47,755	17,659	4,658	113	(12,525)	63,660
Total comprehensive expenses for the period (unaudited)	-	-	-	-	(42)	(8,147)	(8,189)
At 31 March 2019 (unaudited)	6,000	47,755	17,659	4,658	71	(20,672)	55,471
At 1 January 2018, as restated (audited)	6,000	47,755	17,659	4,658	-	12,182	88,254
Total comprehensive expenses for the period (restated)	-	-	-	-	-	(5,277)	(5,277)
At 31 March 2018, as restated (unaudited)	6,000	47,755	17,659	4,658	-	6,905	82,977

Notes:

- (i) Capital reserve comprises of (i) the profits derived from the provision of air and ocean freight forwarding services in Hong Kong prior to 1 July 2015 carried out by JFX Limited, a company previously wholly owned by the controlling shareholder of the Group, Mr. Cheng Hon Yat ("Mr. Cheng"), before the transfer of such business to Janco Global Logistics Limited ("Janco Global Logistics"), a wholly owned subsidiary of the Group, as they legally belonged to JFX Limited and are non-distributable profits of the Group; and (ii) the difference between the nominal value of the aggregate share capital of the subsidiaries acquired by the Company upon the group reorganisation completed on 29 December 2015 and the nominal value of the Company's shares issued.
- (ii) Other reserve represented an amount due to Mr. Cheng, being the controlling shareholder of the Group, amounting to HK\$4,658,000 which was settled by capitalisation of the same amount as deemed contribution in the year ended 31 December 2016.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended 31 March 2019

1. GENERAL INFORMATION

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

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

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

2. BASIS OF PREPARATION

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

The Group has adopted new or revised standards, amendments to standards and interpretations of HKFRSs which are effective for accounting periods commencing on or after 1 January 2019.

The accounting policies and method of computation used in the preparation of these results are consistent with those used in the annual report for the year ended 31 December 2018 except for those new and revised HKFRSs and interpretations issued by the HKICPA that are adopted for the first time in the unaudited condensed consolidated financial statements for the three months ended 31 March 2019.

The unaudited condensed consolidated financial statements of the Group for the three months ended 31 March 2019 have been prepared under the historical cost convention.

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

3. ADOPTION OF NEW AND REVISED HKFRSs AND CHANGES IN ACCOUNTING POLICIES

HKFRS 16 “Leases”

On adoption of HKFRS 16, the Group recognised right-of-use assets and lease liabilities in relation to leases which had previously been classified as ‘operating leases’ under HKAS 17 “Leases.”

HKFRS 16 has been applied retrospectively and resulted in changes in the consolidated amounts reported in the unaudited condensed consolidated financial statements as follows:

	For the three months ended 31 March 2018 <i>HK\$'000</i>
Statement of profit and loss	
Decrease in cost of sales	96
Decrease in administrative expenses	49
Increase in lease interests	315
Increase in loss for the period	170
Increase in loss per share	
— Basic and diluted (HK cents)	<u>0.03</u>

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. RETROSPECTIVE RESTATEMENT

As detailed in the Company’s announcement dated 27 March 2019, (the “**Announcement**”) in preparing the Company’s unaudited condensed consolidated financial statements for the year ended 31 December 2018, the Board made an adjustment (the “**Adjustment**”) to the condensed consolidated financial statements for the three months ended 31 March 2018. For details, please refer to the Announcement. The impact of the Adjustment is set out below:

	For the three months ended 31 March 2018 <i>HK\$'000</i>
Statement of profit and loss	
Decrease in revenue	5,700
Increase in loss for the period	5,700
Increase in loss per share	
— Basic and diluted (HK cents)	<u>0.95</u>

5. REVENUE

	Three months ended 31 March	
	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited) (restated)
Air freight forwarding services income	30,506	20,272
Ocean freight forwarding services income	38,645	26,725
Logistics services income	24,238	15,472
E-commerce trading income	–	11,505
E-commerce courier services income	17,561	2,651
	110,950	76,625

6. INCOME TAX EXPENSE

	Three months ended 31 March	
	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)
Hong Kong Profits Tax:		
Current tax	2	416

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

7. LOSS PER SHARE

The calculation of basic loss per share for the relevant periods is based on the unaudited loss attributable to owners of the Company for the relevant periods and on 600,000,000 (2018: 600,000,000) shares in issue during the relevant periods.

No diluted earnings per share are presented for the relevant periods as there were no potential dilutive ordinary share in issue.

8. DIVIDENDS

No dividends were paid, declared or proposed during the three months ended 31 March 2019 (2018: Nil). The Directors resolved not to pay an interim dividend for the three months ended 31 March 2019 (2018: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

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

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

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

FUTURE PLANS

In the future, we will 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.

FINANCIAL REVIEW

Revenue

Revenue of the Group increased by approximately 44.9% from approximately HK\$76.6 million for the three months ended 31 March 2018 to approximately HK\$111.0 million for the three months ended 31 March 2019. The increase in revenue was due to the increase in revenue generated from ancillary logistics services by approximately HK\$8.8 million, increase in revenue generated from e-commerce courier services income by approximately HK\$14.9 million, increase in revenue generated from ocean freight forwarding services by approximately HK\$11.9 million and increase in revenue generated from air freight forwarding services by approximately HK\$10.2 million for the three months ended 31 March 2019.

The increase in revenue from ocean freight forwarding services was mainly contributed by the increase in shipment volume under the orders placed by our existing and new customers during the three months ended 31 March 2019.

The increase in revenue from e-commerce courier services was mainly contributed by the increase in orders placed by our existing major e-commerce customer during the three months ended 31 March 2019, and partially net off by decrease in e-commerce trading income because we focus on e-commerce courier services business since second half of 2018.

Revenue from air freight forwarding services increased for the three months ended 31 March 2019. It was mainly due to the increase in shipment volume under the orders placed by two of our existing major customers during the three months ended 31 March 2019.

Revenue from our ancillary logistics services increased for the three months ended 31 March 2019. It was mainly due to the increase in sales of our ancillary logistics services to our new customers.

Cost of sales and gross profit

Cost of sales increased by approximately 56.7% from approximately HK\$68.9 million for the three months ended 31 March 2018 to approximately HK\$108.0 million for the three months ended 31 March 2019. The increase in cost of sales was mainly attributable to the increase in warehouse service charges for the ancillary logistics business of approximately HK\$11.7 million, increase in e-commerce courier services costs of approximately HK\$17.3 million and increase in ocean freight costs of approximately HK\$13.0 million for the three months ended 31 March 2019.

Gross profit decreased by approximately 61.0% from approximately HK\$7.7 million for the three months ended 31 March 2018 to approximately HK\$3.0 million for the three months ended 31 March 2019. Gross profit margin decreased from approximately 10.1% for the three months ended 31 March 2018 to approximately 2.7% for the three months ended 31 March 2019.

The decrease in gross profit and gross profit margin was mainly attributable to the increase in ocean freight costs, e-commerce courier services costs and warehouse service charges outweighed the increase in ocean freight forwarding service and logistics services income.

Administrative expenses

Administrative expenses slightly decreased by approximately 17.7% from approximately HK\$12.4 million for the three months ended 31 March 2018 to approximately HK\$10.2 million for the three months ended 31 March 2019.

Income tax expense

Income tax expense represented the provision of Hong Kong profits tax calculated at 16.5% of the estimated assessable profits during the three months ended 31 March 2018 and 2019, respectively.

Loss and total comprehensive expenses attributable to owners

Loss and total comprehensive expenses increased by approximately 54.7% from approximately HK\$5.3 million for the three months ended 31 March 2018 to approximately HK\$8.2 million for the three months ended 31 March 2019. The increase in loss and total comprehensive expenses was mainly due to the decrease in gross profit margin for our logistics, e-commerce courier services and ocean freight business for the three months ended 31 March 2019.

OTHER INFORMATION

INTERIM DIVIDEND

The Directors did not recommend the payment of an interim dividend for the three months ended 31 March 2019 (2018: Nil).

MATERIAL ACQUISITIONS AND DISPOSALS

During the three months ended 31 March 2019, the Group had no material acquisitions or disposals of subsidiaries, associates or joint ventures.

UPDATE ON LISTING STATUS

Trading in the Shares 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.

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 (the “**Resumption Guidance**”):

- publish all outstanding financial results required under the GEM Listing Rules and address any audit modifications;
- announce the findings of 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 by the Company. As at the date hereof, the follow-up review has been completed and the Company has adopted all the recommendations made by EY. EY has submitted a summary of work performed to the Audit Committee and the revised, updated or newly developed internal policies, procedures and controls of the Company have been rolled-out. For details, please refer to the announcement of the resumption of trading of the Company of even date.

The Company has taken appropriate steps to remedy the issues causing its trading suspension and is of the view that the Resumption Guidance has been fulfilled. An application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares with effect from 9:00 a.m. on 28 November 2019.

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, 30 September 2019 and 27 November 2019, respectively.

PURCHASE, SALE OR REDEMPTION

During the three months ended 31 March 2019, neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Shares.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by the Directors on terms no less exacting than the required standard of dealings as set out in rules 5.48 to 5.67 of the GEM Listing Rules (the “**Model Code**”). The Company, having made specific enquiry of all the Directors, is not aware of any non-compliance with the required standard of dealings and its code of conduct regarding securities transactions by the Directors during the three months ended 31 March 2019.

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 dealings by the Model Code as if he was a Director.

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

As at 31 March 2019, 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 the 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 position in the Shares

Name of Director/ chief executive	Capacity/Nature of interest	Number of Shares held	Percentage of the Company's issued share capital
Mr. Cheng (Note 1)	Interest in a controlled corporation (Note 2)	450,000,000	75%

Note 1: Mr. Cheng resigned as an executive Director on 4 October 2019.

Note 2: 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 position in the shares of the associated corporation(s)

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

Note 1: Mr. Cheng resigned as an executive Director on 4 October 2019.

Save as disclosed above, as at 31 March 2019, none of the Directors nor the chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and/or short positions which they are taken or deemed to have under such provisions of the SFO); or (ii) which were required to be recorded in the register required to be kept by the Company under Section 352 of the SFO; or (iii) which were otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

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

As at 31 March 2019, 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, the underlying Shares or the debentures of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were required to be recorded in the register of interests required to be kept by the Company under section 336 of the SFO:

Long position in the Shares

Name of shareholder	Capacity/Nature of interest	Number of Shares held	Percentage of the Company's issued share capital
Million Venture	Beneficial owner	450,000,000	75%
Ms. Tai Choi Wan, Noel	Interest of spouse (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 March 2019, 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 of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were required to be recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

SHARE OPTION SCHEME

The Company conditionally adopted a share option scheme (the "**Share Option Scheme**") on 23 September 2016. The terms of the Share Option Scheme are in accordance with the provisions of Chapter 23 of the GEM Listing Rules. The principal terms of the Share Option Scheme are summarised in the 2018 annual report of the Company. Since the Listing Date and up to the date of this report, no option has been granted, exercised, cancelled or lapsed under the Share Option Scheme.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Other than the Share Option Scheme disclosed above, at no time during the three months ended 31 March 2019 and up to the date of this report was the Company or any of its subsidiaries, a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' MATERIAL INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contract of significance, to which the Company or any of its subsidiaries was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of 31 March 2019 or at any time during the three months ended 31 March 2019.

COMPETING INTEREST

For the three months ended 31 March 2019, the Directors were not aware of any business or interest of the Directors, the controlling shareholders of the Company and their respective close associates (as defined under the GEM Listing Rules) that compete or may compete with the business of the Group and any other conflict of interest which any such person has or may have with the Group.

INTERESTS OF THE COMPLIANCE ADVISER

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 March 2019, as notified by the Company's former 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.

CORPORATE GOVERNANCE

The Company has complied with the code provisions set out in the Corporate Governance Code (the "**CG Code**") contained in Appendix 15 to the GEM Listing Rules, other than the code provision A.2.1. CG Code provision A.2.1 stipulates that the roles of chairman and chief executive should be separated and should not be performed by the same individual. Mr. Ng Chin Hung ("**Mr. Ng**") is the chairman of the Board and the chief executive officer of the Company. In view of Mr. Ng having worked in the 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 3 of them being independent non-executive Directors.

IMPORTANT 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.

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 forthcoming annual general meeting of the Company (the “**2019 AGM**”). A resolution for their re-appointment as auditors of the Company will be proposed at the 2019 AGM.

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 and under the paragraph headed “Update on listing status” in this section, the Board is not aware of any significant event requiring disclosure that has been taken place subsequent to 31 March 2019 and up to the date of this report.

AUDIT COMMITTEE

The Company has established the Audit Committee on 23 September 2016, with written terms of reference in compliance with Rules 5.28 and 5.33 of the GEM Listing Rules. The primary duties of the Audit Committee are to, among other things, review and supervise the financial reporting system, risk management and internal control system of the Group, nominate and monitor the external auditor and to be responsible for all matters relating to the continuing connected transactions of the Company. The Audit Committee currently comprises three 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.

The Audit Committee has reviewed the unaudited condensed consolidated financial statements of the Group for the three months ended 31 March 2019 and was of the opinion that the preparation of such statements complied with applicable accounting standards and that adequate disclosure has been made in respect thereof.

By Order of the Board
Janco Holdings Limited
Ng Chin Hung
Chairman

Hong Kong, 27 November 2019

As at the date of this report, the executive Directors are Mr. Ng Chin Hung, Mr. Cheng Tak Yuen and Mr. Chan Chun Sing ; and the independent non-executive Directors are Mr. Lee Kwong Chak Bonnio, Mr. Pang Chung Fai Benny and Mr. Chan Fei Fei.

This report will remain on GEM's website at www.hkgem.com on the "Latest Company Announcements" page for at least 7 days from the date of its posting and on the website of the Company at www.jancofreight.com.