



Janco Holdings Limited 駿高控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8035

2019

Interim 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.*

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, Bonnie
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, Bonnie
(*Chairman*)
Mr. Pang Chung Fai, Benny
Mr. Chan Fei Fei

Remuneration Committee

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

Nomination Committee

Mr. Pang Chung Fai, Benny (*Chairman*)
Mr. Lee Kwong Chak, Bonnie
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
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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
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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

China Citic Bank International Limited
61–65 Des Voeux Road Central
Hong Kong

STOCK CODE

8035

INTERIM RESULTS

The board of Directors (the “**Board**”) of the Company is pleased to announce that the unaudited financial results of the Group for the six months ended 30 June 2019, together with the corresponding comparative figures, are as follows. The financial results have been approved by the Board.

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

For the three and six months ended 30 June 2019

	Notes	Three months ended 30 June		Six months ended 30 June	
		2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited) (restated)	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited) (restated)
Revenue	5	100,042	89,351	210,992	165,976
Cost of sales		(93,335)	(86,980)	(201,325)	(155,885)
Gross profit		6,707	2,371	9,667	10,091
Other income		876	(336)	1,721	–
Other gains and losses		(55)	51	(125)	116
Administrative expenses		(10,913)	(6,309)	(21,155)	(18,685)
Finance costs		(1,579)	(682)	(3,217)	(1,288)
Loss before taxation		(4,964)	(4,905)	(13,109)	(9,766)
Income tax expense	6	(36)	(190)	(38)	(606)
Loss for the period	7	(5,000)	(5,095)	(13,147)	(10,372)
Other comprehensive income after tax:					
Items that may be reclassified to profit or loss:					
Exchange differences on translating foreign operations		28	–	(14)	–
Total comprehensive expenses for the period		(4,972)	(5,095)	(13,161)	(10,372)
Loss per share					
— basic (HK cents)	9	(0.83)	(0.85)	(2.19)	(1.73)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2019

	Notes	At 30 June 2019 HK\$'000 (unaudited)	At 31 December 2018 HK\$'000 (audited) (restated)
Non-current assets			
Property, plant and equipment		9,243	8,321
Computer software		234	278
Deposit placed in life insurance policies	10	108,119	106,468
Right-of-use assets		44,386	38,850
Interest in an associate		–	–
Rental deposits	11	5,710	5,860
		167,692	159,777
Current assets			
Trade receivables	11	77,268	107,115
Other receivables, deposits and prepayments	11	7,168	12,859
Tax recoverable		1,624	1,429
Pledged bank deposit	12	22,055	28,115
Bank balances and cash		9,633	6,338
		117,748	155,856
Current liabilities			
Trade payables	13	25,649	42,925
Other payables and accruals	13	3,490	6,524
Contract liabilities		749	472
Lease liabilities		8,024	12,739
Amount due to a substantial shareholder	14	5,724	–
Bank borrowing — due within one year	15	154,866	163,045
Tax payable		38	–
		198,540	225,705
Net current liabilities		(80,792)	(69,849)
Total assets less current liabilities		86,900	89,928

	<i>Note</i>	At 30 June 2019 HK\$'000 (unaudited)	At 31 December 2018 HK\$'000 (audited)
Non-current liabilities			
Lease liabilities		35,773	25,640
Deferred tax liabilities		628	628
		36,401	26,268
		50,499	63,660
Capital and reserves			
Share capital	16	6,000	6,000
Reserves		44,499	57,660
Total equity		50,499	63,660

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2019

	Share capital HK\$'000 (Note 14)	Share premium HK\$'000 (Note)	Capital reserve HK\$'000	Other reserve HK\$'000	Translation reserve HK\$'000	Retained profits/ Accumulated loss HK\$'000	Total HK\$'000
At 1 January 2019 as previously reported	6,000	47,755	17,659	4,658	113	(12,422)	63,763
Retrospective restatement	-	-	-	-	-	(103)	(103)
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	-	-	-	-	(14)	(13,147)	(13,161)
At 30 June 2019 (unaudited)	6,000	47,755	17,659	4,658	99	(25,672)	50,499
At 1 January 2018 as previously reported	6,000	47,755	17,659	4,658	-	12,582	88,654
Retrospective restatement	-	-	-	-	-	(400)	(400)
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)	-	-	-	-	-	(10,372)	(10,372)
At 30 June 2018, as restated (unaudited)	6,000	47,755	17,659	4,658	-	1,810	77,882

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) The other reserve represented an amount due to Mr. Cheng, being the controlling shareholder of the Group and a director of the Company, amounting to HK\$4,658,000 which was settled by capitalisation of the same amount as deemed contribution in 2016.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2019

	Six months ended	
	30 June 2019 HK\$'000 (unaudited)	30 June 2018 HK\$'000 (unaudited)
NET CASH GENERATED FROM OPERATING ACTIVITIES	26,193	8,862
INVESTING ACTIVITIES		
Withdrawal of pledged bank deposit	6,060	–
Purchase of property, plant and equipment and computer software	(2,150)	(1,755)
Proceeds from disposal of property, plant and equipment	25	–
NET CASH GENERATED FROM/(USED IN) INVESTING ACTIVITIES	3,935	(1,755)
FINANCING ACTIVITIES		
New bank borrowing raised	7,922	16,455
Repayment of bank borrowings	(15,363)	–
Repayment of lease liabilities	(19,129)	(15,421)
Interest paid	(267)	(576)
NET CASH (USED IN)/FROM FINANCING ACTIVITIES	(26,837)	458
NET INCREASE IN CASH AND CASH EQUIVALENTS	3,291	7,565
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	4	–
CASH AND CASH EQUIVALENTS AT 1 JANUARY	6,338	6,979
CASH AND CASH EQUIVALENTS AT 30 JUNE	9,633	14,544
Represented by:		
Bank balances and cash	9,633	14,544

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

1. GENERAL INFORMATION

The Company is an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands and its shares have been listed on GEM of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) by way of placing (the “**Placing**”) on 7 October 2016. The Company’s registered office and the principal place of business are at Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands and Unit 1608, 16th Floor, Tower A, Manulife Financial Centre, No. 223 Wai Yip Street, Kwun Tong, Kowloon, Hong Kong, respectively. Its immediate and ultimate holding company is Million Venture Holdings Limited (“**Million Venture**”), a company incorporated in the British Virgin Islands and wholly owned by Mr. Cheng.

The Company is an investment holding company. The principal activities of the Group are set out in Note 5.

The unaudited condensed consolidated financial statements have been prepared in accordance with the Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) as well as the applicable disclosure requirements of Chapter 18 of the Rules Governing the Listing of Securities on GEM of the Stock Exchange.

2. GOING CONCERN BASIS

The Group incurred a loss of approximately HK\$13,147,000 for the six months ended 30 June 2019 and as at 30 June 2019 the Group had net current liabilities of approximately HK\$80,792,000. 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. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2019 have been prepared on the historical cost basis.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2019 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2018.

Leases

The Group as lessee

Leases are recognised as right-of-use assets and corresponding lease liabilities when the leased assets are available for use by the Group. Right-of-use assets are stated at cost less accumulated depreciation and impairment losses. Depreciation of right-of-use assets is calculated at rates to write off their cost over the shorter of the asset's useful life and the lease term on a straight-line basis. The principal annual rates are as follows:

Land and buildings	33%–50%
Motor vehicles	20%–33%

Right-of-use assets are measured at cost comprising the amount of the initial measurement of the lease liabilities, lease payments prepaid, initial direct costs and the restoration costs. Lease liabilities include the net present value of the lease payments discounted using the interest rate implicit in the lease if that rate can be determined, or otherwise the Group's incremental borrowing rate. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the lease liability.

Payments associated with short-term leases and leases of low-value assets are recognised as expenses in profit or loss on a straight-line basis over the lease terms. Short-term leases are leases with an initial lease term of 12 months or less. Low-value assets are assets of value below US\$5,000.

In the current period, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 January 2019. 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 period and prior year except as stated below.

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:

	31 December 2018 HK\$'000	1 January 2018 HK\$'000
Statement of financial position:		
Decrease in property, plant and equipment	2,465	2,372
Increase in right-of-use assets	38,850	25,605
Increase in lease liabilities	38,379	25,613
Decrease in retained earnings	103	400
Decrease in obligations under finance leases	1,891	1,980
<hr/>		
	For the three months ended 30 June 2018 HK\$'000	For the six months ended 30 June 2018 HK\$'000
Statement of profit and loss		
Decrease in cost of sales	551	647
Decrease in administrative expenses	145	194
Increase in lease interests	358	673
Decrease in loss for the period	338	168
Decrease in loss per share		
— Basic and diluted (HK cents)	0.06	0.03

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 HKFRS would have a material impact on its results of operations and financial position.

The application of the above amendments to HKFRSs in the current interim period has had no material effect on the amounts reported and/or disclosures set out in these condensed consolidated financial statements.

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 2019, the Board made an adjustment (the "**Adjustment**") to the condensed consolidated financial statement for the six months ended 30 June 2018, details please refer to the Announcement. The impact of the Adjustment is set out below:

	For the three months ended 30 June 2018 HK\$'000	For the six months ended 30 June 2018 HK\$'000
Statement of profit and loss		
Decrease in revenue	6,000	11,700
Increase in loss for the period	6,000	11,700
Increase in loss per share		
— Basic and diluted (HK cents)	1.00	1.95

5. 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) Air Freight – provision of air freight forwarding services
- (ii) Ocean Freight – provision of ocean freight forwarding services
- (iii) Logistics – provision of warehousing and other ancillary logistics services
- (iv) 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 segments:

Disaggregation of revenue from contracts with customers:

For the six months ended 30 June 2019 (unaudited)

	Air	Ocean	Logistics	E-Commerce		Elimination	Total
	Freight	Freight		Trading	Fulfillment		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue							
External sales	57,655	64,095	54,868	-	34,374	-	210,992
Inter-segment sales	1,831	1,731	2,796	-	198	(6,556)	-
	59,486	65,826	57,664	-	34,572	(6,556)	210,992
Segment results	5,855	5,878	2,142	-	(4,208)	-	9,667
Other income							1,721
Other gains and losses							(125)
Administrative expenses							(21,155)
Finance costs							(3,217)
Loss before taxation							(13,109)

For the six months ended 30 June 2018 (unaudited) (restated)

	Air	Ocean	Logistics	E-Commerce		Elimination	Total
	Freight	Freight		Trading	Fulfillment		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue							
External sales	53,463	48,585	31,717	23,298	8,913	-	165,976
Inter-segment sales	2,660	1,665	4,326	-	263	(8,914)	-
	56,123	50,250	36,043	23,298	9,176	(8,914)	165,976
Segment results	2,908	3,896	3,082	801	(596)	-	10,091
Other gains and losses							116
Administrative expenses							(18,685)
Finance costs							(1,288)
Loss before taxation							(9,766)

Segment results mainly represented profit earned (loss incurred) by each segment without allocation of other income, other gains and losses, certain administrative 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

	Air Freight HK\$'000	Ocean Freight HK\$'000	Logistics HK\$'000	E-Commerce		Total HK\$'000
				Trading HK\$'000	Fulfillment HK\$'000	
For the six months ended 30 June 2019 (unaudited)						
At a point in time	–	–	–	–	–	–
Overtime	57,655	64,095	54,868	–	34,374	210,992
	57,655	64,095	54,868	–	34,374	210,992
For the six months ended 30 June 2018 (unaudited)						
At a point in time	–	–	–	23,298	–	23,298
Overtime	53,463	48,585	31,717	–	8,913	142,678
	53,463	48,585	31,717	23,298	8,913	165,976

6. INCOME TAX EXPENSE

	Six months ended	
	30 June 2019 HK\$'000 (unaudited)	30 June 2018 HK\$'000 (unaudited)
Hong Kong Profits Tax:		
Current tax	38	606

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

7. LOSS FOR THE PERIOD

	Six months ended	
	30 June 2019 HK\$'000 (unaudited)	30 June 2018 HK\$'000 (unaudited)
Loss for the period has been arrived at after charging:		
Directors' remuneration	2,584	2,810
Other staff costs:		
Salaries and other allowances	17,622	20,167
Retirement benefits scheme contributions	739	676
Total staff costs	20,945	23,653
Depreciation and amortisation	1,398	1,420
Gain on disposal of property, plant and equipment	25	–

8. DIVIDENDS

No dividends were paid, declared or proposed during the current interim period. The directors of the Company have determined that no dividend will be paid in respect of the current interim period.

9. LOSS PER SHARE

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

No diluted loss per share is presented for the relevant periods as there were no potential dilutive ordinary shares issue.

10. DEPOSITS PLACED IN LIFE INSURANCE POLICIES

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 the HK\$ policy and 15th policy year for the US\$ policy.

11. TRADE AND OTHER RECEIVABLES

	At 30 June 2019 HK\$'000 (unaudited)	At 31 December 2018 HK\$'000 (audited)
Trade receivables	77,268	107,115
Rental deposits	7,699	11,023
Other prepayments and deposits	5,179	7,696
Total trade and other receivables	90,146	125,834
Analysed as:		
Current assets		
Trade receivables	77,268	107,115
Other receivables, deposits and prepayments	7,168	12,859
	84,436	119,974
Non-current assets		
Rental deposits	5,710	5,860
	90,146	125,834

The Group allows a credit period ranging from 15 to 90 days (2018: 15 to 90 days) to its air and ocean freight forwarding and logistics customers and a credit period of 30 days (2018: 30 days) to its E-Commerce customers for its trade receivables.

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:

	At 30 June 2019 HK\$'000 (unaudited)	At 31 December 2018 HK\$'000 (audited)
0–30 days	32,732	35,564
31–60 days	13,648	32,432
61–90 days	14,318	15,301
Over 90 days	16,570	23,818
	77,268	107,115

12. PLEDGED BANK DEPOSIT

As at 30 June 2019, the pledged bank deposit represented a deposit pledged to a bank to secure certain short-term banking facilities granted to the Group and was therefore classified as a current asset. The pledged bank deposit would be released upon the settlement of the relevant bank borrowings. The pledged bank deposit carries fixed interest at 1.1% per annum.

13. TRADE AND OTHER PAYABLES AND ACCRUALS

	At 30 June 2019 HK\$'000 (unaudited)	At 31 December 2018 HK\$'000 (audited)
Trade payables	25,649	42,925
Other payables	1,318	2,872
Accruals	2,172	3,652
Total trade and other payables and accruals	29,139	49,449

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

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

	At 30 June 2019 HK\$'000 (unaudited)	At 31 December 2018 HK\$'000 (audited)
0–30 days	20,486	31,518
31–60 days	3,735	9,378
61–90 days	196	505
Over 90 days	1,232	1,524
	25,649	42,925

As at 30 June 2019 and 31 December 2018, certain banks have given performance guarantees covering the Group for payment to their major suppliers.

14. AMOUNT DUE TO A SUBSTANTIAL SHAREHOLDER

The amount is unsecured, interest-free and repayable on demand.

15. BANK BORROWING

During the current interim period, the Group has drawn down new bank borrowing amounting to HK\$7,922,000 (six months ended 30 June 2018: HK\$16,455,000) which carries variable market interest rate ranging 4.26% to 4.46% per annum.

16. SHARE CAPITAL

	Number of ordinary shares	Amount HK\$
Ordinary shares of HK\$0.01 each		
Authorised:		
At 31 December 2018 and 30 June 2019	1,500,000,000	15,000,000
Issued and fully paid:		
At 31 December 2018 and 30 June 2019	600,000,000	6,000,000
Balance presented in HK\$'000		6,000

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 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 period, we are expanding our e-commerce business to capture the growing opportunities arising from the increasing demand derived from the increasing e-commerce volume to 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.

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 27.1% from approximately HK\$166.0 million for the six months ended 30 June 2018 to approximately HK\$211.0 million for the six months ended 30 June 2019. The increase in revenue was due to the increase in revenue generated from ancillary logistics services by approximately HK\$23.2 million for the six months ended 30 June 2019 and increase in revenue generated from ocean freight forwarding services by approximately HK\$15.5 million.

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 six months ended 30 June 2019.

Revenue from our ancillary logistics services increased for the six months ended 30 June 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 29.1% from approximately HK\$155.9 million for the six months ended 30 June 2018 to approximately HK\$201.3 million for the six months ended 30 June 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\$24.1 million and increase in ocean freight costs of approximately HK\$13.5 million for the six months ended 30 June 2019.

Gross profit decreased by approximately 4.0% from approximately HK\$10.1 million for the six months ended 30 June 2018 to approximately HK\$9.7 million for the six months ended 30 June 2019. Gross profit margin decreased from approximately 6.1% for the six months ended 30 June 2018 to approximately 4.6% for the six months ended 30 June 2019.

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

Administrative expenses

Administrative expenses increased by approximately 13.4% from approximately HK\$18.7 million for the six months ended 30 June 2018 to approximately HK\$21.2 million for the six months ended 30 June 2019. The increase in administrative expenses was mainly due to the increase in legal and professional fees by approximately HK\$1.3 million.

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 six months ended 30 June 2018 and 2019, respectively.

Loss and total comprehensive expenses attributable to owners

Loss and total comprehensive expenses increased by approximately 26.0% from approximately HK\$10.4 million for the six months ended 30 June 2018 to approximately HK\$13.1 million for the six months ended 30 June 2019. The increase in loss and total comprehensive expenses was mainly due to the decrease in gross profit margin for our logistics and ocean freight business for the six months ended 30 June 2019.

OTHER INFORMATION

INTERIM DIVIDEND

The Directors determined not to pay an interim dividend for the six months ended 30 June 2019 (2018: Nil).

LIQUIDITY AND FINANCIAL RESOURCES, GEARING RATIO

The current ratio of the Group as at 30 June 2019 was 0.6 times as compared to that of 0.7 times as at 31 December 2018. The gearing ratio, calculated based on the total debt, including bank borrowing and bank overdraft, divided by total equity at the end of the period and multiplied by 100%, stood at approximately 306.7% as at 30 June 2019 (31 December 2018: approximately 256.1%). With available bank balances and cash and bank credit facilities, the Group has sufficient liquidity to satisfy its funding requirements.

CAPITAL STRUCTURE

The shares of the Company (the “**Shares**”) were listed on GEM (the “**Listing**”) on 7 October 2016 (the “**Listing Date**”). 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 the 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 5 to the condensed consolidated financial statements.

CHARGE ON THE GROUP'S ASSETS AND CONTINGENT LIABILITIES

As at 30 June 2019, the Group has pledged its bank deposits and deposits placed in life insurance policies to a bank for an amount of approximately HK\$22.1 million and approximately HK\$108.1 million, respectively (31 December 2018: HK\$28.1 million and HK\$106.5 million, respectively) to secure the general banking facilities granted to the Group with an outstanding amount of indebtedness of approximately HK\$154.9 million as at 30 June 2019 (31 December 2018: HK\$163.0 million). The Group had no material contingent liabilities as at 30 June 2019 and as at 31 December 2018, respectively.

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 30 June 2019, the Group employed 119 (30 June 2018: 126) full time employees. The staff costs, including the Directors' emoluments, of the Group were approximately HK\$20.9 million for the six months ended 30 June 2019 (30 June 2018: approximately HK\$23.7 million). We determine the employee's remuneration based on factors such as their performance, qualification, position, duty, contributions, years of experience and local market conditions.

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 30 June 2019. Save as disclosed in the Prospectus or otherwise in this report, the Group did not have any plans for material investments or capital assets as at 30 June 2019.

MATERIAL ACQUISITIONS AND DISPOSALS

During the six months ended 30 June 2019, the Group had no material acquisitions or disposals of subsidiaries, associates or joint ventures.

PURCHASE, SALE OR REDEMPTION

During the six months ended 30 June 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 six months ended 30 June 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 securities of the Company when he would be prohibited from dealings by the Model Code as if he was a Director.

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

As at 30 June 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%

Notes:

1. Mr. Cheng resigned as an executive Director on 4 October 2019.
2. The 450,000,000 Shares are held by Million Venture, which is wholly-owned by Mr. Cheng. By virtue of the SFO, Mr. Cheng is deemed to be interested in all the Shares held by Million Venture.

Interests in associated corporation(s) of the Company

Long 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 (<i>Note</i>)	Million Venture	Beneficial owner	1	100%

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

Save as disclosed above, as at 30 June 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 are taken or deemed to have under such provisions of the SFO); or (ii) which were required to be recorded in the register required to be kept by the Company under Section 352 of the SFO; or (iii) which were otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

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

As at 30 June 2019, so far as the Directors are aware, the following persons (other than the Directors 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 (<i>Note</i>)	450,000,000	75%

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

Save as disclosed above, as at 30 June 2019, the Company has not been notified of any other persons (other than the Directors 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, underlying Shares or 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 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 six months ended 30 June 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 had a material interest, whether directly or indirectly, subsisted at the end of 30 June 2019 or at any time during the six months ended 30 June 2019.

COMPETING INTEREST

For the six months ended 30 June 2019, the Directors were not aware of any business or interest of the Directors, the controlling shareholders of the Company and their respective 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.

As at 30 June 2019, as notified by the Company's compliance adviser, Messis, save for the compliance adviser agreement entered into between the Company and Messis dated 12 April 2019, 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 30 June 2019, 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.

CORPORATE GOVERNANCE

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.

IMPORTANT EVENTS AFTER THE REPORTING PERIOD

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 have 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 (the “**Announcements**”).

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 Director.

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, the Board is not aware of any significant event requiring disclosure that has taken place subsequent to 30 June 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 six months ended 30 June 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.