



Janco Holdings Limited 駿高控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8035

Interim 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.*

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Ng Chin Hung (*Chairman and Chief executive officer*)

Mr. Cheng Tak Yuen

Mr. Chan Chun Sing

Mr. Tai King Fung
(appointed on 8 May 2020)

Independent Non-Executive Directors

Mr. Lee Kwong Chak, Bonnio

Mr. Pang Chung Fai, Benny

Mr. Chan Fei Fei

COMPANY SECRETARY

Mr. Chan Chun Sing, CPA

COMPLIANCE OFFICER

Mr. Ng Chin Hung

AUTHORISED REPRESENTATIVES

Mr. Ng Chin Hung

Mr. Chan Chun Sing

BOARD COMMITTEES

Audit Committee

Mr. Lee Kwong Chak, Bonnio
(*Chairman*)

Mr. Pang Chung Fai, Benny

Mr. Chan Fei Fei

Remuneration Committee

Mr. Chan Fei Fei (*Chairman*)

Mr. Lee Kwong Chak, Bonnio

Mr. Pang Chung Fai, Benny

Nomination Committee

Mr. Pang Chung Fai, Benny (*Chairman*)

Mr. Lee Kwong Chak, Bonnio

Mr. Chan Fei Fei

REGISTERED OFFICE

Cricket Square

Hutchins Drive

PO Box 2681

Grand Cayman, KY1-1111

Cayman Islands

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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Tower A, Manulife Financial Centre

No. 223 Wai Yip Street

Kwun Tong, Kowloon

Hong Kong

HONG KONG LEGAL ADVISER

ONC Lawyers

19th Floor, Three Exchange Square

8 Connaught Place

Central

Hong Kong

AUDITOR

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

COMPANY'S WEBSITE

www.jancofreight.com

PRINCIPAL SHARE REGISTRAR

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

HONG KONG BRANCH SHARE REGISTRAR

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

PRINCIPAL BANKERS

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

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

China Citic Bank International Limited
The Chinese Bank Building
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 2020, 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 2020

| | Notes | Three months ended 30 June | | Six months ended 30 June | |
|---|-------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|
| | | 2020 HK\$'000 (unaudited) | 2019 HK\$'000 (unaudited) | 2020 HK\$'000 (unaudited) | 2019 HK\$'000 (unaudited) |
| Revenue | 4 | 101,830 | 100,042 | 207,345 | 210,992 |
| Cost of sales | | (90,817) | (93,335) | (186,777) | (201,325) |
| Gross profit | | 11,013 | 6,707 | 20,568 | 9,667 |
| Other income | | 2,387 | 876 | 3,275 | 1,721 |
| Other gains and losses, net | | (1,569) | (55) | (1,748) | (125) |
| Administrative expenses | | (10,499) | (10,913) | (22,472) | (21,155) |
| Finance costs | | (1,457) | (1,579) | (2,955) | (3,217) |
| Share of loss of a joint venture | | (243) | - | (118) | - |
| Loss before taxation | | (368) | (4,964) | (3,450) | (13,109) |
| Income tax expense | 5 | (52) | (36) | (49) | (38) |
| Loss for the period | 6 | (420) | (5,000) | (3,499) | (13,147) |
| Other comprehensive income/(expenses) after tax: Items that may be reclassified to profit or loss: Exchange differences on translating foreign operations | | (42) | 28 | 30 | (14) |
| Total comprehensive expenses for the period | | (462) | (4,972) | (3,469) | (13,161) |
| Loss for the period attributable to: Owners of the Company | | (452) | (5,000) | (3,532) | (13,147) |
| Non-controlling interests | | 32 | - | 33 | - |
| | | (420) | (5,000) | (3,499) | (13,147) |
| Total comprehensive expenses for the period attributable to: Owners of the Company | | (494) | (4,972) | (3,502) | (13,161) |
| Non-controlling interests | | 32 | - | 33 | - |
| | | (462) | (4,972) | (3,469) | (13,161) |
| Loss per share — basic and diluted (HK cents) | 8 | (0.08) | (0.83) | (0.59) | (2.19) |

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2020

| | Notes | At 30 June 2020 HK\$'000 (unaudited) | At 31 December 2019 HK\$'000 (audited) |
|--|-------|--|--|
| Non-current assets | | | |
| Property, plant and equipment | 9 | 11,004 | 12,042 |
| Computer software | | 148 | 190 |
| Deposit placed in life insurance policies | 10 | 111,423 | 109,770 |
| Right-of-use assets | | 32,491 | 48,904 |
| Interest in an associate | | – | – |
| Interest in a joint venture | | 36 | 154 |
| Goodwill | | 61 | 61 |
| Rental deposits | 11 | 2,970 | 6,898 |
| | | 158,133 | 178,019 |
| Current assets | | | |
| Inventories | | 473 | – |
| Trade receivables | 11 | 88,466 | 84,076 |
| Other receivables, deposits and prepayments | 11 | 9,593 | 3,873 |
| Tax recoverable | | – | 1,624 |
| Pledged bank deposits | 12 | 22,422 | 22,545 |
| Bank balances and cash | | 4,562 | 3,973 |
| | | 125,516 | 116,091 |
| Current liabilities | | | |
| Trade payables | 13 | 35,977 | 35,221 |
| Other payables and accruals | 13 | 8,223 | 7,560 |
| Contract liabilities | | 6,389 | 84 |
| Lease liabilities | | 20,433 | 30,172 |
| Amount due to the controlling shareholder | 14 | 5,746 | 8,746 |
| Amount due to non-controlling interests | | 656 | 656 |
| Bank borrowing and overdrafts | 15 | 152,452 | 148,019 |
| Tax payable | | 140 | 83 |
| | | 230,016 | 230,541 |
| Net current liabilities | | (104,500) | (114,450) |
| Total assets less current liabilities | | 53,633 | 63,569 |

| | At 30 June 2020 HK\$'000 (unaudited) | At 31 December 2019 HK\$'000 (audited) |
|---|---|--|
| Non-current liabilities | | |
| Lease liabilities | 11,083 | 17,791 |
| Deferred tax liabilities | 86 | 97 |
| | 11,169 | 17,888 |
| NET ASSETS | 42,464 | 45,681 |
| Capital and reserves | | |
| Share capital | 6,000 | 6,000 |
| Reserves | 35,936 | 39,420 |
| Equity attributable to owners of the Company | 41,936 | 45,420 |
| Non-controlling interests | 528 | 261 |
| TOTAL EQUITY | 42,464 | 45,681 |

Note

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2020

| | Share capital | Share premium | Capital reserve | Other reserve | Translation reserve | Share Option reserve | Accumulated losses | Total | Non-controlling interest | Total equity |
|--|---------------|---------------|------------------------|-------------------------|---------------------|----------------------|--------------------|----------|--------------------------|--------------|
| | HK\$'000 | HK\$'000 | HK\$'000 (Note (i)) | HK\$'000 (Note (ii)) | HK\$'000 | 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 | - | - | - | - | 30 | - | (3,532) | (3,502) | 33 | (3,469) |
| Establishment of a non-wholly-owned subsidiary | - | - | - | - | - | - | - | - | 234 | 234 |
| Share-based payment | - | - | - | - | - | 18 | - | 18 | - | 18 |
| At 30 June 2020 (unaudited) | 6,000 | 47,755 | 17,659 | 4,658 | 173 | 18 | (34,327) | 41,936 | 528 | 42,464 |
| At 1 January 2019 (audited) | 6,000 | 47,755 | 17,659 | 4,658 | 113 | - | (12,725) | 63,460 | - | 63,460 |
| Total comprehensive expenses for the period | - | - | - | - | (14) | - | (13,147) | (13,161) | - | (13,161) |
| At 30 June 2019 (unaudited) | 6,000 | 47,755 | 17,659 | 4,658 | 99 | - | (25,872) | 50,299 | - | 50,299 |

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) The other reserve represented an amount due to Mr. Cheng, being a controlling shareholder of the Group (the "Controlling Shareholder"), 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 2020

| | Six months ended | |
|---|--|--|
| | 30 June 2020 HK\$'000 (unaudited) | 30 June 2019 HK\$'000 (unaudited) |
| NET CASH GENERATED FROM OPERATING ACTIVITIES | 14,993 | 26,193 |
| INVESTING ACTIVITIES | | |
| Withdrawal of pledged bank deposit | 123 | 6,060 |
| Purchase of property, plant and equipment and computer software | (624) | (2,150) |
| Proceeds from disposal of property, plant and equipment | – | 25 |
| NET CASH (USED IN)/GENERATED FROM INVESTING ACTIVITIES | (501) | 3,935 |
| FINANCING ACTIVITIES | | |
| New bank borrowing raised | 26,176 | 15,363 |
| Repayment of bank borrowings | (21,743) | (22,804) |
| Repayment of lease liabilities | (16,447) | (19,129) |
| Interest paid | (2,140) | (267) |
| Contribution from non-controlling interests | 234 | – |
| NET CASH USED IN FINANCING ACTIVITIES | (13,920) | (26,837) |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | 572 | 3,291 |
| EFFECT OF FOREIGN EXCHANGE RATE CHANGES | 17 | 4 |
| CASH AND CASH EQUIVALENTS AT 1 JANUARY | 3,973 | 6,338 |
| CASH AND CASH EQUIVALENTS AT 30 JUNE | 4,562 | 9,633 |
| Represented by: | | |
| Bank balances and cash | 4,562 | 9,633 |

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands as 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 by way of 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 4.

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 GEM Listing Rules.

2. GOING CONCERN BASIS

The Group incurred a loss of approximately HK\$3,499,000 for the six months ended 30 June 2020 and as at 30 June 2020 the Group had net current liabilities of approximately HK\$104,500,000. 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 2020 have been prepared on the historical cost basis.

The accounting policies and methods of computation used in the unaudited condensed consolidated financial statements for the six months ended 30 June 2020 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2019.

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 2020. 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.

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.

4. 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, for the purposes of allocating resources and assessing performance.

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

- (i) Freight forwarding – provision of air freight and ocean freight forwarding services
- (ii) Logistics – provision of warehousing and other ancillary logistics services
- (iii) E-Commerce – trading of 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 2020 (unaudited)

| | Freight forwarding | | Logistics HK\$'000 | E-Commerce | | Elimination HK\$'000 | Total HK\$'000 |
|----------------------------------|-------------------------|---------------------------|-----------------------|-------------------------|-----------------|-------------------------|-------------------|
| | Air Freight HK\$'000 | Ocean Freight HK\$'000 | | Fulfillment HK\$'000 | | | |
| Segment revenue | | | | | | | |
| External sales | 71,032 | 32,534 | 70,736 | 33,043 | - | | 207,345 |
| Inter-segment sales | 7,723 | 1,311 | 5,819 | 1,354 | (16,207) | | - |
| | 78,755 | 33,845 | 76,555 | 34,397 | (16,207) | | 207,345 |
| Segment results | 4,795 | 4,093 | 6,688 | 4,992 | - | | 20,568 |
| Other income | | | | | | | 3,275 |
| Other gains and losses, net | | | | | | | (1,748) |
| Administrative expenses | | | | | | | (22,472) |
| Finance costs | | | | | | | (2,955) |
| Share of loss of a joint venture | | | | | | | (118) |
| Loss before taxation | | | | | | | (3,450) |

For the six months ended 30 June 2019 (unaudited)

| | Freight forwarding | | Logistics HK\$'000 | E-Commerce | | Elimination HK\$'000 | Total HK\$'000 |
|-----------------------------|-------------------------|---------------------------|-----------------------|-------------------------|----------------|-------------------------|-------------------|
| | Air Freight HK\$'000 | Ocean Freight HK\$'000 | | Fulfillment 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, net | | | | | | | (125) |
| Administrative expenses | | | | | | | (21,155) |
| Finance costs | | | | | | | (3,217) |
| Loss before taxation | | | | | | | (13,109) |

Segment results mainly represented profit earned (loss incurred) by each segment without allocation of other income, other gains and losses, certain administrative expenses, finance costs and share of loss of a joint venture. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

Analysis of the Group's revenue by geographical market is as follows:

| | Six months ended | |
|--------------------------|--|--|
| | 30 June 2020 <i>HK\$'000</i> (unaudited) | 30 June 2019 <i>HK\$'000</i> (unaudited) |
| Hong Kong | 201,062 | 210,992 |
| United States of America | 6,283 | – |
| | 207,345 | 210,992 |

Timing of revenue recognition

| | Freight forwarding | | Logistics <i>HK\$'000</i> | E-Commerce Fulfillment <i>HK\$'000</i> | Total <i>HK\$'000</i> |
|--|--------------------------------|----------------------------------|------------------------------|--|--------------------------|
| | Air Freight <i>HK\$'000</i> | Ocean Freight <i>HK\$'000</i> | | | |
| For the six months ended 30 June 2020 (unaudited) | | | | | |
| At a point in time | – | – | – | 3,406 | 3,406 |
| Overtime | 71,032 | 32,534 | 70,736 | 29,637 | 203,939 |
| | 71,032 | 32,534 | 70,736 | 33,043 | 207,345 |
| 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 |

5. INCOME TAX EXPENSE

| | Six months ended | |
|------------------------|--|--|
| | 30 June 2020 <i>HK\$'000</i> (unaudited) | 30 June 2019 <i>HK\$'000</i> (unaudited) |
| Hong Kong Profits Tax: | | |
| Current tax | 49 | 38 |

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

6. LOSS FOR THE PERIOD

| | Six months ended | |
|---|---|---|
| | 30 June 2020 HK\$'000 (unaudited) | 30 June 2019 HK\$'000 (unaudited) |
| Loss for the period has been arrived at after charging/(crediting): | | |
| Directors' remuneration | 1,833 | 2,584 |
| Other staff costs: | | |
| Salaries and other allowances | 20,687 | 17,622 |
| Retirement benefits scheme contributions | 955 | 739 |
| Share-based payment | 18 | – |
| Total staff costs | 23,493 | 20,945 |
| Depreciation and amortisation | 19,136 | 20,037 |
| Gain on disposal of property, plant and equipment | – | (25) |

7. DIVIDENDS

No dividends were paid, declared or proposed during the six months ended 30 June 2020. The Directors have determined that no dividend will be paid in respect of the six months ended 30 June 2020.

8. LOSS PER SHARE

Basic 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 (2019: 600,000,000) shares of the Company (the "Shares"), being the weighted average number of the ordinary Shares in issue during the relevant periods.

Diluted loss per Share

The diluted loss per share is the same as the basic loss per Share as the computation of diluted earnings per Share does not assume the exercise of the Company's share options because the exercise price of those options was higher than the average market price for the Shares for the six months ended 30 June 2020 and 2019.

9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2020, the Group acquired property, plant and equipment of approximately HK\$624,000 (2019: HK\$2,150,000).

10. DEPOSITS PLACED IN LIFE INSURANCE POLICIES

Two deposits placed in life insurances policies amounted to approximately HK\$100,000,000 (the "HK\$ policy") and approximately US\$644,000 (the "US\$ policy"), 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 the 15th policy year for the US\$ policy.

11. TRADE AND OTHER RECEIVABLES

| | At 30 June 2020 HK\$'000 (unaudited) | At 31 December 2019 HK\$'000 (audited) |
|---|--|--|
| Trade receivables | 88,466 | 84,076 |
| Rental deposits | 7,543 | 7,541 |
| Other prepayments and deposits | 5,020 | 3,230 |
| Total trade and other receivables | 101,029 | 94,847 |
| Analysed as: | | |
| Current assets | | |
| Trade receivables | 88,466 | 84,076 |
| Other receivables, deposits and prepayments | 9,593 | 3,873 |
| | 98,059 | 87,949 |
| Non-current assets | | |
| Rental deposits | 2,970 | 6,898 |
| | 101,029 | 94,847 |

The Group allows a credit period ranging from 15 to 90 days (2019: 15 to 90 days) to its air and ocean freight forwarding and logistics customers and a credit period of 30 days (2019: 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 2020 HK\$'000 (unaudited) | At 31 December 2019 HK\$'000 (audited) |
|---------------|--|--|
| 0–30 days | 38,876 | 41,164 |
| 31–60 days | 17,439 | 18,064 |
| 61–90 days | 5,086 | 7,102 |
| 91–365 days | 20,836 | 17,157 |
| Over 365 days | 6,229 | 589 |
| | 88,466 | 84,076 |

12. PLEDGED BANK DEPOSITS

As at 30 June 2020, the pledged bank deposits represented deposits pledged to banks to secure certain short-term banking facilities granted to the Group and were therefore classified as current assets. The pledged bank deposits would be released upon the settlement of the relevant bank borrowings. The pledged bank deposits carry fixed interest at rates of 0.01% and 2% per annum.

13. TRADE AND OTHER PAYABLES AND ACCRUALS

| | At 30 June 2020 HK\$'000 (unaudited) | At 31 December 2019 HK\$'000 (audited) |
|---|---|---|
| Trade payables | 35,977 | 35,221 |
| Other payables | 1,043 | 2,019 |
| Accruals | 7,180 | 5,541 |
| Total trade and other payables and accruals | 44,200 | 42,781 |

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 dates, at the end of each reporting period:

| | At 30 June 2020 HK\$'000 (unaudited) | At 31 December 2019 HK\$'000 (audited) |
|--------------|---|---|
| 0–30 days | 21,923 | 21,844 |
| 31–60 days | 6,032 | 9,022 |
| 61–90 days | 3,150 | 2,117 |
| Over 90 days | 4,872 | 2,238 |
| | 35,977 | 35,221 |

As at 30 June 2020 and 31 December 2019, certain banks have given performance guarantees covering the Group for payment to their major suppliers.

14. AMOUNT DUE TO THE CONTROLLING SHAREHOLDER

The amount is unsecured, interest-free and no fixed repayment terms.

15. BANK BORROWING AND OVERDRAFTS

During the six months ended 30 June 2020, the Group has drawn down new bank borrowing amounting to HK\$26,176,000 (six months ended 30 June 2019: HK\$15,363,000) which carries variable market interest rates ranging from 2% to 4.46% per annum.

16. SHARE CAPITAL

| | Number of ordinary Shares | Amount <i>HK\$</i> |
|--------------------------------------|--|------------------------------|
| Ordinary Shares of HK\$0.01 each | | |
| Authorised: | | |
| At 31 December 2019 and 30 June 2020 | 1,500,000,000 | 15,000,000 |
| Issued and fully paid: | | |
| At 31 December 2019 and 30 June 2020 | 600,000,000 | 6,000,000 |
| Balance presented in HK\$'000 | | 6,000 |

17. RELATED PARTY TRANSACTIONS

In addition to those related party transactions and balances disclosed elsewhere in the unaudited condensed consolidated financial statements, the Group had the following transactions with its related parties during the periods:

| | Six months ended | |
|--|--|--|
| | 30 June 2020 <i>HK\$'000</i> (unaudited) | 30 June 2019 <i>HK\$'000</i> (unaudited) |
| Ancillary logistics income received from a joint venture | 21,192 | – |

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 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 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 1.8% from approximately HK\$211.0 million for the six months ended 30 June 2019 to approximately HK\$207.3 million for the six months ended 30 June 2020. The decrease in revenue was due to the decrease in revenue generated from ocean freight forwarding services by approximately HK\$31.6 million, partially offset by increase in revenue generated from ancillary logistics services by approximately HK\$15.9 million and increase in revenue generated from air freight forwarding services by approximately HK\$13.4 million for the six months ended 30 June 2020.

The decrease in revenue from ocean freight forwarding services was mainly contributed by the decrease in shipment volume under the orders placed by one of our existing customers during the six months ended 30 June 2020.

Revenue from air freight forwarding services increased for the six months ended 30 June 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 six months ended 30 June 2020.

Revenue from our ancillary logistics services increased for the six months ended 30 June 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 7.2% from approximately HK\$201.3 million for the six months ended 30 June 2019 to approximately HK\$186.8 million for the six months ended 30 June 2020. The decrease in cost of sales was mainly attributable to the decrease in ocean freight costs of approximately HK\$29.8 million, and decrease in e-commerce courier services costs of approximately HK\$10.5 million, which partially offset by the increase in air freight costs of approximately HK\$14.4 million and increase in warehouse direct costs of approximately HK\$11.3 million for the six months ended 30 June 2020.

Gross profit increased by approximately 112.4% from approximately HK\$9.7 million for the six months ended 30 June 2019 to approximately HK\$20.6 million for the six months ended 30 June 2020. Gross profit margin increased from approximately 4.6% for the six months ended 30 June 2019 to approximately 9.9% for the six months ended 30 June 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, which outweighed the increase in e-commerce courier services costs and warehouse services costs.

Other gains and losses, net

Other gains and losses, net increased by around 1,600% from a loss of approximately HK\$0.1 million for the six months ended 30 June 2019 to a loss of approximately HK\$1.7 million for the six months ended 30 June 2020 which mainly due to the increase of expected credit losses for trade receivables by approximately HK\$1.6 million.

Administrative expenses

Administrative expenses increased by approximately 6.1% from approximately HK\$21.2 million for the six months ended 30 June 2019 to approximately HK\$22.5 million for the six months ended 30 June 2020. The increase in administrative expenses was mainly due to the increase in depreciation expenses of property, plant and equipment by approximately HK\$0.8 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 2019 and 2020, respectively.

Total comprehensive expenses attributable to owners

Total comprehensive expenses decreased by approximately 73.5% from approximately HK\$13.2 million for the six months ended 30 June 2019 to approximately HK\$3.5 million for the six months ended 30 June 2020. The decrease in total comprehensive expenses was mainly due to the increase in gross profit margin for our logistics and e-commerce fulfilment business for the six months ended 30 June 2020.

OTHER INFORMATION

INTERIM DIVIDEND

The Directors determined not to pay an interim dividend for the six months ended 30 June 2020 (2019: Nil).

LIQUIDITY AND FINANCIAL RESOURCES, GEARING RATIO

The current ratio of the Group as at 30 June 2020 was 0.5 times as compared to that of 0.5 times as at 31 December 2019. The gearing ratio, calculated based on the total obligations under bank borrowings and overdrafts, divided by total equity at the end of the period and multiplied by 100%, stood at approximately 359.0% as at 30 June 2020 (31 December 2019: approximately 324.0%). With available bank balances and cash, bank credit facilities and financial support of the Controlling Shareholder, the Group has sufficient liquidity to satisfy its funding requirements.

CAPITAL STRUCTURE

The Shares were listed on GEM (the “**Listing**”) on 7 October 2016. 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 4 to the unaudited condensed consolidated financial statements.

CHARGE ON THE GROUP’S ASSETS AND CONTINGENT LIABILITIES

As at 30 June 2020, the Group has pledged its bank deposits and deposits placed in life insurance policies to a bank for an amount of approximately HK\$22.4 million and approximately HK\$111.4 million, respectively (31 December 2019: HK\$22.5 million and HK\$109.8 million, respectively) to secure the general banking facilities granted to the Group with an outstanding amount of indebtedness of approximately HK\$152.5 million as at 30 June 2020 (31 December 2019: HK\$148.0 million). The Group had no material contingent liabilities as at 30 June 2020 and as at 31 December 2019, respectively.

EXPOSURE TO EXCHANGE RATE FLUCTUATION

As the Group’s revenue generating operations are mainly transacted in HK\$, RMB 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 2020, the Group employed 161 (30 June 2019: 119) full time employees. The staff costs, including the Directors' emoluments, of the Group were approximately HK\$23.5 million for the six months ended 30 June 2020 (30 June 2019: approximately HK\$20.9 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 2020. 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 2020.

MATERIAL ACQUISITIONS AND DISPOSALS

During the six months ended 30 June 2020, 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 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 six months ended 30 June 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 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 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, 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 | Approximate percentage of the Company's issued share capital |
|--|------------------------------------|----------------------------------|---|
| Mr. Tai King Fung | Beneficial owner | 100,000 | 0.02% |

Long position in the underlying shares of equity derivatives of the Company

Under the share option scheme of the Company as mentioned in the section headed "Share Option Scheme" below, share options were granted to the following Directors which entitled them to subscribe for the Shares. Details of the share options of the Company held by them as at 30 June 2020 were as follows:

| Name of Director | Capacity/ Nature of interest | Date of grant | Exercise period | Number of | Exercise price per Share (HK\$) | Approximate |
|--------------------|---------------------------------|---------------|------------------------------|--|---------------------------------|--|
| | | | | Shares over which options are exercisable as at 30 June 2020 | | percentage of interest in the issued Shares as at 30 June 2020 |
| Mr. Ng Chin Hung | Beneficial owner | 24 June 2020 | 24 June 2020 to 23 June 2030 | 3,000,000 | 0.2066 | 0.5% |
| Mr. Cheng Tak Yuen | Beneficial owner | 24 June 2020 | 24 June 2020 to 23 June 2030 | 1,500,000 | 0.2066 | 0.25% |
| Total: | | | | 4,500,000 | | 0.75% |

Save as disclosed above, as at 30 June 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 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 2020, 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% |
| Mr. Cheng | Interest in a controlled corporation (<i>Note 1</i>) | 450,000,000 | 75% |
| Ms. Tai Choi Wan, Noel | Interest of spouse (<i>Note 2</i>) | 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 all 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 all the Shares in which Mr. Cheng is interested under the SFO.

Save as disclosed above, as at 30 June 2020, 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 2019 annual report of the Company.

On 24 June 2020, a total of 10,500,000 share options (the “**Option(s)**”) were granted under the Share Option Scheme. As at 30 June 2020, a total of 10,500,000 Options granted under the Share Option Scheme were outstanding.

Movement of the Options, which were granted under the Share Option Scheme, during the six months ended 30 June 2020 are listed below in accordance with Rule 23.07 of the GEM Listing Rules:

| Category | Date of grant | Vesting date (Note c) | Number of Options | | | | Outstanding as at 30/06/2020 | Exercise price HK\$ | Exercise period |
|----------------|---------------|--------------------------|------------------------------------|-------------------------------|---------------------------------|--------|------------------------------------|---------------------------|-----------------------|
| | | | Outstanding as at 01/01/2020 | Granted (Notes a and b) | Exercised (Notes a and b) | Lapsed | | | |
| 1. Directors | | | | | | | | | |
| Ng Chin Hung | 24/06/2020 | 24/06/2021 (50%) | - | 1,500,000 | - | - | 1,500,000 | 0.2066 | 24/06/2021–23/06/2030 |
| | 24/06/2020 | 24/06/2022 (50%) | - | 1,500,000 | - | - | 1,500,000 | 0.2066 | 24/06/2022–23/06/2030 |
| Cheng Tak Yuen | 24/06/2020 | 24/06/2021 (50%) | - | 750,000 | - | - | 750,000 | 0.2066 | 24/06/2021–23/06/2030 |
| | 24/06/2020 | 24/06/2022 (50%) | - | 750,000 | - | - | 750,000 | 0.2066 | 24/06/2022–23/06/2030 |
| 2. Employees | 24/06/2020 | 24/06/2021 (50%) | - | 3,000,000 | - | - | 3,000,000 | 0.2066 | 24/06/2021–23/06/2030 |
| | 24/06/2020 | 24/06/2022 (50%) | - | 3,000,000 | - | - | 3,000,000 | 0.2066 | 24/06/2022–23/06/2030 |
| Total: | | | - | 10,500,000 | - | - | 10,500,000 | | |

Notes:

- a. The weighted average closing price of the ordinary shares of the Company immediately before the date on which the Options were granted was HK\$0.2066.
- b. During the period, 10,500,000 Options were granted under the Share Option Scheme. No Option was transferred from/to other category, lapsed or cancelled under the Share Option Scheme.
- c. For the vesting schedule of the Options, 50% of the Options will be vested on the respective grantees on 24 June 2021; and the remaining 50% of the Options will be vested on the respective grantees on 24 June 2022.
- d. There are no participants with options granted in excess of the individual limit and no grants to suppliers of goods and services.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Other than the Share Option Scheme disclosed above, at no time during the six months ended 30 June 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 30 June 2020 or at any time during the six months ended 30 June 2020.

COMPETING INTEREST

For the six months ended 30 June 2020, 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.

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 six months ended 30 June 2020 (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

The Board is not aware of any significant event requiring disclosure that has taken place subsequent to 30 June 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 six months ended 30 June 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, 7 August 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.