



Janco Holdings Limited 駿高控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8035

First Quarterly Report **2020**



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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 2020, 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 2020

		Three months ended 31 March	
		2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Revenue	4	105,515	110,950
Cost of sales		(95,960)	(107,990)
Gross Profit		9,555	2,960
Other income		888	845
Other losses		(179)	(70)
Administrative expenses		(11,973)	(10,242)
Finance costs		(1,498)	(1,638)
Share of profits of joint venture		125	–
Loss before taxation		(3,082)	(8,145)
Income tax credit/(expense)	5	3	(2)
Loss for the period		(3,079)	(8,147)
Other comprehensive expenses after tax:			
Items that may be reclassified to profit or loss:			
Exchange differences on translating foreign operations		72	(42)
Loss and total comprehensive expenses for the period		(3,007)	(8,189)
Loss for the period attributable to:			
Owners of the Company		(3,080)	(8,189)
Non-controlling interests		1	–
		(3,079)	(8,189)
Loss and total comprehensive expenses for the period attributable to:			
Owners of the Company		(3,008)	(8,189)
Non-controlling interests		1	–
		(3,007)	(8,189)
Loss per share — basic (HK cents)	6	(0.51)	(1.36)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 31 March 2020

	Share capital	Share premium	Capital reserve	Other reserve	Translation reserve	Accumulated losses	Total	Non-controlling interests	Total equity
	HK\$'000	HK\$'000	HK\$'000 (Note i)	HK\$'000 (Note ii)	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2020 (audited)	6,000	47,755	17,659	4,658	143	(30,795)	45,420	261	45,681
Total comprehensive expenses for the period (audited)	-	-	-	-	72	(3,080)	(3,008)	1	(3,007)
Establishment of a non-wholly-owned subsidiary	-	-	-	-	-	-	-	234	234
At 31 March 2020 (unaudited)	6,000	47,755	17,659	4,658	215	(33,875)	42,412	496	42,908
At 1 January 2019 (audited)	6,000	47,755	17,659	4,658	113	(12,525)	63,660	-	63,660
Total comprehensive expenses for the period (unaudited)	-	-	-	-	(42)	(8,147)	(8,189)	-	(8,189)
At 31 March 2019 (unaudited)	6,000	47,755	17,659	4,658	71	(20,672)	55,471	-	55,471

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, 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 represents an amount due to Mr. Cheng, being a controlling shareholder of the Group and a former Director, 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 2020

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 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 (“**HK\$**”), 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 Hong Kong Institute of Certified Public Accountants (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 2020.

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 2019 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 2020.

The unaudited condensed consolidated financial statements of the Group for the three months ended 31 March 2020 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 HONG KONG FINANCIAL REPORTING STANDARDS

In the current period, the Group has adopted all the new and revised HKFRSs issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 January 2020. HKFRSs comprise Hong Kong Financial Reporting Standards; 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 years.

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

4. REVENUE

	Three months ended 31 March	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Air freight forwarding services income	35,320	30,506
Ocean freight forwarding services income	19,924	38,645
Logistics services income	32,473	24,238
E-commerce courier services income	17,798	17,561
	105,515	110,950

5. INCOME TAX CREDIT/(EXPENSE)

	Three months ended 31 March	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Hong Kong Profits Tax:		
Current tax	(3)	2

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

6. 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 (2019: 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.

7. DIVIDENDS

No dividends were paid, declared or proposed during the three months ended 31 March 2020 (2019: Nil). The Directors resolved not to pay an interim dividend for the three months ended 31 March 2020 (2019: 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 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 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 decreased by approximately 5.0% from approximately HK\$111.0 million for the three months ended 31 March 2019 to approximately HK\$105.5 million for the three months ended 31 March 2020. The decrease in revenue was due to the decrease in revenue generated from ocean freight forwarding services by approximately HK\$18.7 million, partially offset by increase in revenue generated from ancillary logistics services by approximately HK\$8.2 million and increase in revenue generated from air freight forwarding services by approximately HK\$4.8 million for the three months ended 31 March 2020.

The decrease in revenue from ocean freight forwarding services was mainly contributed by the decreases in shipment volume under the orders placed by one of our existing customer during the three months ended 31 March 2020.

Revenue from air freight forwarding services increased for the three months ended 31 March 2020. It was mainly due to the increase in shipment volume under the orders placed by both of our existing and new customers during the three months ended 31 March 2020.

Revenue from our ancillary logistics services increased for the three months ended 31 March 2020. It was mainly due to the increase in sales of our ancillary logistics services to both of our existing and new customers.

Cost of sales and gross profit

Cost of sales decreased by approximately 11.1% from approximately HK\$108.0 million for the three months ended 31 March 2019 to approximately HK\$96.0 million for the three months ended 31 March 2020. The decrease in cost of sales was mainly attributable to the decrease in ocean freight costs of approximately HK\$18.1 million, and decrease in e-commerce courier services costs of approximately HK\$4.2 million, which partially offset by the increase in air freight costs of approximately HK\$5.7 million and increase in warehouse direct costs of approximately HK\$4.5 million for the three months ended 31 March 2020.

Gross profit increased by approximately 220.0% from approximately HK\$3.0 million for the three months ended 31 March 2019 to approximately HK\$9.6 million for the three months ended 31 March 2020. Gross profit margin increased from approximately 2.7% for the three months ended 31 March 2019 to approximately 9.1% for the three months ended 31 March 2020.

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

Administrative expenses

Administrative expenses increased by approximately 17.6% from approximately HK\$10.2 million for the three months ended 31 March 2019 to approximately HK\$12.0 million for the three months ended 31 March 2020. The increase in administrative expenses was mainly due to the increase in our depreciation expenses, legal and professional fees for the three months ended 31 March 2020.

Income tax credit/(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 2019 and 2020, respectively.

Loss and total comprehensive expenses attributable to owners

Loss and total comprehensive expenses decreased by approximately 62.2% from approximately HK\$8.2 million for the three months ended 31 March 2019 to approximately HK\$3.1 million for the three months ended 31 March 2020. The decrease in loss and total comprehensive expenses was mainly due to the increase in gross profit margin for our logistics and e-commerce courier business for the three months ended 31 March 2020.

OTHER INFORMATION

INTERIM DIVIDEND

The Directors did not recommend the payment of an interim dividend for the three months ended 31 March 2020 (2019: Nil).

MATERIAL ACQUISITIONS AND DISPOSALS

During the three months ended 31 March 2020, the Group had no material acquisitions or disposals of subsidiaries, associates or joint ventures.

PURCHASE, SALE OR REDEMPTION

During the three months ended 31 March 2020, 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 2020.

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 2020, 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.

As at 31 March 2020, 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 2020, 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 Holdings Limited ("Million Venture")	Beneficial owner	450,000,000	75%
Mr. Cheng	Interest in a controlled corporation (Note 1)	450,000,000	75%
Ms. Tai Choi Wan, Noel	Interest of spouse (Note 2)	450,000,000	75%

Notes:

1. These 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 the Shares held by Million Venture.
2. 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 2020, 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 2019 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 2020 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 31 March 2020 or at any time during the three months ended 31 March 2020.

COMPETING INTEREST

For the three months ended 31 March 2020, 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.

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

Since January 2020, the outbreak of COVID-19 has an impact on the global business environment. Up to the date of this report, COVID-19 is expected to affect the revenue and operating results of the Group in April 2020. Pending on the development and spread of COVID-19 subsequent to the date of this report, further changes in economic conditions may have an impact on the future financial results of the Group. We will closely monitor the situation of COVID-19 and react actively to its impact on the financial position and operating results of the Group.

On 8 May 2020, Mr. Tai King Fung has been appointed as an executive Director.

Save as disclosed above, the Board is not aware of any significant event requiring disclosure that has taken place subsequent to 31 March 2020 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 2020 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, 8 May 2020

As at the date of this report, the executive Directors are Mr. Ng Chin Hung, Mr. Cheng Tak Yuen, Mr. Chan Chun Sing and Mr. Tai King Fung; 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.